

# THE WALL STREET JOURNAL.

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★★★★ \$4.00

DJIA 26828.39 ▲ 54.45 0.2%

NASDAQ 8025.09 ▲ 0.3%

STOXX 600 383.84 ▲ 0.5%

10-YR. TREAS. ▼ 28/32, yield 3.15%

OIL \$76.41 ▲ \$1.18

GOLD \$1,198.30 ▼ \$4.10

EURO \$1.1480

YEN 114.53

## What's News

### Business & Finance

**I**nvestors propelled bond yields to multiyear highs as robust economic data and an easing of trade tensions across North America sparked fresh optimism about the global growth outlook. **A1**

◆ The Dow closed at a record 26828.39, rising 0.2%. The S&P 500 notched a slight gain. **B1**

◆ The average cost of employer health coverage offered to workers rose to nearly \$20,000 for a family plan this year, a survey found. **A1**

◆ China is planning to sell \$3 billion in U.S. dollar bonds this month. **B1**

◆ Honda is investing \$750 million in GM's self-driving car unit, with plans to commit an additional \$2 billion. **B1**

◆ Mall vacancy rates rose to 9.1% last quarter, their highest level in seven years. **B1**

◆ Peabody Energy has held talks to buy Drummond, Colombia's top coal exporter. **B1**

◆ Barnes & Noble said it is considering a sale of the company after receiving multiple expressions of interest. **B3**

◆ Blackstone agreed to buy Clarus, an investment firm focused on life sciences. **B3**

◆ eBay is accusing Amazon's sales representatives of trying to poach sellers for its own marketplace. **B4**

◆ Hedge fund Highfields is returning client funds and converting into a family office. **B10**

◆ The European Parliament proposed stricter emission targets for auto makers. **B3**

◆ The Fed is reviewing whether to update its payments infrastructure. **B10**

### World-Wide

◆ McConnell set up a critical procedural vote on Kavanaugh for Friday as senators prepared to scrutinize an FBI report into allegations of sexual assault against the nominee. **A1, A4**

◆ The U.K.'s May rejected criticisms of her Brexit plan from rebels within her Conservative Party, hitting back at rivals at a party conference. **A8**

◆ Aid workers in Indonesia are struggling to deliver vital supplies to survivors of last week's deadly earthquake and tsunami. **A10**

◆ Malaysian prosecutors charged the wife of ex-leader Najib in connection with the 1MDB scandal. **A10**

◆ Turkey and Saudi Arabia were at odds over the disappearance in Istanbul of a prominent Saudi journalist. **A11**

◆ Democrats will seek a firsthand look at Trump's tax returns if they take control of the House or Senate, lawmakers said. **A7**

◆ A U.N. court ordered the U.S. to suspend sanctions against Iran that impede trade in humanitarian goods and civil aviation. **A11**

◆ Seven law-enforcement officers in South Carolina were shot, at least one fatally, after deputies were ambushed while serving a warrant. **A2**

◆ Officials detained a man in Utah in connection with letters sent to the Pentagon that initially were believed to contain the poison ricin. **A7**

◆ U.S. traffic fatalities fell in 2017 but remained at a near-decade-high level. **A6**

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## U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## Trade Deal Shows Limits of 'America First'



To free traders, the new Nafta is a bitter pill to swallow. It introduces managed trade to autos, waters down foreign rights of corporations and normalizes national security as a pretext for tariffs. Many of its improvements, such as on intellectual property and labor rights, were already in the 12-nation Trans-Pacific Partnership, from which President Trump has withdrawn.

But the verdict is different when judged by a different standard—how the world's trading system survives the most protectionist U.S. administration in memory. The new deal shows the limits to Mr. Trump's "America First" agenda and an underlying resilience to the existing order. The reason: The resistance Mr. Trump encountered from Congress, business, his own advisers and U.S. trading partners circumscribed his

leverage and may again in the future.

At the outset, the U.S. held all the cards: Mexico and Canada depended far more on exports to the U.S. than vice versa. Mr. Trump shared none of his predecessors' affection for trade agreements. His threats to abandon the North American Free Trade Agreement, the U.S.-Korea Free Trade Agreement and even the World Trade Organization weren't hollow. He proved this with unilateral tariffs on washing machines, solar panels, steel and aluminum.

In the end, the new U.S.-Mexico-Canada Agreement looks a lot like the old one. Mexico's only significant concession was on autos and parts: Rules require more North American production, higher wages and potential tariffs if exports to the U.S. exceed 2.6 million vehicles.

Yet these auto rules may have little practical signifi-

cance. Jeff Schuster, of consulting firm LMC Automotive, says some lower-priced models assembled in Mexico by Volkswagen, Mazda and other manufacturers may no longer qualify for duty-free entry. Rather than shift production to the U.S., they may simply pay the 2.5% tariff, he says.

The cap on exports may discourage manufacturers from expanding capacity in Mexico but won't affect current shipments, since U.S. auto demand has stagnated. Canada also faces an export cap, but it is far above current exports and thus even less likely to bind.

**O**nce the U.S. had a deal with Mexico, it urged Canada to sign on or be left out. But Canadian negotiators, who have a reputation for intransigence dating back to the original 1988 trade deal with the U.S., didn't capitulate. Canada also had cultivated allies among U.S. governors, senators, con-

gressmen and business groups.

Ron Johnson, Republican senator from Wisconsin, says he made the case to Mr. Trump's advisers for a deal including Canada, not just Mexico. He says he told them what "businesses on the ground were experiencing be-

**New U.S.-Mexico-Canada deal reveals underlying resilience in the existing order.**

cause of the steel and aluminum tariffs, and what would happen if we weren't able to continue a free-trade zone in North America." Wisconsin farmers were upset last year when Canada blocked imports of their ultrafiltered milk. Mr. Johnson said Canada's ambassador reached out to Canadian-owned pro-

cessors in Wisconsin who bought the milk, saving those farmers from lost sales.

**H**ad U.S. negotiators proceeded without Canada, there was a real risk that Congress wouldn't ratify an agreement with only Mexico, particularly if Democrats take control of the House of Representatives in November.

How that risk affected the outcome is unclear. Canada did end up making an important concession by expanding U.S. access to its heavily protected dairy market. The U.S. gave imports more access to its protected peanut-butter and sugar markets. So this is a genuine victory for free trade that benefits consumers.

Meanwhile, Canada succeeded in preserving binational panels that can overrule U.S. decisions to impose anti-dumping and countervailing duties. That was a notable concession by U.S.

Trade Representative Robert Lighthizer, who as a private lawyer representing companies seeking protection, had suffered a reversal at the hands of such a panel and long complained that they infringe on U.S. sovereignty.

The outcome has important lessons for future trade negotiations. Mr. Trump will soon be negotiating with Japan and the EU over steel and autos. Yet his leverage will be constrained by pressure from exporters and businesses in the U.S. that stand to lose from higher costs at home and retaliation abroad, and consequently resistance from Congress than his threats to scrap Nafta.

Sometime next year Mr. Trump will have to get Congress to approve the USMCA. He may then find himself extolling the sorts of deals he has long disparaged.

## Halloween Preparations Begin in Earnest



MONSTER MASH: Liam Vasquez, 2, and his father, Will, inspected Halloween masks at a Target on Wednesday in Pembroke Pines, Fla.

## Officers Are Shot In South Carolina

BY VALERIE BAUERLEIN

Seven law-enforcement officers were shot, at least one fatally, after sheriff's deputies were ambushed Wednesday while serving a warrant in a suburb of Florence, S.C., authorities said.

Florence County Sheriff's Office deputies were seriously injured at Vintage Place, an affluent subdivision in the central part of the state, officials said at a news conference Wednesday evening.

The deputies at the house asked for assistance, and Florence police officers arrived to help, Florence Police Chief Alen Heidler said.

One police officer, whom he didn't name, was fatally shot. Three other officers and three deputies were wounded by gunfire, he said.

"They were responding to the scene of an incident where they knew that their brothers and sisters of the sheriff's de-

partment were in need," Chief Heidler said. "This has been an absolutely horrendous evening."

A man inside the house, whom officials didn't identify, surrendered after negotiating with police. There were children in the home who were safely taken into police custody, officials said.

No motive has been revealed in the incident.

Florence Mayor Stephen J. Wukela said the officers "came to the aid of one another and had great loss in that effort."

President Trump tweeted that his thoughts and prayers were with the sheriff's office and police department. "We are forever grateful for what our Law Enforcement Officers do 24/7/365," he said.

South Carolina Gov. Henry McMaster also asked for prayers, tweeting: "The selfless acts of bravery from the men and women in law enforcement is real, just like the power of prayer is real."

## Services Sector Hits High as Spending Soars

BY SHARON NUNN

WASHINGTON—Ramped-up purchasing in the services sector and spending by local governments at the end of their fiscal year pushed services-sector activity to the highest level on record.

The Institute for Supply Management on Wednesday said its nonmanufacturing index rose to 61.6 in September, the highest reading going back to 2008. A reading above 50 indicates activity is expanding across service and other industries, while a number below 50 signals contraction.

Production, new orders and employment all picked up rapidly, with businesses feeling the current euphoria of robust economic and job growth, strong consumer confidence and concomitant spending.

Though the figure bodes well for economic growth in the coming quarters, much of the sector's September growth appears to come from positioning in preparation for the Trump administration's tariffs and retaliatory tariffs from foreign countries.

Anthony Nieves, who oversees the ISM survey of purchasing and supply managers, said businesses in the services sector were increasing inventories, importing and exporting in anticipation of coming trade actions.

"Our general state of business is strong, but there is a lot of uncertainty [about] the pending tariffs.... This may cause a shift [in] production sites," a business in the retail trade sector told ISM.

Previous economic reports have showed similar trends.

## CORRECTIONS &amp; AMPLIFICATIONS

**Tesla Inc. delivered** 55,840 Model 3 sedans in the third quarter. In some editions Wednesday, a Business & Finance article about Tesla's vehicle production and deliveries incorrectly said 55,849.

**The Greater Sunrise fields** hold an estimated 225.9 million barrels of condensate. A Markets article Tuesday about ConocoPhillips's agreement to sell its stake in the Greater Sunrise natural-gas project to the government of Timor-Leste incorrectly said 225.9 barrels.

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

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## Bullish Data Lifts Yields

**Continued from Page One**  
Miller, director of equities at GW&K Investment Management.

Investors are cognizant that risks remain, particularly outside of the U.S. International Monetary Fund Managing Director Christine Lagarde warned Monday that the group's official economic forecasts have "become less bright."

Yet so far, many believe the U.S. is on strong enough footing to power on—a contrast to 2015, when investors had worried that signs of a slowdown in China were possibly a prelude to a U.S. recession.

Combined with investors' hopes that the U.S. will ultimately reach a trade agreement with China, and "you can now look to 2019 with some greater confidence in both the growth of the economy, the growth in profits and the sustainability of those profits," Mr. Miller said.

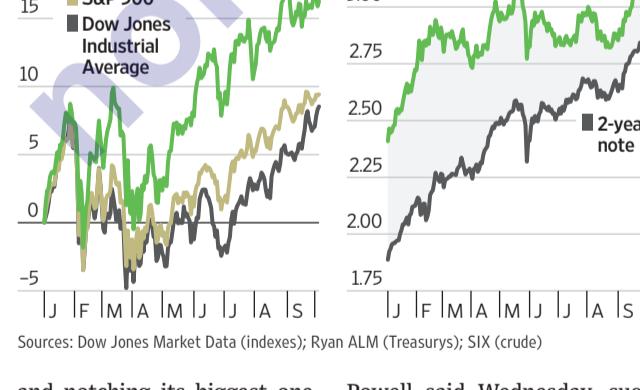
The S&P 500 rose less than 0.1% to 2925.51 Wednesday, while the Dow added 0.2% to 26828.39, boosted by shares of banks and manufacturers. U.S. crude oil for November delivery jumped 1.6% to \$76.41 a barrel, settling at its highest level since November 2014 and driving up inflation expectations.

Treasury yields weakened as investors bet on stronger growth and inflation, which could spur a faster pace of interest-rate increases from the Federal Reserve. The yield on the benchmark 10-year U.S. Treasury note climbed to 3.159% from 3.056% Tuesday, settling at its highest level since July 2011

## Brighter Outlook

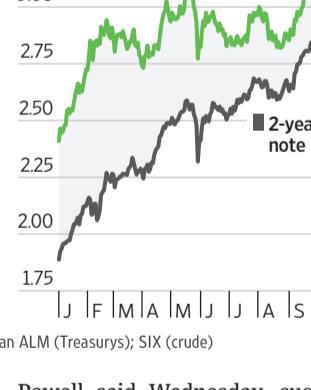
Stocks rose, while bond yields and crude-oil prices soared to multiyear highs, as investors renewed bets on the global economy.

## Index performance



Sources: Dow Jones Market Data (indexes); Ryan ALM (Treasuries); SIX (crude)

## Treasury yields



10-year note  
2-year note

Source: Dow Jones Market Data

and auto sectors. Sales of existing homes fell in August for a sixth consecutive month, pressured by a combination of rising mortgages and a lack of inventory.

Major auto makers ranging from Ford Motor Co. to Nissan Motor Co. reported on Tuesday that U.S. sales slid in September.

Still, the strength of the broader economy has helped offset investors' concerns about areas that have stumbled.

And some believe that bond yields, which are now approaching the upper range of where many analysts had forecast they would end the year, may struggle to keep rising at their current pace.

Higher bond yields can draw buyers back into the market, especially with yields in other developed markets remaining relatively low.

"The [U.S.] data is broad, deep and sustainable," Mr. Miller said, adding that he believes the economic cycle has shown it has plenty of room to run.

—Sam Goldfarb contributed to this article.

## U.S. NEWS

# Brain Scans Gauge Workers

Research on surgeons showed brain activity altered with skill level; hints about fatigue

BY DANIELA HERNANDEZ

To gain new insight into how highly specialized workers learn skills or react to stressful situations, researchers are leveraging advanced scanning technologies to look at what is happening inside the brain.

In the latest findings, a team of researchers studied surgeons as they performed surgical simulations and found they could identify novice from experienced surgeons by analyzing brain scans taken as the physicians worked.

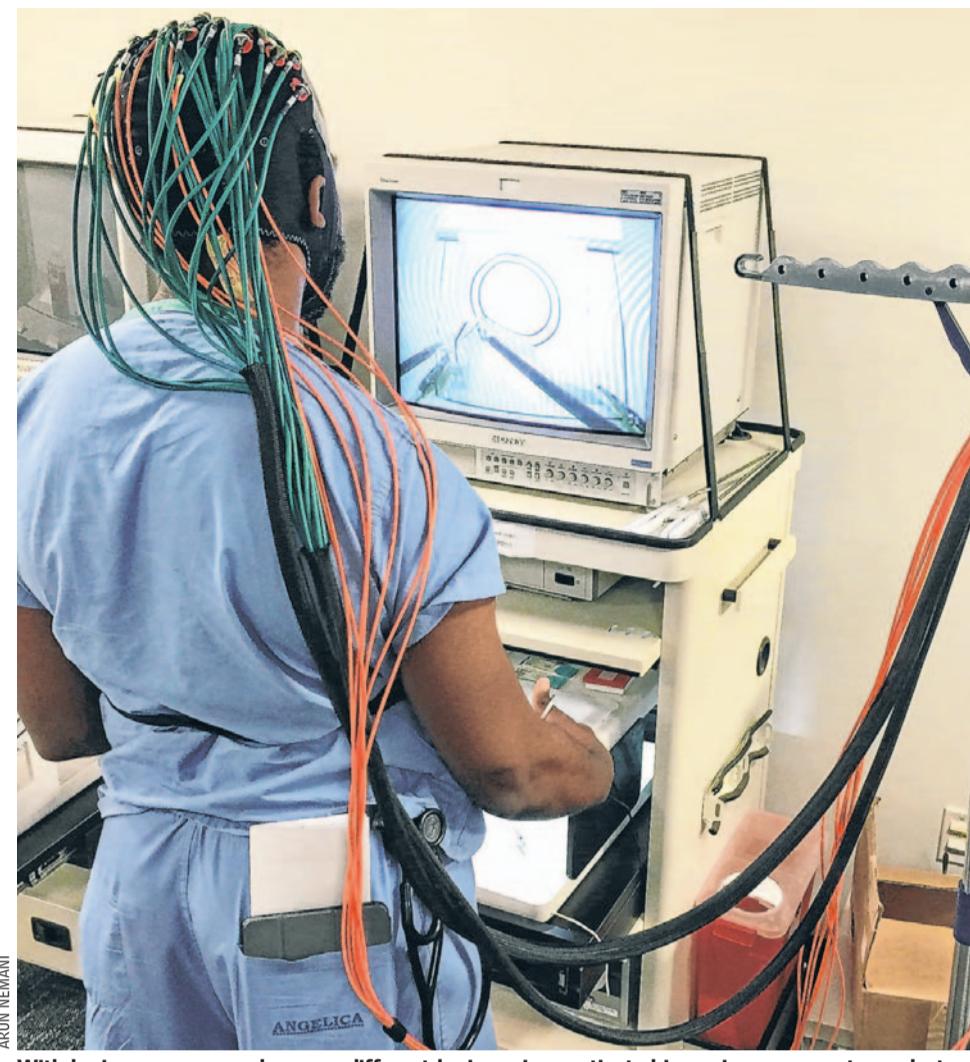
The researchers, who described their findings Wednesday in the journal *Science Advances*, said that the part of the brain involved in planning complex behaviors was more active in the novices. Skilled surgeons had more activity in the motor cortex, which is important for movement. The researchers, who developed a machine-learning system to analyze the scans, also showed that training resulted in a shift toward higher activity in the motor cortex.

In total, the brains of roughly 30 surgeons and trainees were monitored while they performed pattern-cutting tasks that are part of professional tests for certifications. The brain-data metrics were more accurate than current professional tests used to assess the same manual skills, according to the study. The researchers said the system is experimental and still in early testing.

Biomedical engineers not involved in the research called the findings exciting and a step toward systems that can assess levels of expertise and competence using neurological data. They add to a growing body of research on the brain activity of aircraft pilots, air-traffic controllers, athletes, doctors and others to gauge mental workload, skills learning and hand-eye coordination. Such information could have implications for how workers are trained and how they do their jobs, bioengineers said.

Researchers think such devices could be used to give workers feedback about their performance and to predict who would be a good baseball player or surgeon.

Neural data could offer more objective measures of performance and proficiency than medical-certification boards now use, according to the research team, which included engineers and surgeons. Ultimately, they want to improve the way surgeons



With brain scans, researchers see different brain regions activated in novice versus veteran doctors.

## It's All in Your Head

Brain activity between skilled surgical practitioners and unskilled practitioners differs, according to new research using brain scans.



### Primary motor-cortex and supplemental-motor area

These regions are responsible for motor function and were more active for skilled medical practitioners.

### Prefrontal cortex

Planning complex behaviors occurs in this region, which was more active for unskilled medical practitioners.

Source: Nemani et al., *Science Advances*

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are trained, not limit what they can do, they said. A future iteration of their technology could be used to assess comfort levels with certain medical procedures or to help doctors figure out whether they are rusty on certain skills or too fatigued to operate, they said.

The team is looking to test their system in more realistic settings and to include tests of cognitive skills, according to the researchers. For the current study, they assessed only motor performance.

Critical to the success of the technology is the "social issue of acceptance," said Suvarna De, the director of the Rensselaer Polytechnic Institute's Center for Modeling, Simulation and Imaging in Medicine in Troy, N.Y. Doctors

must want to use it, said Dr. De, who co-led the research. Some neuroethicists worry about making brain assessments compulsory.

In recent years, tools to measure human-brain activity while people are active—rather than sitting still in giant scanners—have improved and become more widely available. That allows scientists to get data in environments closer to what a person would experience normally.

The researchers in Wednesday's paper relied on a technology known as fNIRS, short for functional near-infrared spectroscopy. A person wears a skull cap embedded with tiny lasers that beam near-infrared light into the skull. Some of that light reflects back out and can be captured

by a detector placed nearby.

The quality of the detected light gives scientists clues as to whether blood flowing to the brain is oxygenated or not. An increase in oxygenated blood suggests more brain activity. The device, which had 16 of such optical sensors, doesn't measure neural activity directly.

Hasan Ayaz, a Drexel University biomedical engineer experienced with building fNIRS devices, said the basic principles reported in the study, in which he wasn't involved, could eventually be useful in fields like design and marketing to understand how people use products or make purchasing decisions. There is growing interest in such optical sensors among researchers world-wide, he said. Similar technology is being used to detect brain bleeds, he added.

Silicon Valley investors looking to develop mass market brain interfaces are also experimenting with fNIRS and other similar technologies. Facebook Inc. is reportedly developing brain optical imaging tech. The company didn't respond to a request for comment.

In the past year or so, the decades-old fNIRS technology has "had this surprising renaissance ... because of [Silicon Valley's] investment," said Elizabeth Hillman, a biomedical engineer at Columbia University's Zuckerman Institute.

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## U.S. NEWS

# Kavanaugh Vote to Test Murkowski

By SIOBHAN HUGHES  
AND JIM CARLTON

**ANCHORAGE**—The nomination fight over Supreme Court nominee Brett Kavanaugh is testing the independent streaks of several moderate senators, including Alaska's Lisa Murkowski whose extraordinary, write-in re-election victory eight years ago has left her less shackled to the party hierarchy.

Ms. Murkowski this week dismissed demands to act quickly on the nomination. Senate Majority Leader Mitch McConnell (R., Ky.) has said that he plans to vote soon after the expected release of a Federal Bureau of Investigation probe into allegations of sexual assault and misconduct leveled against the nominee.

"He talked about a vote last week, too," Ms. Murkowski said.

To prevail, Mr. McConnell can lose only one Republican if all Democrats oppose the nominee, who has denied the allegations against him. Three Republicans are undecided: Ms. Murkowski as well as Sens. Jeff Flake of Arizona and Susan Collins of Maine.

While Ms. Collins and Mr. Flake have been in the spotlight, particularly because of his decision to broker a Judi-

cary Committee deal to allow time for the FBI probe, Ms. Murkowski has been able to minimize attention in Washington.

In an interview Tuesday with Alaska Public Media, Ms. Murkowski called the volume of constituent feedback unprecedented. "All of the voice-mail boxes are literally filled within the first hour," she said. "We've hired additional staff to do nothing more than sort through the volume of calls that have come in overnight."

Her final decision on the nomination is complicated because it touches many forces that animate her politics. Ms. Murkowski, 61, has a history of prioritizing women's causes, and polls show a sharp gender gap in which a plurality of women oppose Judge Kavanaugh while men support him. But as one of the last remaining swing votes, she also uses her power cautiously, tending to break with her party only to help Alaska. That was the case when she voted against a GOP attempt to repeal the Affordable Care Act partly because of threatened Medicaid cuts and against school-choice advocate Betsy DeVos to run the Education Department because of threats to rural public-school



Sen. Lisa Murkowski is one of three Republican senators who are undecided on Brett Kavanaugh's nomination to the Supreme Court.

budgets. The Republican senator stayed with the herd when the GOP last year drove through a sweeping, \$1.5 trillion tax cut.

"Lisa is on this kind of teeter-totter," said Ivan Moore, an Anchorage polling expert. "Whenever it totters too much to one side, she throws some red meat to the other side."

In Alaska, the battle for her vote is becoming pitched. On the left, her office has been barraged with emails, letters and calls from unions, tribes, women's groups and others opposing Judge Kavanaugh's confirmation on multiple grounds. This week, about 100 women representing the

groups were scheduled to make the 3,400-mile flight to Washington to register their views in person.

"She voted the right way on health care and we want to make sure she does so again," said Kim Hays, deputy political director for the Alaska AFL-CIO, which opposes Judge Kavanaugh partly on the basis of past rulings in which the group says he often sided with employers over workers.

Meanwhile, 39 leaders of the Alaska Republican Party signed a letter to Ms. Murkowski asking that she vote in favor of the judge at a meeting last month in Wasilla.

"I will be sorely disap-

pointed if she doesn't, and shocked," said Tuckerman Babcock, chairman of the state party.

The push-and-pull has given Ms. Murkowski leverage. She owes little to the GOP establishment; she was left for dead in her 2010 race, when she lost a Republican primary but mounted a successful write-in campaign with the help of traditional Democratic constituencies like women and Alaska Natives.

A survey completed on Sept. 25 by Mr. Moore's Alaska Survey Research found she has a higher approval rating among Democrats than Republicans, in large part because

she is a centrist Republican in a state party dominated by conservatives. Mr. Moore's survey of likely Alaska voters found 46.5% of them would like for Ms. Murkowski to vote yes on Judge Kavanaugh while 43.4% said no and 10% were undecided.

So far, Ms. Murkowski's influence has been most visible in her decision to join Sens. Flake and Collins to insist on a supplemental FBI investigation into sexual-assault allegations raised by Christine Blasey Ford. Dr. Ford said Judge Kavanaugh sexually assaulted her when they were teenagers and he was drunk. He has denied the allegation.

## The Man Behind the Nominee's Strategy: Don McGahn

By PETER NICHOLAS

**WASHINGTON**—Waiting his turn to testify last week before the Senate Judiciary Committee, Brett Kavanaugh had a private word with White House counsel Don McGahn, who has been shepherding his Supreme Court nomination.

Mr. McGahn cleared the holding room of staff, people familiar with the matter said.

Christine Blasey Ford had just told senators that Judge Kavanaugh had sexually assaulted her when they were teens, and White House aides worried her account was compelling. Sitting with Judge Kavanaugh and his wife, Mr. McGahn told him he shouldn't hold back: When facing the senators he should show his true feelings about accusations that he said are false, the people said.

Judge Kavanaugh offered an impassioned and raw defense of his career and character. It isn't clear yet whether the ap-

proach worked. Some senators say they were put off by Judge Kavanaugh's combative tone, questioning whether he has the temperament to serve on the high court. But President Trump said he was pleased by the performance.

As the Senate vote on Judge Kavanaugh's nomination nears, the verdict will be a referendum of sorts on a strategy devised by Mr. McGahn, who is slated to step down from the White House once the drama is resolved. Both Mr. McGahn and Judge Kavanaugh declined to comment for this article.

Mr. McGahn took a risk after Dr. Ford first went public with the allegations, advising that Judge Kavanaugh give a TV interview to rebut the charges on a bigger public forum, a White House official said. Putting a Supreme Court nominee on television before the confirmation vote is unprecedented in modern times. In the Fox News interview,

Judge Kavanaugh leaned on talking points and presented himself as a model teen—an image at odds with some classmates' later depictions of him as a hard-partying student.

Still, White House officials, who have been monitoring focus groups measuring political fallout from the Kavanaugh nomination, say the TV appearance galvanized older women voters who are part of the president's political base.

From the first, the White House has described the Kavanaugh nomination as a campaign with Mr. McGahn in the role of day-to-day manager and chairman. Mr. McGahn comes out of conservative legal circles and had admired Judge Kavanaugh's writings on the U.S. Court of Appeals for the District of Columbia, a person familiar with the matter said.

Since the nomination in July, the men have worked in tandem. The White House counsel accompanied the judge to Cap-



White House Counsel Don McGahn looking at Brett Kavanaugh.

itol Hill for days of courtesy calls to senators. When Judge Kavanaugh first testified before the Senate Judiciary Committee, Mr. McGahn sat behind him.

At a preparation session be-

fore testifying last week about the sexual-assault allegations, Judge Kavanaugh spoke to the assembled aides and sought to break the tension. Anticipating practice questions about his

sex life and drinking habits, he said: "You're about to learn more about me than you ever wanted to know," according to people familiar with the matter.

Judge Kavanaugh recently engaged behind the scenes after learning of a New Yorker magazine article being prepared that would describe an alleged incident at Yale University in which a classmate, Deborah Ramirez, said he exposed himself to her at a drunken party. Mr. Kavanaugh has denied the accusation.

In a memo about text messages she exchanged with fellow former Yale classmates ahead of the article's publication, Kerry Berchem described frequent contacts between Judge Kavanaugh, his team and his former classmates, according to a copy of the document reviewed by The Wall Street Journal.

—Rebecca Ballhaus  
and Jess Bravin  
contributed to this article.

## Senators Turn to FBI Report

**Continued from Page One**  
the FBI, according to people familiar with the matter. It was unclear whether the White House had completed its review of the FBI interview reports. A White House spokesman declined to comment.

Senators of both parties have voiced dismay at the personal tenor of the confirmation fight since Christine Blasey Ford, a California psychology professor, came forward on Sept. 16 to allege that Judge Kavanaugh had sexually assaulted her when they were teenagers, which he categorically denied. The dispute appears to be nearing its conclusion, but senators said they worried the wounds it opened may linger for years.

As the end approached, it remained unclear whether Judge Kavanaugh would have the support to be confirmed, given the GOP's narrow 51-49 advantage in the Senate. Three crucial Republican senators have said their decision would depend in part on the findings of the Federal Bureau of Investigation report.

Mr. McConnell has said the report won't be made public, and it isn't expected to draw explicit conclusions, so senators could take different messages from it.

Judiciary committee staff will be briefed on the FBI report on Thursday morning, separated by party, with Republicans going first. The Democratic and Republican caucuses will then have separate briefings from staff.

The report will be held in a secure room. Senators and staffers will not be allowed to speak publicly about details contained in the report.

Before the report's completion, Democrats said they were concerned that the investigation wouldn't be comprehensive. Sen. Dianne Feinstein of California, the top Democrat on the Senate Judiciary Committee, said the fact that the FBI apparently wasn't interviewing Judge Kavanaugh or Dr. Ford, among others, "raises serious concerns that this is not a credible investigation."

No matter the outcome, the fight is on track to leave behind a divided country, a potentially more politicized Supreme Court and continued disagreement on who was victimized.

Sen. Chris Coons (D., Del.) said he talked to his colleagues at a bipartisan prayer breakfast on Wednesday about repairing their relationships.

Sen. Chris Murphy (D., Conn.) said Judge Kavanaugh's attacks on Democrats at last week's hearing could cause lasting damage.

"I really worry about how Kavanaugh's exposed himself as a partisan because I think that will provide incentive for a Democratic president to put a blatant, unrepentant partisan up for confirmation as well," he said.

With the tension in the Senate high, and lawmakers, such as Sen. Susan Collins (R., Maine) surrounded by extra security, Mr. McConnell cast Republicans as the targets.

"There's no chance in the world they're going to scare us out of doing our duty," he said on the Senate floor. "I don't care how many members they chase, how many people they harass here in the halls....We will not be intimidated by these people."

The FBI report will cover allegations brought by Dr. Ford and Deborah Ramirez, a Yale classmate who told the New Yorker that Judge Kavanaugh

two friends Judge Kavanaugh named in his 1982 calendar, Tim Gaudette and Chris Garrett, known as "Squid," according to their lawyers.

Judge Kavanaugh's calendar indicated that on July 1, 1982, he went to "Timmy's" house for "skis w/Judge, Tom, PJ, Bernie, Squid." He told lawmakers the entry was a reference to brewskis, or beers, at Mr. Gaudette's home.

Investigators haven't interviewed Dr. Ford, her attorneys said Wednesday.

Asked why he thought the FBI didn't reach out to the key accuser, Sen. Chuck Grassley (R., Iowa), chairman of the Judiciary Committee, said that investigators could review transcripts from the hearing.

Several Republicans criticized Mr. Trump on Wednesday for mocking Dr. Ford's testimony at a political rally in Mississippi late Tuesday. The GOP president cited a series of details he said she couldn't recall about the alleged incident.

"How did you get home? I don't remember," Mr. Trump asked, mimicking a questioner at last week's hearing and Dr. Ford's response. He continued in that vein.

Mr. Flake was sharply critical.

"There is no time and no place for remarks like that, but to discuss something this sensitive at a political rally is just not right," he said on NBC. "I wish he hadn't done it, and I just say it's kind of appalling."

White House spokeswoman Sarah Sanders said the president was simply "stating the facts that Dr. Ford herself laid out in her testimony."

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FBI agents have interviewed three people Dr. Ford said were at the social gathering where the alleged assault took place. The bureau also questioned

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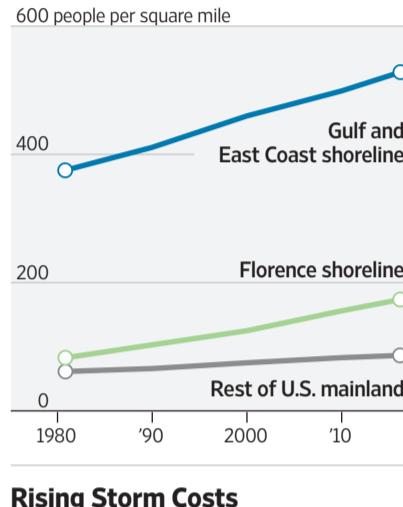
## U.S. NEWS

# Hurricane Costs Grow as Population Shifts

Storm damage rises as coasts get more crowded with people in path of destruction

From 1980 to 2017, counties along the U.S. shoreline that endured hurricane-strength winds from Florence in September experienced a surge in population, with an increase of 95 people per square mile. Overall, Gulf and East Coast shoreline counties, those vulnerable to hurricane strikes, increased by 160 people per square mile, compared with 26 in the rest of the mainland, over the same period.

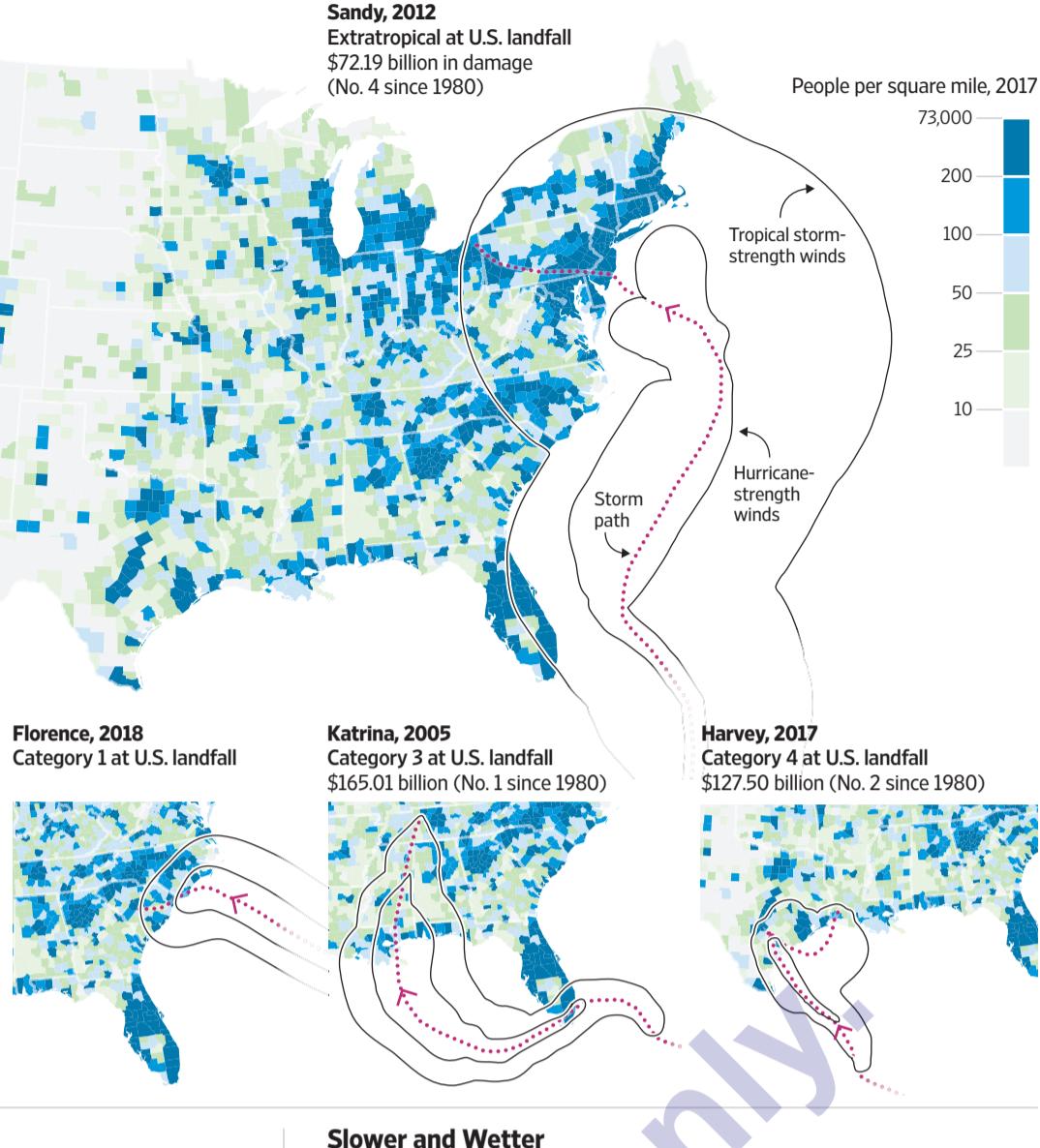
'Coastal population and exposure growth is certainly the predominant driver of increased damage costs associated with hurricanes,' says Steve Bowen, director and meteorologist at consulting firm Aon's Risk Solutions division.



## Location, Not Wind

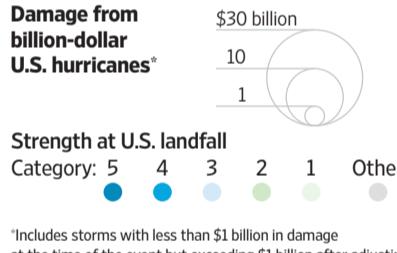
Wind strength isn't the only factor that determines how damaging a storm will be. Relatively weak storms are among the costliest. 'Wind category does not fully capture the damage cost potential from historic hurricanes,' says Adam Smith of the National Oceanic and Atmospheric Administration. Many population centers and infrastructure exist in vulnerable areas like coasts and river floodplains, he says.

Sandy was downgraded to what is known as an 'extratropical' storm by the time it made landfall in 2012, but it hit major population centers, making it the 4th most expensive storm to hit the U.S. since 1980.



## Rising Storm Costs

The U.S. has had 40 hurricanes identified as billion-dollar disasters since 1980, using 2018 inflation-adjusted dollars, with a cumulative damage estimate of \$862 billion, according to NOAA's U.S. Billion-Dollar Weather and Climate Disasters analysis. The trio of Harvey, Maria and Irma in 2017 combined to cost \$268 billion. That represents 31% of all damages since 1980, making it the most expensive year in 38 seasons. Based on Moody's estimates, Florence caused \$38 billion to \$50 billion in damage.



<sup>a</sup>Includes storms with less than \$1 billion in damage at the time of the event but exceeding \$1 billion after adjusting for inflation.

<sup>b</sup>Includes tropical storms and Sandy.

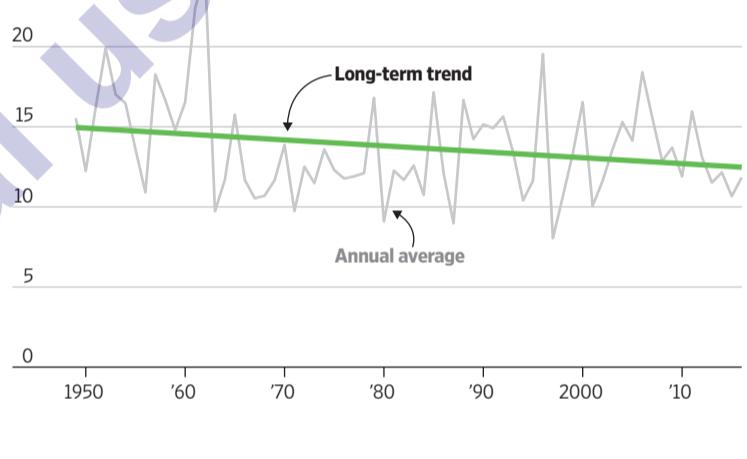
Note: 2018 inflation-adjusted dollars

Sources: IPUMS National Historical Geographic Information System (population); NOAA National Centers for Environmental Information (NCEI)

U.S. Billion-Dollar Weather and Climate Disasters (2018) (damage); NOAA (path and wind); Nature, Jim Kossin, NOAA (forward speed)

## Slower and Wetter

A contributing factor to the severity of Florence was that the storm lingered over the area so long, drenching eastern North Carolina. The speed at which North Atlantic hurricanes cross over land slowed 17% from 1949 to 2016, according to Jim Kossin, atmospheric scientist at NOAA. All things being equal, that will increase a storm's rain by 17%, resulting in more freshwater flooding.



Kara Dapena/THE WALL STREET JOURNAL.

## Health Insurance Costs Rise

*Continued from Page One*  
2018, according to the Kaiser employer survey. That represented 29% of the total premium cost.

In 2017, workers' average premium contribution for a family plan was \$5,714, or 31% of the total cost, slightly higher than this year's figure but not statistically different, according to Kaiser.

For an individual employer plan, the average total premium cost was \$6,896 in the 2018 survey, or 3% higher than last year, with workers paying 18% of the total.

The average 2018 general deductible for individual-worker coverage was \$1,573, according to the survey, up from \$1,505 last year and \$1,135 five years ago. Those averages don't include plans that lacked such deductibles.

According to Kaiser, workers' wages went up 2.6% on average and inflation increased 2.5% over the past year.

A major driver of employer premium growth over the years has been the prices that insurers and employers pay for health care, according to Mr. Claxton and other experts. These prices typically are set in negotiations between health insurers and hospitals, doctors and other types of health-care providers.

A report issued earlier this year by the Health Care Cost Institute, a nonprofit, said that between 2012 and 2016, health spending growth tracked in insurer claims from employer-sponsored coverage "was almost entirely due to price increases," for services including emergency-room

visits, surgical hospital admissions and administered drugs.

The report said that over the same period, "utilization of most health care services remained unchanged or declined."

The HCCI findings are "pretty compelling," said Paul Ginsburg, a professor at the University of Southern California. "Higher prices from providers is the most important element in rising premiums in the past few years."

Other research has linked rising health-care prices to mergers that have brought together large hospital systems, often combined with an array of doctors and other types of health-care providers. "Historically, health-care providers have consolidated," said Michael Chernew, a Harvard University economist. "That in-

creases their market power, and they increase their prices."

Most recently, on Monday, two big nonprofit Texas hospital operators announced plans to combine, a move that would create a giant with 68 hospitals spanning from the Gulf of Mexico to the Oklahoma border.

A recent study by researchers including Zack Cooper, an assistant professor at Yale University, suggested that prices increased over 6% after close-by hospitals merged. A separate study published in April in the Journal of Health Economics found that doctors' prices rose on average 14.1% after they became part of hospital systems.

The American Hospital Association said that hospitals have experienced slow price growth in recent years. The

trade group also pointed to an industry-funded analysis that showed hospital mergers "can lead to substantial savings and provide needed funds to finance innovations that will enhance quality and convenience."

"Hospitals and health systems are trimming spending while improving patient outcomes. All other health care stakeholders need to do the same," said Tom Nickels, an AHA executive vice president.

Leaders at the two Texas systems that plan to merge have said their deal aims to improve efficiency and bolster the quality of care.

The Kaiser survey was conducted between January and July of this year and included 2,160 randomly selected employers that responded to the full telephone survey.

## U.S. Road Deaths Declined in 2017

By ADRIENNE ROBERTS

U.S. traffic fatalities fell in 2017 but remained at a near decade-high level, illustrating the challenges auto makers and regulators face in making roadways safer.

The number of lives lost last year on U.S. roads was 37,133, a 1.8% drop from 2016, according to National Highway Traffic Safety Administration data released on Wednesday.

The agency, which collected data from all 50 states and Washington, D.C., found deaths tied to speeding were down 5.6%, and alcohol-related fatalities had fallen 11%.

Distracted driving was the cause of about 8.5% of all traffic fatalities in 2017, a decrease from 9.2% in 2016. But regulators say the figures could be even higher because driver distraction as a cause of a roadway death is difficult to track.

A preliminary estimate of data through the first half of 2018 shows the decline could continue this year, with traffic fatalities down 3.1% in the first six months of 2018.

"While this decline is welcome news, 37,133 people still lost their lives in 2017," said Heidi King, the deputy NHTSA administrator said on a conference call with reporters.

"A one-year decrease, while pleasing news, does not constitute a trend."

In 2007, traffic fatalities were at 41,259. A quarter century ago, in 1993, motor-vehicle deaths hit 40,150.

Motor-vehicle deaths have steadily declined in the decade leading up to 2015, but surged in the past few years despite the advent of safety

features, such as air bags and electronic stability control.

An uptick in distracted driving, increased miles driven and other factors drove up the rate in recent years, despite auto makers packing cars with more safety features, such as automated braking.

While pedestrian deaths decreased by 1.7% to 5,977 in 2017, they are still at levels not seen since 1990.

The National Safety Council, whose data differ from NHTSA's, said traffic-related

# 37,133

Number of U.S. traffic fatalities in 2017

fatalities hit 40,100 last year, about flat compared with 2016, but still the second consecutive year the 40,000 mark was surpassed.

Auto makers are increasingly outfitting base-model vehicles with advanced safety gear that use cameras and radars to alert drivers to potential hazards.

Nearly 20% of base-model 2018 U.S. vehicles come standard with forward-collision warning technology, which alerts drivers when they are about to get into a front-end crash, according to data from the Insurance Institute for Highway Safety and the Highway Loss Data Institute.

The number of vehicles that come with lane-departure warnings and blind-spot warnings is also rising.

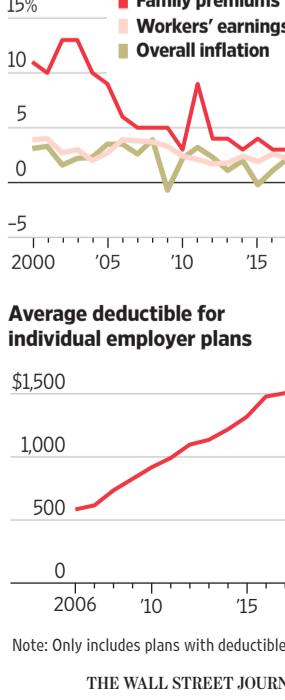
## Cover Up

The rising cost of employer-provided health coverage has outpaced inflation, even though workers are paying more out of their pockets for care through deductibles.

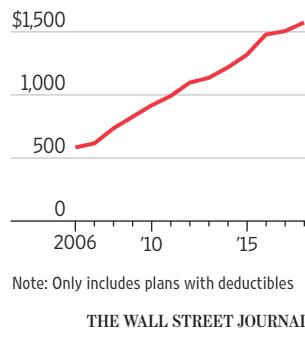
### Average annual worker and employer contributions to premiums for family health coverage



### Percentage change from previous year



### Average deductible for individual employer plans



Note: Only includes plans with deductibles

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## U.S. NEWS

# Pence to Step Up U.S. Criticism of Beijing

By MICHAEL C. BENDER

WASHINGTON—Vice President Mike Pence will deliver a stinging rebuke to China in a speech scheduled for Thursday in which he will take aim at what he says are Beijing's attempts to influence U.S. elections and global politics.

According to excerpts of the speech, Mr. Pence will build on President Trump's remarks last week at the United Nations, where the president accused China of interfering in the coming midterm elections in an effort to derail the administration's tough trade policies and unseat him from the White House.

Mr. Pence's speech is a signal to Beijing that there is a limit to the bonhomie between Mr. Trump and Chinese President Xi Jinping, administration officials said. The excerpts provided by the White House don't describe new actions the administration will take against China but instead sketch an ominous portrait of

a country seeking to expand its global influence.

"Beijing has mobilized covert actors, front groups, and propaganda outlets to shift Americans' perception of Chinese policies," Mr. Pence will say.

Mr. Pence will say that Beijing is employing a "whole-of-government approach" to advance its influence and benefit its interests, employing its power "in more proactive and coercive ways to interfere in the domestic policies and politics of the United States."

The Chinese Communist Party is rewarding and coercing American businesses, movie studios, universities, think tanks, scholars, journalists and government officials, Mr. Pence will say. The goal, according to the vice president, is "an unprecedented effort to influence American public opinion" in the elections this year and again in 2020 when Mr. Trump is up for re-election.

"China wants a different American president," Mr. Pence will say.

## U.S. WATCH

## ARIZONA

### Possible Dam Failure Forces Evacuations

More than 60 people evacuated a Native American reservation in southern Arizona after record flooding from the remnants of Tropical Storm Rosa threatened to cause an earthen dam there to fail, officials said.

"Dam failure is imminent," the National Weather Service tweeted Tuesday evening. On Wednesday, water in Menagers Lake was close to topping Menagers Dam and could force its failure, it said.

The weather service issued a flash-flood warning for the small Native American community of Ali Chuk on the Tohono O'odham Nation reservation, about 165 miles south of Phoenix.

—Erica Snow

## EMPLOYMENT

### Private Jobs Increase By 230,000, ADP Says

The private sector added 230,000 jobs in September, with midsize businesses and the service sector continuing to dominate, according to a new report.

Of the jobs added last month, 99,000 were for medium-size businesses, or firms that employ between 50 and 499 workers, according to payroll processor Automatic Data Processing Inc. and forecasting firm Moody's Analytics.

Large businesses, which have at least 500 employees, added 75,000 jobs, while small businesses, with 49 employees or fewer, added 56,000 jobs.

Most of the jobs were in the service sector, which added 184,000 positions.

—Allison Prang

# Fresh Push for Trump Tax Filings

By RICHARD RUBIN

WASHINGTON—Democrats will seek a firsthand look at President Trump's tax returns if they take control of the House or Senate after next month's election, according to the key lawmakers who would gain the authority to get the documents.

Rep. Richard Neal (D., Mass.), in line to lead the House Ways and Means Committee if Democrats win that chamber, said he would get the documents, which the president has declined to release voluntarily.

"Yes," Mr. Neal said when asked if he would request the returns. "We will do that."

Sen. Ron Wyden (D., Ore.) followed Mr. Neal on Wednesday, saying for the first time that he would request the tax returns if he became Finance Committee chairman in January.

Mr. Trump's tax returns aren't a big part of Democrats' midterm campaigns, but they were a significant issue during the 2016 presidential election. House Democrats have repeatedly tried to get Congress to use its existing authority to obtain the returns, failing on more than a dozen votes since his inauguration.

Democrats campaigning to retake the House emphasize tougher oversight of the administration, and as part of that, lawmakers see the tax returns as their window into the president's finances.

They say the president's tax



EVAN VUCCI/ASSOCIATED PRESS

**President Trump refuses to release his tax returns. Democrats aim to get them anyway if they can win a majority in Congress.**

returns are an essential part of exploring Mr. Trump's ties to Russian interests, any tax-avoidance strategies he used and potential benefits from the 2017 tax law he signed.

His tax returns—and correspondence with the Internal Revenue Service during audits—would provide a detailed look at his finances, including the sources of income, business partners and charitable contributions. They wouldn't necessarily provide the answers to every question Democrats have.

"The American people are entitled to know if their president is in a position to be compromised and the presi-

dency compromised," said Rep. Bill Pascrell (D., N.J.), who has led the push with repeated demands for votes.

Mr. Pascrell and other Democrats could use their authority to probe decades of Mr. Trump's tax filings. Several lawmakers renewed their calls for the returns after the New York Times reported Tuesday on alleged estate and gift tax avoidance by Mr. Trump and his father. White House press secretary Sarah Sanders dismissed the report as an attack and said the IRS had "reviewed and signed off" on the transactions decades ago.

The administration has turned aside the Democrats'

requests and a legal battle is possible if the party takes control of either house of Congress. White House spokesman Raj Shah said, "The fact that their plans focus on attacking the president for political reasons rather than improving the lives of the American people says a lot about their priorities."

Under the tax code, the Ways and Means chairman can demand and receive any taxpayer's records from the IRS for confidential review. Mr. Neal wouldn't need approval from the full House, the Senate or the administration. Prosecutors, including special counsel Robert Mueller, can also get tax returns from the IRS.

Mr. Trump said during his campaign that he would release his tax returns. But he hasn't, citing what he says are unfair and ongoing IRS audits. The decision not to release his returns broke a 40-year tradition from presidential candidates.

The Ways and Means Committee's authority to obtain and make public an individual's tax return "is a powerful oversight tool to be used not for political fishing expeditions," said Rep. Kevin Brady (R., Texas), the current committee chairman. "Most people don't care about the president's tax returns. They care about their own."

If he gets the returns, Mr. Neal said he plans to consult with his staff, Democratic leaders and House lawyers on whether to make them public.

# Pentagon Letters Had Castor Seeds; Man Held

By NANCY A. YOUSSEF

House, officials said.

Authorities executed a search warrant at the home of William Clyde Allen III, 39 years old, then took him into custody, said Melodie Rydalch, spokeswoman for the U.S. Attorney's office in Salt Lake City.

Ms. Rydalch said Mr. Allen would be charged Friday. She

didn't specify a particular charge. A representative for Mr. Allen couldn't be reached.

The Pentagon said Wednesday that the letters sent there didn't contain ricin, but instead contained castor seeds, from which the poison is derived. The Pentagon didn't say whether the seeds were toxic or in what form the material

arrived. Castor seed is a medicinal plant.

The letters arrived Monday at the Pentagon addressed to Defense Secretary Jim Mattis and Adm. John Richardson, the chief of naval operations, the Navy's top admiral, an official said. On Tuesday, Pentagon officials said they contained suspected ricin.

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## WORLD NEWS

# May Rejects Tory Rivals' Brexit Criticism

Prime minister says hard-liners calling for decisive break imperil U.K. manufacturing jobs

By MAX COLCHESTER  
AND JASON DOUGLAS

BIRMINGHAM, England—British Prime Minister Theresa May rejected criticisms of her Brexit plan from rebels within her Conservative Party, seeking to strengthen her hand at home as she tries to break a deadlock in talks with the European Union.

Mrs. May hit back at Tory rivals as she closed a party conference on Wednesday that showcased the deep internal divisions over what the future trading relationship between the U.K. and the EU should look like.

Harsh criticism of Mrs. May from within her own party has sown concern among other EU leaders as to whether she would face a leadership challenge in the coming months.

Mrs. May sought to shore up her support and subdue euroskeptics who repeatedly attacked her Brexit plan during the conference.

She defended her proposal as the only one that would minimize economic disruptions and deliver “frictionless trade” with the EU while also respecting the result of the 2016 referendum to leave the EU. Her critics argue the proposal still ties the U.K. too closely to the EU.

Time is running short, with only a few weeks to go until Mrs. May meets other EU leaders at an October summit



U.K. Prime Minister Theresa May on Wednesday sought to subdue euroskeptics in her own party.

## Plan A

Some lawmakers are critical of Prime Minister Theresa May's Brexit plan, but Conservative voters seem content.

### Approval for Chequers plan by Tory voters



Note: Percentages don't add up to 100 due to rounding.

Source: GOR Research poll of 1,477 adults conducted Sept. 24–26; margin of error: +/- 4 percentage points

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deal—to be negotiated after Brexit—creates trade friction between them.

Mrs. May's government complains that the EU's answer to this would create a customs border in the Irish Sea between two parts of the U.K. and is unacceptable.

Among the compromises being considered, senior U.K. officials said, is a complex proposal that involves carrying out customs checks away from the border itself while minimizing the need for regulatory inspections by having Northern Irish-made goods conform to EU standards after Brexit.

British officials here privately said that a compromise Brexit position was being worked on related to the biggest stumbling block in the talks: What happens to the U.K.'s border with Ireland after Brexit.

Both sides say they want the frontier between Northern Ireland, part of the U.K., and the Republic of Ireland to remain open and free after Brexit.

The EU wants agreement on an arrangement over Ireland that will fall into place if the overall future U.K.-EU trade

lawmakers—including former Foreign Secretary Boris Johnson—by suggesting their ideas for a more decisive economic break with the EU put hundreds of thousands of manufacturing jobs at risk.

The three days of political infighting among the Tory supporters at their annual meeting in Birmingham was a sideshow, some analysts said. “Theresa May and her team are not taking their lead from the outcome of the conference,” said Mujtaba Rahman, managing director for Europe at the Eurasia Group, a consultancy.

British officials here privately said that a compromise Brexit position was being worked on related to the biggest stumbling block in the talks: What happens to the U.K.'s border with Ireland after Brexit.

Officials are also floating the idea of aligning U.K. and EU customs rules temporarily until new technology can be deployed that will make physical border checks unnecessary.

For such a solution to pass muster, Mrs. May must convince both EU leaders and the Democratic Unionist Party, a small, vociferously pro-British Northern Irish party whose lawmakers in London have been propping up her administration since she lost her majority in a general election last year.

## Escaped French Bandit Recaptured

By NICK KOSTOV

**PARIS**—An infamous bandit who used a helicopter and buzz saws to escape from a French prison more than three months ago was back in custody Wednesday after police arrested him in a predawn raid.

Redoine Faïd, 46, was captured at an apartment in his hometown of Creil, north of Paris, a police officer said.

Six other people were detained in the raid, including his brother and two nephews, the officer said, adding that police seized weapons without any shots being fired.

The arrest puts an end to a massive manhunt for one of France's most-wanted men.

Justice Minister Nicole Belloubet said Mr. Faïd would be placed in a high-security facility where he would be watched extremely closely.

Mr. Faïd had been serving a 25-year sentence for a 2010 armed robbery, in which a police officer was killed, when he escaped in July.

A team of gunmen landed a helicopter inside the prison and ferreted Mr. Faïd away.

That escape was his second in five years.

In 2013, Mr. Faïd absconded using smuggled explosives to blow through doors inside a prison in northern France, also taking guards hostage.

Police captured him six weeks later.

Wednesday's arrest came as France's top cop, Gérard Collomb, stepped down with Prime Minister Édouard Philippe acting as a temporary successor.

Mr. Faïd is known as “The Writer” among French authorities for teaming up with a journalist to write a 2010 memoir after spending 10 years behind bars for a series of armed robberies, with targets ranging from jewelers to armored vehicles.

In the book, he writes about being a fan of Hollywood movies on which he says he modeled his criminal career.

He cites Michael Mann's 1995 movie “Heat” as a major influence and described Mr. Mann as his “best technical adviser.”

## In Brazil, Campaign Promises but No Money

By PAULO TREVISANI  
AND JEFFREY T. LEWIS

**SÃO PAULO**—Just days before Sunday's pivotal presidential election, Brazilian candidates are promising to crack down on spiraling violence, improve weak educational and health systems and shore up the crumbling infrastructure. But none of the leading candidates mention Brazil's biggest problem: There is no money for any of that.

After years of overspending followed by a deep recession, Brazil's next president will run a government living on borrowed money to pay salaries and pensions and keep schools and hospitals open.

Brazil's public spending outstrips revenue by an amount equal to 7% of annual economic output, double the rate of last year's U.S. budget deficit. The borrowing needed to cover the gap has pushed debt to close to 80% of Brazil's gross domestic product. That level is higher than that in most other emerging markets and is fast becoming unsustainable, economists say.

“All questions about Brazil's future come down to fixing the budget,” said Guilherme Figueiredo, manager of a \$1.4 billion investment fund at M. Safra & Co. in São Paulo. “Some candidates understand the problem, others don't. We are very apprehensive.”

Brazilian voters will choose among 13 candidates facing off on Oct. 7. None are expected to get more than half of the votes, so the top two finishers are likely to contend against each other in the Oct. 28 final round. Polls suggest that is likely to pit conservative Jair Bolsonaro, a former army captain, against leftist Fernando Haddad of the Workers' Party.

Brazil's budget problems are hard to overstate. Already, about two-thirds of the budget goes only to paying old-age pensions, public health care and the payroll of Brazil's public sector. Absent reform, by 2020 those liabilities will have grown so much there will be nothing left for so-called discretionary spending items such as roads, hospitals or police equipment, said Mansueto Almeida, a leading economist at Brazil's Finance Ministry.

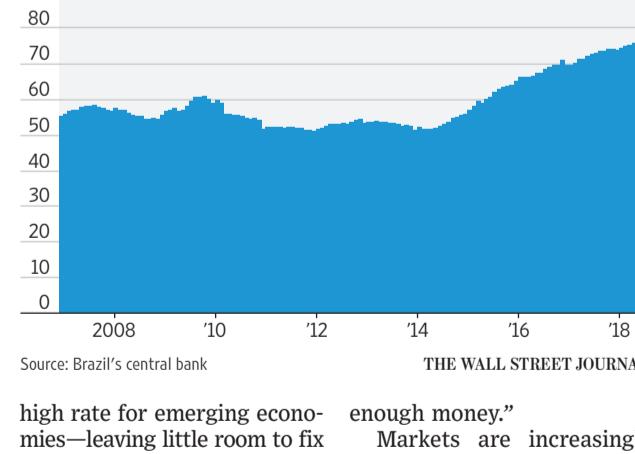
The solution, economists say, is likely austerity, especially trimming pensions and freezing public-sector wages and hiring. Taxes are already equal to 40% of output, according to the CIA's World Factbook website—a comparatively



Crime is a problem Brazil lacks the funds to address. Residents of a Rio de Janeiro favela gathered on Monday after a fatal shooting.

### Mounting Burden

Brazil's debt as share of GDP



Source: Brazil's central bank

THE WALL STREET JOURNAL.

high rate for emerging economies—leaving little room to fix the budget by raising them.

Tax increases are in any case not likely to play well with voters already struggling in a weak economy with 12% unemployment. National budget woes are of little concern to voters like Maria Aparecida Melquiades Costa, 58, who complained about shabby public hospitals as she accompanied her son getting treatment in São Paulo for a recent injury.

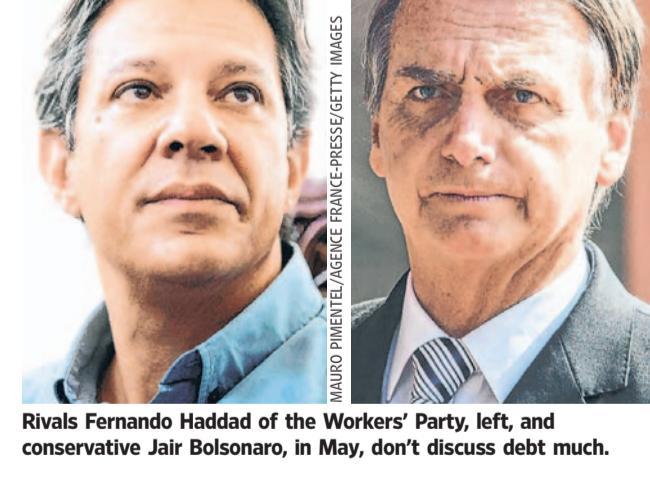
In protest against Brazil's political establishment, she said she planned to cast a blank ballot on Sunday. “I don't think anyone is going to help,” she said. “There's always going to be politicians stealing from us and never

enough money.”

Markets are increasingly anxious about Brazil's growing debt. The Brazilian real has lost around 9% against the dollar since the start of May, when the presidential campaign got under way, and the Ibovespa stock index is down 4% over that period.

International investors are generally exiting global emerging markets, but they grew more nervous about Brazil during the campaign as candidates seemed reluctant to tell change is called for.

“It doesn't seem Brazilian society is convinced that austerity is needed,” said Alberto Ramos, top Latin America economist at Goldman Sachs in New York.



Rivals Fernando Haddad of the Workers' Party, left, and conservative Jair Bolsonaro, in May, don't discuss debt much.

As Mr. Bolsonaro has stressed safer streets, his top economic adviser, economist Paulo Guedes, has promised investors fiscal austerity—a reason why much of Brazil's private sector backs the candidate.

But there is no guarantee Mr. Guedes would have autonomy to run the economy if Mr. Bolsonaro wins. The candidate shot down his adviser's plans to reintroduce a financial-transactions tax to shore up government revenues. And as a lawmaker last year, Mr. Bolsonaro didn't support a major pension overhaul.

If there are questions about Mr. Bolsonaro's commitment to austerity, there is alarm over that of his main opponent, Mr. Haddad, a former mayor of São Paulo. Mr. Haddad's camp pledges to pump more taxpayer funds into the economy to create jobs. The resulting economic growth, they argue, would cut debt's impact on the economy. “It's fundamental to confront public deficits and reduce public debt as a percentage of GDP,” the Haddad campaign said in emailed answers for this article. “The necessary condition for that to happen is a revival of economic growth.”

Some market players fear that plan could backfire. “We could go back to the old spending orgy,” said José Francisco Gonçalves, chief economist at São Paulo-based lender Banco Fator.

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## WORLD NEWS

# India's Russia Arms Deal Puts U.S. in Bind

Administration weighs imposing sanctions or granting waiver to preserve security ties

BY NIHARIKA MANDHANA

When Indian Prime Minister Narendra Modi hosts Russian President Vladimir Putin on Friday, one item on their agenda will be closely tracked in Washington: India's planned purchase of Russia's S-400 air-defense missile systems.

Washington is targeting Russia's defense industry and those who do business with the country using a sanctions power mandated by Congress last year. Sanctioning New Delhi for its deal with Moscow, though, would disrupt U.S. efforts to cultivate India as a security partner—a key prong in its Indo-Pacific strategy to counterbalance China's rise.

At the same time, granting India a sanctions waiver for a more than \$5 billion deal involving one of Russia's most advanced weapons systems risks undermining Washington's escalating campaign against Moscow. The Treasury and State

departments last month sanctioned China's Equipment Development Department for its recent purchases of Sukhoi Su-25 jet fighters and S-400 missiles from Russia. Officials said the move was intended to send a message to other countries considering similar Russian arms deals.

India has declined to back out of the deal, with a signing ceremony expected during Mr. Putin's trip. Russia has long been the biggest source of New Delhi's military equipment, and its supply of spare parts and maintenance services remains crucial to India's defense needs. Indian military planners see the S-400 surface-to-air missile system—capable of tracking and taking down aircraft hundreds of miles away—as an important asset against neighbors Pakistan and China.

The deal also reflects India's effort to repair relations with Russia. Those ties have frayed in recent years as India diversified its arms purchases, turning to the U.S. for equipment, including maritime patrol aircraft and attack helicopters.

The Indian market remains crucial to Russia's arms industry. Russia exported \$2 billion



India is expected to sign an agreement to purchase Russia's S-400 air-defense missile systems.

worth of arms to India last year, some 13% of its total deliveries world-wide, according to Russian defense think tank CAST.

Officials in New Delhi expect the U.S. will understand that India can't cut Russia out or allow ties to drift, said Harsh V. Pant, head of strategic studies at the New Delhi-based Observer Research Foundation, adding that imposing sanctions would be "highly disruptive."

"It would revive old debates and suspicions in India about the U.S.'s agenda," Mr. Pant

said. "Few governments in India would be able to do anything substantial with the U.S. for some time."

Washington is pushing for security arrangements in Asia that hinge on bringing India, Japan and Australia together in response to China's assertive stance in the region. India and the U.S. have signed two defense pacts in as many years that allow the use of each other's military bases for repairs and replenishment of supplies and give India access to American military communica-

nations technology.

Richard M. Rossow, an expert in U.S.-India policy at the Center for Strategic and International Studies in Washington, said the U.S. would likely give India a waiver because of longer-term security objectives. "It's too important not to, though it would be painful," he said.

In a recent analysis on the planned Russia-India deal, Ashley Tellis, a senior fellow at the Carnegie Endowment for International Peace, said the Trump administration sees purchases of the S-400 by either rivals

and allies as "a conspicuous danger to U.S. military operations," largely because the systems help to constrain the deployment of forces and their freedom to maneuver.

So far, U.S. officials have given mixed signals on New Delhi's planned acquisition. Defense Secretary Jim Mattis in April cited the U.S.'s relations with India and Vietnam when he asked Congress to give the government the power to waive Russia-related sanctions, which Congress granted.

In August, Assistant Defense Secretary for Asia Randall Schriver said the impression that "we are going to completely protect the India relationship, insulate India from any fallout from this legislation no matter what they do" was "a bit misleading." A few days later, Secretary of State Mike Pompeo said that the U.S. effort was "not to penalize great strategic partners like India."

The deal, Mr. Tellis wrote, "may be the thorniest problem currently bedeviling the U.S.-India strategic partnership."

*—Bill Spindel in Washington, Thomas Grove in Moscow and Rajesh Roy in New Delhi contributed to this article.*

## Indonesian Survivors Hunt for Staple Goods

BY BEN OTTO  
AND JOHN LYONS

DONGGALA, Indonesia—Aid workers are struggling to deliver enough food, water and fuel to keep thousands of earthquake survivors alive on Indonesia's Sulawesi island, five days after the quake and a tsunami combined to carve a swath of death and destruction here.

Roads have been upended or blocked by debris. Bridges were swept away. In many areas, Friday's 7.5-magnitude quake effectively liquefied the ground. As of Wednesday, 1,407 people were confirmed dead and more than 70,000 made homeless, while fears for the fate of those away from the main population centers continue to grow.

In the Donggala area, one of the worst-hit regions, relief was just beginning to arrive. A convoy of six fuel tankers escorted by police made its way through en route to Palu, the provincial capital. A chain of trucks and minivans loaded with food, water and other essentials followed shortly after, with people in one car tossing out bags of instant noodles as they passed.

President Joko Widodo turned up later, too, handing out bags of staple goods, while electricity workers erected utility poles to replace those destroyed in the quake. In another affected area, Mr. Widodo said conditions were beginning to improve, with some businesses reopening. At least seven cargo planes landed at the airport in Palu earlier in the day.

"We are going in phases. There are lots of things happening related to evacuation, as aid and fuel are also coming in," Mr. Widodo said, referring to some of the logistical bottlenecks. "Every province has different cases, including security."

Some residents in Donggala



People scavenged for food inside a destroyed warehouse in Palu, Indonesia, on Wednesday, five days after a deadly earthquake and tsunami.

said they hadn't received any help yet.

Hariyanto said he had heard aid had begun to arrive from other cities on Sulawesi, but it is hard to obtain. His home was 10 yards from the turquoise ocean waters, protected by a single tree. It was washed away in the tsunami.

Mr. Hariyanto, who uses one name, managed to buy 44 pounds of rice after the earthquake to share among three families, but it is almost gone, he said. He now lines up at one of the few remaining stations each day at 5 a.m. to buy his allotted 1.3 gallons of fuel.

The choke points in the relief effort are numerous. The tarmac at the airport in Palu, the only one in the area, cracked during the earth-

quake, limiting the strip to propeller aircraft that don't need as much runway as jet planes. A port near Palu was rendered useless after cranes and gantries used to unload cargo were destroyed.

The land route to the affected zone was blocked in part by landslides, delaying relief convoys. Trubus Suharsono, head of operations at the airport in Makassar on the southern edge of Sulawesi, said he had sent a team of technicians to Palu to help restore the airport, and it had taken them 36 hours to get there.

"The easiest access is by air, but even that is very limited," he said.

In all, some 200,000 people need help, the United Nations relief agency estimates,

though the international relief effort hasn't taken clear shape.

Indonesia has accepted offers of help from 17 countries, including Hercules transport aircraft provided by Singapore, South Korea, Britain and Japan, national disaster agency spokesman Sutopo Purwo Nugroho said. It is expected that these aid flights will start arriving in coming days.

Australia has put together a humanitarian aid package of \$3.6 million along with a medical team, while President Widodo said he received a telephone call Tuesday from President Trump offering American help.

Until the relief effort hits full stride, survivors are making do as best they can.

In the city center, where

stores are closed and power mostly off, about 50 people stood in line at one of the two functioning automated-teller machines, its services having been restored with the use of a generator a day before.

By midday, Muhammad Faisal had waited almost five hours hoping to get cash for gasoline or to buy goods that might have been looted from convenience stores.

Afterward, he planned to head to a field in the hills where his family is staying, then go to a small spring nearby that is their only source of water.

"We're still waiting for news about when the quakes will end," he said, referring to a wave of aftershocks. "We're too scared to go back."

## Wife of Ex-Leader Is Charged In Malaysia

BY YANTOULTRA NGUI  
AND BEN OTTO

KUALA LUMPUR, Malaysia—Malaysian prosecutors charged the wife of former Prime Minister Najib Razak with 17 counts of violating money-laundering laws, including tax evasion, on Thursday in relation to one of the world's biggest financial scandals.

The latest development follows a wave of criminal charges leveled against Mr. Najib by the government of Prime Minister Mahathir Mohamad, which has opened investigations into 1Malaysia Development Bhd., or 1MDB, a state investment fund established by Mr. Najib in 2009.

The former first lady, who is known for her lavish spending, is seen by investigators as a central force in the scandal. Investigators and people close to her told The Wall Street Journal that she possessed extensive influence over decisions made by Mr. Najib when he was premier.

Rosmah Mansor, 66 years old, pleaded not guilty to all the charges. If convicted of money laundering, Ms. Ros-

mah could be imprisoned for up to 15 years.

Ms. Rosmah was detained in custody overnight before being presented at the court in Kuala Lumpur to face the charges. She arrived amid heavy security and smiled at a crowd of reporters. Bail was set at 2 million ringgit (\$483,200).

Separately, Mr. Najib appeared in court for procedural matters connected to some of the 32 charges that have been brought against him, including money laundering, abuse of power and criminal breach of trust. On Wednesday evening, he posted on his Facebook page urging prayers and hope.

In civil lawsuits, the U.S. Department of Justice says at least \$4.5 billion was misappropriated from 1MDB, which, if true, would make it one of the largest-ever financial heists. In addition to the U.S., Malaysia, Singapore and Switzerland have launched criminal investigations into 1MDB.

Mr. Najib tried to quash an investigation into the 1MDB scandal when it exploded in 2015 after reporting by The Wall Street Journal. But he was swept from office in May.

Since July, Mr. Najib, 65 years old, has pleaded not guilty to 32 charges related to the scandal. He and the state fund have repeatedly denied wrongdoing.



Former first lady Rosmah Mansor pleaded not guilty to 17 counts tied to the 1MDB scandal.

## Chinese Film Star to Pay \$70 Million Tax-Evasion Fine

BY DOMINIQUE FONG

BEIJING—Chinese film star Fan Bingbing, who has been out of the public eye for three months, agreed to pay \$70 million in fines to avoid criminal charges for tax evasion, state media reported.

The 37-year-old actress used a scheme called a split or "yin-yang" contract, in which one performance fee is reported to authorities and much higher one is paid in secret, the state-run Xinhua News Agency reported on Wednesday.

Ms. Fan, who appeared in 2014's "X-Men: Days of Future Past," is a huge celebrity in China, with 62 million followers on her Weibo social-media account. Young women seeking plastic surgery often ask to have their faces sculpted along her classic oval lines.

In targeting Ms. Fan, authorities were clearly sending a message to other entertain-

ment-industry personalities, said Stanley Rosen, a professor at the University of Southern California who specializes in Chinese politics and film industry.

"One aspect of the Fan case is to let celebrities know—including those with international reputations—that your celebrity is given and can be taken away by the state at any time," Mr. Rosen said.

Ms. Fan, who was last seen in public visiting a children's hospital in Shanghai on July 1, apologized in a message posted on her Weibo account.

"I'm deeply ashamed of my actions and behavior," Ms. Fan said. "It could be said that with every little achievement, I couldn't have done it without the support of my country and the people. Without the [Communist] Party and the country's good policies, without the people's love, there wouldn't be Fan Bingbing."

The coming film "Air



Strike," starring Bruce Willis, is one that paid Ms. Fan under a split contract—a reported fee of 10 million yuan (\$1.5 million), Xinhua reported, but an actual payment three times that. She escaped 6.18 million yuan in personal income taxes and 1.12 million yuan in busi-

ness taxes.

In addition to the \$70 million paid by Ms. Fan, she and her company must pay \$42 million and a group of other related companies must pay \$17 million, Xinhua reported. Xinhua said a person associated with the scheme, whom it didn't identify, was taken into custody for obstructing the investigation.

The scandal broke in June, when Chinese talk-show host Cui Yongyuan accused Ms. Fan of using a yin-yang contract to evade taxes.

In 2016, China's top media regulator pledged to address "sky-high" paychecks it said were draining film budgets, and encouraged major TV and film producers to draft self-discipline guidelines to reduce star pay.

That year, Ms. Fan was named the world's fifth best-paid actress by Forbes magazine, at \$17 million before taxes and management fees.

Jennifer Lawrence topped the list at \$46 million.

Some comments on Chinese social media derided Ms. Fan's punishment as too light for evading \$36 million in taxes. One said she should have been banned from the entertainment business: "Otherwise, today's fines will just be earned back tomorrow," it said.

Another read, "Oh, so people who commit tax evasion don't have to go to jail? Paying the fine is enough?"

But as China seeks to develop its own film industry, Ms. Fan's international stature makes her a valuable asset, Mr. Rosen said.

"China needs Fan because she is now the most high-profile international star they have," Mr. Rosen said. "The Chinese film industry wants to go out and receive international recognition, and Fan is best placed to do it."

*—Fanfan Wang contributed to this article.*

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## WORLD WATCH

UNITED NATIONS

**U.S. Ordered to Lift Some Iran Sanctions**

A United Nations court ordered the U.S. to suspend sanctions against Iran that impede trade in humanitarian goods and civil aviation.

The ruling on Wednesday, by the International Court of Justice, could theoretically complicate U.S. efforts to ratchet up economic pressure against Iran. However, the ICJ has no power to enforce its decisions.

U.S. Secretary of State Mike Pompeo called the case "meritless." Iranian Foreign Minister Javad Zarif tweeted that the ruling was a "victory for rule of law."

—Laurence Norman

VIETNAM

**Ruling Communists Push for Presidency**

Vietnam said that the ruling Communist Party has decided to nominate General Secretary Nguyen Phu Trong to also fill the role of president, cementing the conservative leader's growing influence.

If endorsed by the legislature this month, Mr. Trong would be the first Vietnamese leader to fill both roles since former leader Ho Chi Minh.

Mr. Trong, who is 74, would succeed former President Tran Dai Quang, who died after a long illness on Sept. 21.

—James Hookway

ITALY

**Government Sets Lower Deficit Goals**

Italy's government set its budget-deficit targets for 2020 and 2021 at lower levels than previously envisaged, after initial plans had unnerved financial markets.

The government said Wednesday it targeted a budget deficit of 2.1% of gross domestic product for 2020 and 1.8% of GDP for the following year. The government had initially planned to target a deficit of 2.4% for both years. It added it will stick to a deficit of 2.4% for next year.

—Giovanni Legorano



Adel Abdul Mahdi, a Shiite independent, center, will confront challenges including a struggling economy and rebuilding infrastructure destroyed in the war against Islamic State.

## Iraq's New Leader Faces Obstacles

A compromise between rival factions allowed the formation of an Iraqi government after months of deadlock, but the country's new premier may have little room to address the deepening political and economic turmoil.

*By Isabel Coles in Erbil, Iraq, and Ali Nabhan in Baghdad*

The nomination of Adel Abdul Mahdi, a Shiite independent, as prime minister capped five months of jockeying that followed an inconclusive election in May.

Simmering public anger flared into violent protests against Iraq's entire political class, spurring the rival factions to agree on the former vice president and oil minister as the country's next leader.

Mr. Abdul Mahdi, who is 76, now has 30 days to form a cabinet. The next government's list of challenges include overhauling a struggling oil-dependent economy and rebuilding infrastructure destroyed in the war against Islamic State. Iraqi security forces must also prevent a resurgence of the extremist group, which has been regrouping in northern Iraq.

Yet politicians and analysts say any efforts by Mr. Abdul Mahdi to make significant changes could be thwarted by vested interests of the very parties that coalesced behind his nomination.

"Abdul Mahdi has a reformist strategy but he will still be affected by the same complex political environment that brought him to power," said Raid Fehmi, a communist law-

maker and leading figure within the Sairun coalition that won the most votes in the election. "This raises doubts and concerns about how much he can achieve."

Under Iraq's complex political system that took shape after the U.S.-led invasion in 2003, the presidency is reserved for Kurds, the speaker of parliament is a Sunni, and the prime minister is from the Shiite majority. Those positions have usually been filled by quid pro quo deals between different parties, which includes sharing out ministries and using them for patronage.

That has created an ineffective, corrupt bureaucracy and bloated payroll on which most of Iraq's oil revenue is wasted. In the aftermath of the election, competing Shiite factions—each claiming to have a

majority of seats in parliament—paralyzed policy making and left unaddressed the country's daunting challenges, from government corruption and infrastructure development to security.

The U.S. and Iran backed rival groupings. Having invested billions of dollars in the war against Islamic State, the U.S. didn't want to see the formation of Iraq's government dictated by Iran's allies. For Iran, having a friendly government next door is crucial as the country comes under growing pressure from Washington and its allies.

Rivalry between Tehran and Washington escalated dangerously after protests over poor services in the southern city of Basra evolved into a broader rejection of the entire political class, culminating in the Iranian consulate being torched.

Rockets were then fired toward U.S. diplomatic missions in Baghdad and Basra. Washington later said it was closing its consulate in Basra. Both the countries blamed the other for the attacks on their missions. The U.S. condemned the attack on the Iranian consulate and Iran rejected the accusation.

Mr. Abdul Mahdi visited outgoing Prime Minister Haider al-Abadi on Wednesday and discussed cabinet formation. The two men agreed that reconstruction and providing job opportunities were top priorities, according to a statement from Mr. Abadi's office.

A World Bank assessment this year estimated Iraq needs more than \$80 billion to repair damage from the war against Islamic State but funds have been slow to materialize amid political uncertainty.

## Disappearance of Saudi Critic Sparks Dispute With Turkey

BY DAVID GAUTHIER-VILLARS AND MARGHERITA STANCATI

ISTANBUL—Turkey and Saudi Arabia were at odds over the disappearance of a prominent Saudi journalist in Istanbul in a case that risks damaging relations between the two regional powers.

Turkish officials said they were convinced that Jamal Khashoggi, an outspoken critic of the Saudi government under the leadership of Crown Prince Mohammed bin Salman, was being held in the Saudi consulate in Istanbul more than 24 hours after he entered.

"According to information we have, this individual...is still at the consulate as of now," presidential spokesman Ibrahim Kalin told reporters in Ankara on Wednesday.

Mr. Khashoggi, 59 years old, entered the consulate at around 1 p.m. on Tuesday and didn't emerge, according to his fiancée, who accompanied him there and was still waiting near the compound on Wednesday.

A Saudi official said the journalist wasn't inside. "Mr. Khashoggi visited the consulate to request paperwork related to his marital status and exited shortly thereafter," the official said. "He is not in the consulate nor in Saudi custody."

The U.S. is closely following the reports and trying to get more information, a State Department official said.

The journalist's disappearance is the latest flashpoint between Turkey and Saudi Arabia, which are competing for influence in the region.

Tensions have grown between the countries since Turkish President Recep Tayyip Erdogan backed Qatar in its dispute with Saudi Arabia last year. Turkey and Saudi Arabia also differ over Ankara's sympathetic view of the Muslim Brotherhood, an Islamist movement that Saudi Arabia and its allies consider a terrorist organization.

Under Prince Mohammed's leadership, Saudi Arabia has pursued a confrontational foreign policy largely aimed at as-



Jamal Khashoggi, seen here in 2011, left Saudi Arabia last year.

serting the kingdom's leadership in the Middle East. It has stepped up efforts to curb the influence of regional rivals, including by entering a war in neighboring Yemen against rebels backed by Iran, the kingdom's No. 1 foe.

Prince Mohammed, with broad sway over Saudi affairs, is behind some of the kingdom's most liberal reforms in decades, from allowing women to drive to lifting a ban on cinemas.

Under his watch, the Saudi

Germany in late 2017.

The latest standoff played out at the Saudi consulate in a back street of Istanbul's Levant business district.

Mr. Khashoggi left Saudi Arabia last year to live in Washington. Since then, he has feared that Saudi authorities might attempt to detain him, said his fiancée, a Turkish citizen who asked not to be identified.

"He was never comfortable, even in the U.S.," she said.

Turkey has jailed thousands of people since a failed coup attempt against Mr. Erdogan in July 2016, and has sought extradition of alleged coup supporters. But the disappearance of Mr. Khashoggi in Istanbul could raise concerns about sovereignty.

Mr. Khashoggi had an appointment at the consulate on Tuesday to collect paperwork related to his divorce, his fiancée said. A first meeting on Friday had gone well, she recalled. But because he was rushed for time, he had agreed to return after the weekend, she said.

"He felt reassured because one consular clerk had told Jamal that he was following him on Twitter and admired his work," she said.

—Dion Nissenbaum in Washington contributed to this article.

## WORLD NEWS



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## FROM PAGE ONE

# Hi, Jacob. Not You, the Other One

Continued from Page One

Redshirt freshman Jake Haener would be called Haener. Quarterback recruit Jacob Simon and junior Jacob Eason were christened Sirm and Eas. (Mr. Eason transferred from University of Georgia after losing the starting Bulldog quarterback job to Jake Fromm.) Mr. Browning, the starting senior, had the privilege of just being called "Jake."

For more than a dozen consecutive years beginning in 1999, Jacob was the most common name given to newborn boys in the U.S. Jacob's streak ended in 2013 when it was supplanted by Noah, whose own reign ended in 2017 when Liam took the crown.

All those Jacobs are growing

up, proliferating in classrooms, sports teams and online dating sites, including Tinder, where Jacob or Jake is the most common guy's name among 18-to-19-year-old U.S.-based users, according to company data.

Miranda Schueler, a sophomore at University of Wisconsin-Stevens Point, has had enough. "Too many Jakes in the world. Starting a petition to take them out," she tweeted.

She said she interacts with about a half-dozen Jakes and has her own mnemonic system to help keep track of them all. There's "Jake from Chemistry" and a bartender she calls "Jake from Work." Another one she calls "My Friend Mattie's Friend, Jake."

That's not news to Jake Kowalski, a recent graduate from Grand Valley State University in Michigan. The ubiquity of the name was apparent while interning as a floor manager this summer at Stafford's Pier, a waterfront seafood restaurant in Harbor Springs, Mich.

At his job interview, Mr. Kowalski was told he would be

the fifth Jake hired. The restaurant's general manager asked him if there was anything they could call him other than Jake. "If you yell 'Jake,' you don't want five heads turning around," said Mr. Kowalski.

A kitchen prep cook had red hair so he was dubbed Red. A Jake who worked as a server became Goose, a childhood nickname. There was another floor manager they called JC, his first and last initials.

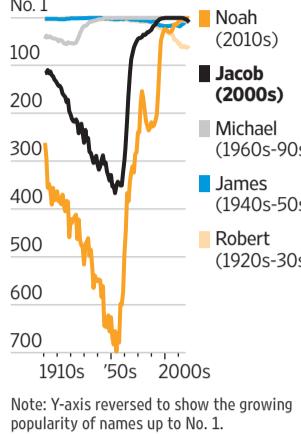
The nomenclature also respected seniority. "We had a Jake that we just called Jake," said Mr. Kowalski, referring to a waiter who had returned to the Pier for a third summer. "He's been there so long. He was the first Jake."

As for Mr. Kowalski, he went by Louie, his alter ego at Grand Valley State, where he had played the role of the school's official mascot, "Louie the Laker."

The sobriquet survived just the summer. He yearned to be called Louie at his next job as a service coordinator for a different employer, but the "Jacob" in

## One of a Million

The history of each decade's most popular name given to baby boys in the U.S.



Note: Y-axis reversed to show the growing popularity of names up to No. 1.  
Source: Social Security Administration

THE WALL STREET JOURNAL.

his assigned email address made it too confusing.

The first famous Jacob—the son of Isaac and twin brother of Esau—is a pivotal Old Testament figure. The Hebrew name, Ya'akov, means "he will be at

the heel," according to modern Hebrew literature scholar Stephen Katz of Indiana University, referring to the Genesis story of Jacob clutching Esau's heel as the brothers emerged from their mother Rebecca's womb.

Biblical names like Jacob were favored by Puritans but were never at the center of English naming traditions, according to Laura Wattenberg, creator of BabyNameWizard.com, which tracks naming trends.

It wasn't until centuries later that Jacob really started trending, gradually gaining ground in the U.S. around the late 1960s.

The 1950s and the earlier 1960s were the era of cheerfully sounding one-syllable nicknames like Jim, Mike, Bob and Bill, reflecting a time when parents were more concerned with fitting in than standing out, Ms. Wattenberg said.

Jacob became more popular because it was both traditional and had a fresh-sounding nickname. Like Aiden, Ethan or Mason, it also had phonetic features prized by parents: two

syllables and a long vowel stressed on the first. The letter J is also a perennial favorite, especially for boys.

In the past generation, there has been a revolution in the way parents name babies, said Ms. Wattenberg. "Today, you see what I call a reverse arms race," she said. "Nobody wants to be No. 1. Parents all want their kids to stand out." And the internet gave parents the ability to track patterns and swerve away from other parents.

The pursuit of novelty has helped give a boost to more unusual names such as Kairo, Wells, Jaxxon and Nova.

Liam's days at the top of the chart are probably numbered. The number of boys named Liam in 2017 is just half the number of Jacobs in 1999 and less than a quarter of the annual Michaels before then, according to the Social Security Administration.

That's cold comfort to Mr. Kowalski. "I like the name, but you want to have a little bit of originality. You're just another Jake."

# Huge Bank Heist Is Foiled

Continued from Page One

smooth-talking Brazilian based in Tokyo and a Dutch agricultural engineer. Their alleged plan, said Angolan government officials in court documents and interviews with The Wall Street Journal, was to siphon fees and cash from the central bank while pretending to set up a \$35 billion investment fund.

The group convened in glamorous spots in London, a resort in Portugal and Angola's capital, Luanda, with at least one meeting attended by President dos Santos. The money trail they left led investigators to international banks, shell companies and a Japanese firm whose mission is described on its website as "assets liberation."

"One looks at this and thinks, 'Wow, what's going on here?'" says José Massano, Angola's new central-bank governor, who is trying to piece together how his bank almost lost a chunk of its foreign-exchange reserves. "It is the kind of thing that shouldn't really happen."

Last month, prosecutors in Angola announced a variety of criminal charges against a son of Mr. dos Santos, the former central-bank governor and two others in relation to the alleged fraud. In the U.K., Angola has sued four men, including the Brazilian and the Dutch engineer, to recover €25 million the central bank paid to set up the multibillion-dollar fund, which never materialized.

The defendants in the U.K. civil case deny wrongdoing and say they did legitimate work on an investment fund, under contract, for which they received fees. After being named a suspect by Angola prosecutors in March, Mr. dos Santos's son said he is cooperating with the investigation, and the former central-bank governor couldn't be reached for comment. One of the other two men charged denied wrongdoing; the other couldn't be reached.

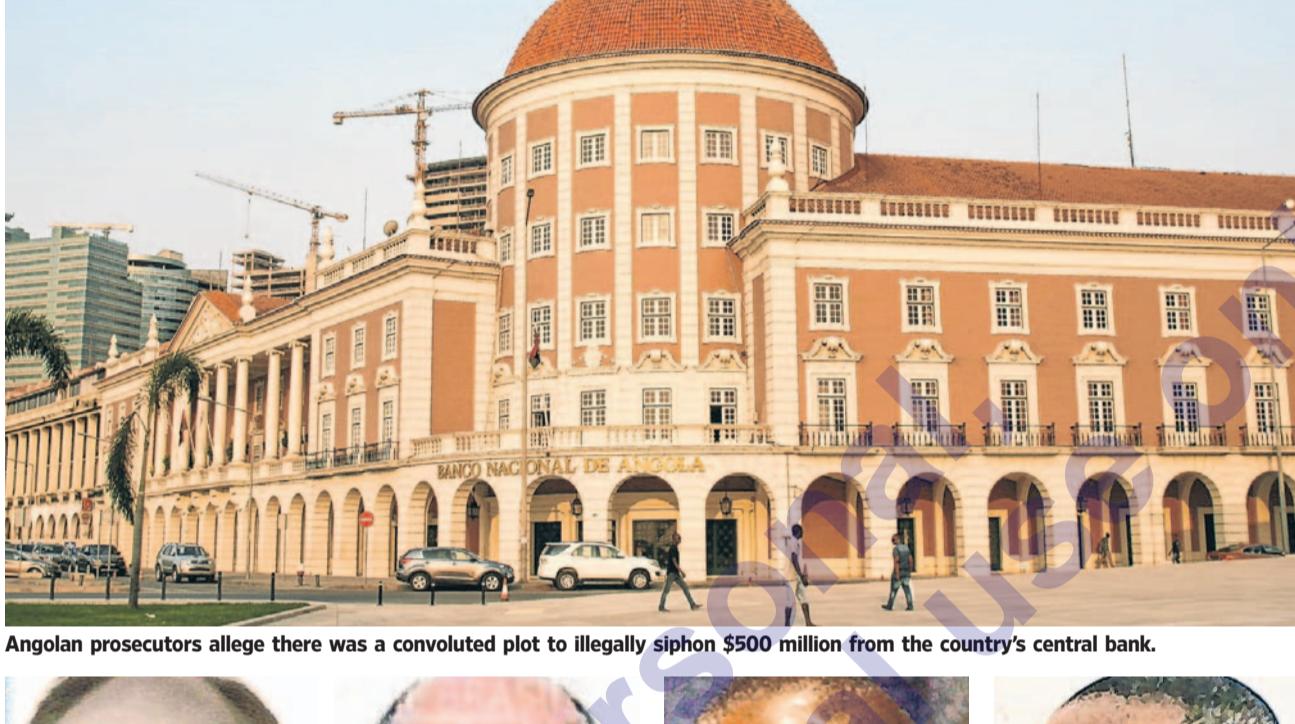
Angola's lawyers say the country may have fallen victim to a decades-old type of get-rich-quick scheme, typically used to defraud individuals or companies, not sovereign states. Investors are told they can make huge returns through a private market in "bank guarantees." There is no such market, and the U.S. Treasury Department and Securities and Exchange Commission have warned that such offers are fraudulent.

This account of the case is based on interviews with Angolan officials, bankers, people involved in the legal cases and documents related to the U.K. lawsuit, including sworn statements and a judicial ruling.

## Confidential letter

In June of last year, a letter marked "confidential" arrived at Angola's finance ministry for then-President dos Santos, 76 years old, who was preparing to step down after elections that August.

The letter, bearing a BNP Paribas SA logo and the signature of the French bank's chairman, made a compelling proposal. BNP Paribas and other European banks would help Angola create a \$35 billion fund, refinance debt and get hard currencies for imports.



Angolan prosecutors allege there was a convoluted plot to illegally siphon \$500 million from the country's central bank.



**Hugo Onderwater**, an alleged deal coordinator.



**Samuel Barbosa**, another alleged participant in the plan.



**Valter Filipe da Silva**, a former central-bank governor.



**José Filomeno dos Santos**, son of Angola's former president.

The letter named two deal coordinators: Hugo Onderwater, a Dutch agricultural engineer living in Portugal, and Jorge Pontes Sebastião, a childhood friend and business partner of President dos Santos's son. Mr. Pontes, 40, was until recently president of an Angolan bank; Mr. Onderwater, 55, has a business converting waste to energy, according to U.K. court filings by the two men.

Days after the letter arrived, Angola's finance minister and central-bank governor flew to a meeting in Cascais, near Lisbon. The president's son, José Filomeno dos Santos, then in charge of Angola's sovereign-wealth fund, came with them to represent the state, according to a U.K. court filing.

In a seaside hotel, Mr. Onderwater, the Dutch engineer, and Mr. Pontes presented slides for a new fund to help diversify Angola's economy, to be managed by a "qualified trust company" in London, according to excerpts from the presentation in U.K. court documents. A slide listed banks said to be supporting the project, including the European Central Bank.

The ECB says it was never involved in the project, and BNP Paribas says the letter with its logo and chairman's signature was forged.

Mr. Onderwater later told the U.K. court the banks mentioned were merely examples of possible participants, and that he only saw the BNP Paribas letter during court proceedings.

Angola's finance minister, Archer Mangueira, was skeptical of the plan. His department questioned the experience of the two deal coordinators and wondered about the project's "true developers."

Nevertheless, in July of last year, the central-bank governor, Valter Filipe da Silva, signed an agreement with Mr. Pontes to set up the fund.

That same month, the central bank started transferring €24.85 million (\$28.9 million) from its

Commerzbank AG account in Frankfurt to an account of Mr. Pontes at Banco Comercial Português SA in Lisbon, for fees due under the agreement, U.K. court documents show.

Mr. Onderwater received €5 million of that money, using some to buy property in Lisbon and rural Devon, England, investigators for the Angolan finance ministry found.

Another €2.4 million went to a Tokyo company called Bar Trading, headed by another alleged participant in the plan, 51-year-old Brazilian Samuel Barbosa. His role was to act as "trustee" of Angola's \$500 million seed money for the new fund, in charge of obtaining the "bank guarantees" and financial instruments that were supposed to transform the country's money into \$35 billion, according to Mr. Pontes's testimony and U.K. court filings.

Mr. Pontes told the U.K. court Mr. Barbosa was brought into the deal by Mr. Onderwater, a claim Mr. Onderwater denies. Lawyers for Mr. Onderwater said in a written statement that the bank guarantee was "solely an internal Angolan matter."

Bald and hulking, Mr. Barbosa described himself as an expert in buying and selling such

guarantees on his company website and in correspondence with clients reviewed by the Journal.

One day in August of last year, Messrs. Onderwater and Pontes sent instructions to the central-bank governor to transfer \$500 million to the trustee, Mr. Barbosa, according to evidence cited by the U.K. court.

They provided the details of an HSBC account of a company called Perfectbit Ltd., registered

to the London accountant's storefront office and listed on Bar Trading's website as an overseas subsidiary.

Two days later, central-bank officials entered Perfectbit's account details into the Swift network, a bank-owned consortium that handles millions of daily payment instructions. The money moved from the central bank's Standard Chartered PLC account in London to Perfectbit's HSBC account. The transaction didn't prompt any extra checks by either bank, people familiar with the matter say.

Once the \$500 million was in Perfectbit's account, the accountant made Mr. Barbosa and an associate owners of the company. The accountant, Bhishamday Dindyal, kept signing power on the HSBC account.

Over the next few weeks, the accountant and an associate of Mr. Barbosa's each visited HSBC branches trying to access the cash, unsuccessfully, according to Angola's U.K. court claim. The associate said in a court statement that \$26,999.99 from the account was paid as a fee for Perfectbit's work on the fund.

After the alert teller in the suburban London branch filed a report about the enormous balance, HSBC suspended the account for review.

In Angola, a power shift was under way. President João Lourenço, inaugurated in September 2017, launched an anticorruption drive, and his finance minister, Mr. Mangueira, started an investigation of the new investment fund.

Seeking answers, Mr. Mangueira took the central-bank governor, Mr. da Silva, to London again to meet with the three organizers of the deal—Messrs. Onderwater, Pontes and Barbosa. The former president's son, Mr. Filomeno dos Santos, came along, too, this time in support of the deal organizers, U.K. court filings show.

In an hourslong meeting, Mr. Barbosa batted away questions about his and his colleagues' qualifications. He said a European bank had guaranteed Angola's \$500 million, according to a U.K. court filing. That day, a letter was sent to President Lourenço saying Angola's \$500 million was guaranteed by Switzerland's Credit Suisse AG, and had swelled to \$2.5 billion from transactions by the trustee.

Credit Suisse says it didn't guarantee the money and documents in its name were forged.

Mr. Pontes denies the criminal charges. In an email statement through his lawyers, he said Angola's €24.85 million was voluntarily returned in June as part of negotiations to settle the U.K. civil case, and that he will "continue to act in good faith in his commercial dealings."

The former central-bank governor, Mr. da Silva, hasn't commented publicly and couldn't be reached for comment.

Messrs. Onderwater and Barbosa likely will keep their payments unless Mr. Pontes takes his own legal action against them, according to people familiar with the U.K. civil case, which remains open.

In June, several photos appeared on Mr. Barbosa's Facebook page. One shows him puffing on a cigar, another grinning from a business-class cabin.



Angola sent \$500 million to a company registered to this accountant's storefront office in a gritty London neighborhood.

As he listened to Mr. Barbosa, Mr. Mangueira recalled in an interview, he became convinced the Brazilian was the mastermind of a fraud. He had the air of a "vendedor da banha da cobra," Mr. Mangueira said—Portuguese for a snake-oil salesman.

Back in Angola, President Lourenço gave Mr. da Silva, the central-bank governor, 24 hours to get the \$500 million back, according to a U.K. court filing. That didn't happen, and he resigned without any public explanation.

With the deal collapsing, Perfectbit wrote to HSBC last Nov. 9 asking the bank to return the nearly \$500 million in its account to the central bank, according to a U.K. court statement from Mr. Barbosa. He said Perfectbit was asked to make the request by the company owned by Messrs. Pontes and Onderwater that had hired Perfectbit to act as trustee.

A few days later, Mr. Barbosa's associate was arrested by police at Heathrow Airport and released under investigation. He denies wrongdoing.

The accountant, Mr. Dindyal, who isn't a defendant in the lawsuit, was arrested at home in December and also released under investigation. He declined to comment.

Messrs. Pontes, Onderwater and Barbosa all say their companies operated under contracts with the central bank or each other and deny wrongdoing.

U.K. authorities returned the \$500 million to the Angolan central bank, but prosecutors in Angola are proceeding with their criminal fraud case.

They charged Mr. Filomeno dos Santos, the former president's son, and Mr. Pontes with money laundering, criminal association, falsification of documents, influence peddling and stealing through fraud.

Mr. da Silva, the former central-bank governor, was charged with criminal association, embezzlement and money laundering. The fourth man, a central-bank employee, was charged with criminal association and embezzlement.

Mr. Filomeno dos Santos was dismissed from the sovereign wealth fund this year. He hasn't commented since the charges were announced. In a previous statement to Angola state television, he said he was cooperating with the investigation.

Mr. Pontes denies the criminal charges. In an email statement through his lawyers, he said Angola's €24.85 million was voluntarily returned in June as part of negotiations to settle the U.K. civil case, and that he will "continue to act in good faith in his commercial dealings."

The former central-bank governor, Mr. da Silva, hasn't commented publicly and couldn't be reached for comment.

## GREATER NEW YORK

## Preschoolers Tackle Expensive Test Prep

Some parents pay up to \$400 an hour to tutor 4-year-olds for NYC gifted program

By LESLIE BRODY

Six students sat around a table, tackling workbooks with pointy pencils, while their teacher reached over their shoulders and checked off their correct answers.

"You're just guessing," the teacher, Daisy Farrugia, told one squirming girl after asking her to stop scribbling on her book's pictures. "I need you to use your awesome brain."

Welcome to test prep for 3- and 4-year-olds, New York City style. In the fierce competition for seats in public schools' gifted programs, many families pay for months of tutoring for the test that determines admission. At FasTracKids in Brooklyn, for example, children get 14 weekly sessions of 90 minutes each, including two mock exams, for \$1,595. Private lessons cost more.

Many customers see gifted programs in elementary grades as more challenging and orderly than the regular offerings in their neighborhood schools. But critics of the admissions process say it unjustly favors savvy families with the resources to pay for test prep, exacerbating inequities in the public schools from an early age.

Even some parents who buy such help say they are uncomfortable with it but want to boost their children's chances of getting on a path to selective middle schools and top high schools. More than 14,500 preschoolers took the test to enter kindergarten gifted programs last winter and only 2,305 were offered seats this fall, according to city data.

Chancellor Richard Carranza repeatedly has questioned the rationale for sorting children by test scores, saying such screening erects unfair barriers, especially to low-income students of color. But he hasn't laid out any proposals to change the admissions process or gifted programs, which have kept many middle-income and affluent families in public schools.

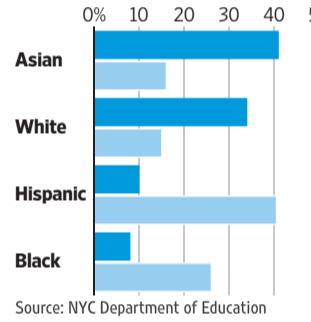
In kindergarten gifted programs last year, about 29% of children qualified for free or reduced-price lunch, city data show. Black and Hispanic students made up 18% of enrollment, while accounting for 67% in city public schools overall. Similar disparities ap-



Parker Rew-Porter participated in a test-prep program for the NYC Gifted and Talented exam with the help of teacher Daisy Farrugia.

### Who Gets In

Racial disparities in admission to New York City's public gifted programs begin in kindergarten. Percentage of students, by race, in kindergarten gifted programs compared with the city's public schools overall:



Source: NYC Department of Education

THE WALL STREET JOURNAL.



BESS ADLER FOR THE WALL STREET JOURNAL (2)

peared in elementary gifted programs through fifth grade.

Parents are now prepping children who are 4, or nearly 4, for the January test. "This is the Olympics of kindergarten admissions in New York City," said Suzanne Rheault, founder of Aristotle Circle, a tutoring service.

Her outfit charges \$100 to \$400 an hour for private sessions, with some tutors boasting doctorates in child psychology. She said that, on average, her youngest clients get 15 to 40 hours of tutoring over four to six months.

Sometimes parents are the ones who need training, she

said: When quizzing their children for practice, they praise every right answer, which leads some preschoolers to give up when they don't get immediate positive feedback during the test itself.

"Instead of praising the outcome, you praise the effort," she advised. Another tip: Don't promise ice cream after the test, which can inspire children to race through for the reward.

Some experts say screening as early as prekindergarten can fail to identify gifted children whose abilities emerge later, after exposure to rich

curricula. Jonathan Plucker, a Johns Hopkins University professor of talent development, recommends universal screening for giftedness in third or fourth grade.

"If you screen everybody, it's amazing how much more diverse your student population gets," he said. That forces all schools "to acknowledge they have kids who would benefit from enrichment services and a faster pace."

The National Association for Gifted Children says tests shouldn't serve as the sole source of identifying giftedness, and researchers generally

agree it is difficult to make accurate IQ determinations of children under 6 years old.

The high stakes of New York City's testing system has led to a proliferation of prep centers.

Franco Verdino, regional director of FastTracKids, which has 11 locations citywide, said demand "seems contagious," with families feeling pressure to keep up.

At the company's site near Brooklyn's Park Slope on a recent afternoon, one 4-year-old balked after walking through the front door. Her mother calmed her down with sushi.

Other students hopped cheerfully into a spacious classroom with an interactive whiteboard. They were quick to tackle "brain games," matching sequences of shapes and colors, and flipping puzzle pieces on the carpet so they fit patterns.

Rachel Owens said she felt conflicted about sending her daughter Charlie there. "It puts the kids whose parents don't have \$1,500 at a disadvantage," she said, but her husband wants to give Charlie opportunities he lacked, and their 4-year-old loved the first class and the homework. Ms. Owens decided that even if Charlie doesn't end up in a gifted program, the class is worth it for her own mental development."

Travis Rew-Porter said he wants his son Parker to be familiar with the types of questions ahead. "I don't think this would change someone's score dramatically, this just gives you an advantage maybe by a few percentile points, which in this environment is a big deal," he said.

Students must score at least 90 to apply for district-level gifted programs, and at least 97 for citywide offerings. Some coveted programs don't have space for all applicants with scores of 99.

The city uses two tests administered one-on-one by an adult, in a session that typically takes less than an hour. The Naglieri Nonverbal Ability Test has children perform tasks such as completing patterns and recognizing sequences among shapes. The Otis-Lennon School Ability Test requires children to pay close attention and follow oral instructions. They have to detect similarities and differences, define words and solve math problems tied to concepts such as more than and less than.

Gifted experts say tutoring can boost scores simply by familiarizing children with the test's format and helping them learn to focus for extended periods under a stranger's supervision.

Many private schools in New York City have stopped using intelligence tests as part of their admissions process in early grades because so many applicants were heavily coached.

The city Department of Education doesn't recommend formal test prep for the gifted test. Neither does Joyce Szuflita, a well-known admissions counselor in Brooklyn. In her view, 4-year-olds can rebel or think it is funny to mess up. "Prepping 4-year-olds works," she said. "Prepping 4-year-olds can backfire."

## Ex-Speaker to Remain Free During Appeal

BY CORINNE RAMEY

lars in bribes in exchange for government action.

During the appeal, Mr. Silver's lawyers plan to question whether the former legislator's acts were considered a "quid pro quo" under federal bribery law, they said in court filings.

"Mr. Silver was convicted on the fundamentally flawed premise that an official can commit bribery by agreeing to perform unspecified future acts for the payor's [payer's] benefit," his lawyers wrote.

Federal prosecutors disagreed, writing in court documents that the evidence presented at trial was overwhelming.

A lawyer for Mr. Silver and a spokesman for the Manhattan U.S. attorney's office both declined to comment.

## Mayor Presses for More 9/11 Funding

BY KATIE HONAN

New York City Mayor Bill de Blasio asked the federal government on Wednesday to provide more money to a 9/11 fund that assists sick first responders, making the plea after a new report said the fund may run dry before fulfilling its mission.

The September 11th Victims Compensation Fund was created to cover the health-care costs for volunteers and rescue workers who have become sick since responding to the 2001 terrorist attacks on the World Trade Center, the Pentagon and a United Airlines airplane that crashed near Shanksville, Pa. It also compensates survivors of the attacks and residents who lived near the sites.

The program was funded with more than \$7.3 billion in federal dollars and has more than \$3 billion remaining, ac-

cording to the VCF. However, on Wednesday, a notice in the Federal Register said the VCF could run out of money before the Dec. 18, 2020, deadline for people to file a claim.

The fund's director, Rupa Bhattacharyya, said Wednes-

\$3B  
Amount remaining in the Victims Compensation Fund.

day that while there isn't an immediate funding crisis, there could be a money shortage before the 2020 deadline.

Mr. de Blasio, a Democrat, said Wednesday that the fund should be made permanent and that it would be a moment

of truth for politicians to support first responders. "Anyone who says they care about first responders in Washington has to step up," he said at an unrelated news conference.

He also said there should be no deadline to apply for the benefits. Although the program's deadline is in 2020, the rate of cancer among first responders is on the rise, according to elected officials.

In 2011, President Obama signed the James Zadroga 9/11 Health and Compensation Act, which provided federal funding for the program. It was reauthorized in 2015 after extensive lobbying from officials and Sept. 11 survivors.

Sens. Chuck Schumer and Kirsten Gillibrand, as well as Reps. Carolyn Maloney, Jerry Nadler and Peter King, released a joint statement on Tuesday asking their col-

leagues to reauthorize and fund the program. "As we near the expiration of the 9/11 Victim Compensation Fund in 2020, our job isn't done," they wrote. "Congress needs to fix this now before waiting until the last minute and putting our heroes through more suffering and anxiety."

The September 11th Victims Compensation Fund has received more than 38,500 eligibility claims as of Aug. 31, the last time their statistics were updated. More than 20,000 of those claims were found eligible for compensation. The VCF has authorized funding to more than 19,000 claims, paying out more than \$3 billion.

The majority of these claims, more than 13,000, are for noncancer conditions, according to the VCF. Cancer was added to the list of eligible claims in 2012.

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## GREATER NEW YORK

# Drivers Support \$15 Hourly Pay

BY PAUL BERGER

Drivers for Uber and Lyft packed a New York City hearing on Wednesday to welcome a proposal to set a minimum pay rate of \$15 an hour for tens of thousands of struggling men and women who work for e-hailing companies.

But drivers and advocates warned officials from the city's Taxi and Limousine Commission who hosted the hearing that the pay raise won't solve their financial difficulties. "It's simply not enough," said Bhairavi Desai, executive director of the New York Taxi Workers Alliance.

The TLC held the hearing to discuss ways to address low pay in the ride-hailing sector and to get feedback on its proposal for a minimum-pay rate.

Representatives from the ride-hailing companies support the push to raise driver incomes, but they argue the proposal is based on flawed data and would hurt app-based companies and their riders.

An influx of tens of thousands of app-based vehicles has lowered pay across the for-hire industry. In New York City, 80,000 app-based cars compete with roughly 12,000 yellow taxis and 30,000 liveries and corporate limousines.

The authors of a study commissioned by the TLC said in

an interview Wednesday that raising app-based incomes could boost earnings industry-wide by reducing competition among ride-hailing cars, yellow taxis, liveries and corporate limousines. In a presentation to the commission, the study's authors said Uber and Lyft flood New York City with cars to reduce passenger wait times. The result is that many drivers spend a large portion of their day cruising empty.

The proposed earnings rule will force companies to pay workers more if they keep drivers cruising in empty cars. The study's authors say that should incentivize app-based companies to put fewer vehicles on the road in an attempt to increase the amount of time drivers spend ferrying passengers.

Michael Reich, a co-author of the study and an economics professor at the University of California at Berkeley, said the cost increase could be absorbed through better driver productivity, app-based companies charging lower commissions, and a "modest fare increase" of between 3% and 5%.

Ms. Desai said the commission underestimated drivers' expenses, putting the proposed hourly pay rate at a sum closer to \$11. The TLC must weigh public comments before its members vote on the proposal.

## East Village Fire Leaves at Least 12 Injured



**STUBBORN BLAZE:** Firefighters doused a five-story building near East 11th Street and First Avenue in Manhattan where a fire erupted at about 2 a.m. Wednesday. None of the injuries were life-threatening.

## GREATER NEW YORK

## POLITICS

### WFP Decides to Back Cuomo in Election

The Working Families Party voted Wednesday to back Gov. Andrew Cuomo and Lt. Gov. Kathy Hochul, paving the way to swap out Cynthia Nixon and Jumaine Williams, whom the WFP backed in an unsuccessful Democratic primary challenge.

The decision marks a sharp reversal for WFP members, who spent months supporting Ms. Nixon as she accused Mr. Cuomo of ignoring corruption and empowering Republicans. Party members debated for two hours, arguing between pragmatic unity and adherence to their left-leaning principles.

Mr. Cuomo, who is seeking a third term, defeated Ms. Nixon for the Democratic nomination by more than 30 points. A WFP leader said Ms. Nixon, who didn't attend Wednesday's meeting, was prepared to continue on the party line but preferred not to run.

Mr. Cuomo ran on the WFP line in 2010 and 2014, but said "we haven't got there yet" when asked last week about the possibility of running again. The WFP asked for a commitment to accept the nomination by Friday.

—Jimmy Vielkind

## CATHOLIC CHURCH

### Former Judge to Lead Abuse Investigation

A retired judge has been chosen to lead an investigation of sexual abuse of children by priests in a Connecticut Roman Catholic diocese.

The Diocese of Bridgeport announced Wednesday that Robert Holzberg will helm its investigation, which will begin immediately and is expected to be finished next spring. Mr. Holzberg retired as a state Superior Court judge in 2012.

Bishop Frank Caggiano announced the probe last month amid continuing sex-abuse scandals in the church world-wide.

—Associated Press

## Officers Hurt at Youth Center

BY CORINNE RAMEY

Twenty correction officers were injured Wednesday during a fight at a Bronx juvenile detention center, officials said, prompting the officers' union to call the facility unsafe and dangerous.

Horizon Juvenile Center holds 16- and 17-year-olds who were previously held at a jail on Rikers Island. The city moved the teenagers, who have been accused but not convicted of crimes, to Horizon in the past week due to a state law that requires young people to be treated differently from adults in courts and jails.

The state requires juveniles be treated differently than they had been at Rikers, including mandating that officers can't use pepper spray to break up fights.

In a letter addressed to city

officials, the union's president said that in the last week there had been more than 10 violent incidents involving staff and inmates at Horizon. "It is clear these inmates...are gang members and have continued the violence and criminal activity that landed them in jail in the first place," the president, Elias Husamudeen, wrote.

A spokeswoman for the Administration for Children's Services, which runs the facility, said none of the injuries were serious. "We are in a transitional period for a historic reform that's never been done before and there have been some incidents involving youth and officers, which were quickly addressed," the spokeswoman said.

Transferring the young people from Rikers to Horizon had prompted concern from criminal-justice advocates and some

City Council members, who are worried that staffing the facility with correction officers and juvenile counselors—as opposed to just counselors—could replicate the jail culture.

On Wednesday, City Council members Keith Powers and Rory Lancman called the violence "unacceptable."

"It is evident that the [de Blasio] administration was not prepared to execute the Raise the Age program," said the councilmen, who are both Democrats, referring to the new law.

Asked about the violence at a news conference Wednesday, Mayor Bill de Blasio said moving young people out of city jails was a "stunning achievement," but there is still work to do. "It's certainly going to take some work to perfect it but we must keep those facilities secure," he added.

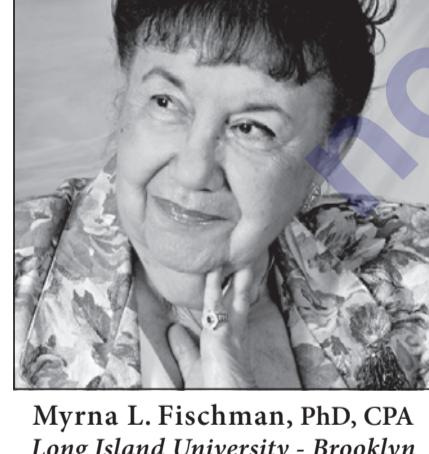


Michelle Dottin, a member of the Independent Drivers Guild, attended a hearing hosted by the Taxi and Limousine Commission.



### ALBERT NELSON MARQUIS LIFETIME ACHIEVEMENT AWARD 2017-2018 RECIPIENT

Marquis Who's Who is proud to honor its most distinguished listees based on their career longevity, philanthropic endeavors and lasting contributions to society. Out of 1.5 million biographies, only a small percentage are selected for the Albert Nelson Marquis Lifetime Achievement Award. Among that prestigious group, a handful are chosen to represent Marquis in The Wall Street Journal. It is our great pleasure to present one of them here. Congratulations to Dr. Myrna L. Fischman!



Myrna L. Fischman, PhD, CPA  
Long Island University - Brooklyn

as an instructor of accounting at the Borough of Manhattan Community College, and as a teacher of the Accounting Center at Center Commercial High School in New York. In addition to her academic appointments, she has maintained a career as a self-employed CPA in New York since the 1960s.

An accomplished professional, Dr. Fischman was credited with developing a new business machine course and curriculum at the Borough of Manhattan Community College. She also brought a Volunteer Income Tax Assistance IRS program to LIU Brooklyn and created the Center for Accounting and Tax Education (CATE), which now provides continuing professional education for both accountants and attorneys. She developed articulation agreements with the Borough of Manhattan Community College, Kingsborough Community College, and New York Technical Community College, and also developed a 150-hour BS/MS accounting program for the LIU Brooklyn campus, the C.W. Post campus, and the Southampton College campus, which is approved by the New York State Education Department for preparation for the CPA exam. She is pleased to have established the Myrna L. Fischman Excellence in Accounting Scholarship to provide financial aid to deserving candidates interested in pursuing a similar career path.

Dr. Fischman stays abreast of recent developments in her field through her involvement with the National Education Association, the American Association of University Professors, the American Institute of Certified Public Accountants, the Institute of Management Accountants, and the New York State Society of Certified Public Accountants. Other notable affiliations include the Brooklyn chapter of the Tax Institute at Long Island University, the Doctorate Association of New York, and the Financial Executives Institute. Additionally, she supports her local community through her contributions to Temple Emanu-El of the City of New York, the Jewish Guild for the Blind, and the Jewish Braille Institute, among other charitable organizations.

As a testament to her success and longevity, Dr. Fischman has received numerous accolades, including the Special Director's Award in recognition of 40 years of service to the Volunteers in Technical Service Program, the Lifetime Achievement Award from Soroptimist International, and the Meritorious Service Award from the Community Service Society. She has also been cited in the CPA Journal, which is published by the New York State Society of Certified Public Accountants.



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# LIFE & ARTS



## MUSIC

## On the Concert Circuit, Rock Is King

While hip-hop and R&B dominate the record business, rock remains a force in the live-show realm

BY NEIL SHAH

**E**veryone thinks hip-hop is king, but in the concert business, rock rules. Older rockers like the Rolling Stones get most of the credit for driving North America's \$8 billion concert-touring industry, but an underappreciated reason for live music's boom is the strength of smaller acts.

Drive-By Truckers is one example. The Athens, Ga., band, which has released 11 studio albums over 20 years, isn't dominating streaming services like Spotify or Apple Music. Yet it has a loyal following that spends \$30 a ticket every year for its shows.

The group, which revolves around singer-songwriters Patterson Hood and Mike Cooley, plays literary, punk-infused rock. Unlike pop stars, Drive-By Truckers doesn't leave the road for long: It averages 100 shows a year, usually two to three hours long, selling

1,000 to 3,000 tickets in most markets.

Touring provides more than 80% of the band's livelihood. "The way the music business is—that's our income," Mr. Hood says. "You don't really make a lot from record sales anymore."

The record business has rebounded after years of decline, thanks to royalties from streaming-music providers like Spotify. Hip-hop and R&B, America's most popular genre, accounts for 38% of U.S. on-demand audio streams, versus 20% for rock.

But in the live-show realm, rock is thriving. When Billboard ranked last year's 50 highest-earning music acts, using U.S. record sales, streaming, publishing and concerts, there were three times as many rock acts as hip-hop ones. The reason: Touring accounted for nearly 80% of the 50 acts' combined earnings, compared with 8% from on-demand streaming.

In terms of concert-tour revenue, rock accounts for 55% of the \$5 billion generated by last year's top 100 highest-grossing tours world-wide, excluding nonmusic acts, compared with 11% for R&B and hip-hop, according to a Wall Street Journal analysis of data from the trade publication Pollstar. Of the 25 highest-grossing tours globally last year, only two—Bruno Mars and the Weeknd—were hip-hop and R&B acts.

Collectively, smaller rockers have considerable clout. While the top 25 is full of household names like Paul McCartney and Billy Joel, the top 200 in North America, excluding nonmusic tours, is half rock acts, including bands like Muse, the xx and Deftones. In that ranking, rock still represents over half of revenue.

There are many reasons that rock remains so powerful on the road, including that, as an older genre, it had a head start on pop and rap.

Giant tours by older rap icons like Jay-Z aren't as common. Fans of newer hip-hop artists skew



younger, including teens with less disposable cash, making festival gigs more economical than lengthy, sprawling tours.

"Drake can do four Madison Square Garden shows, but Phish can do 17," says Peter Shapiro, a New York-based independent concert promoter. Especially in the day-to-day business of clubs and theaters, rock bands, he adds, "still have a huge impact."

Rock is also a big tent. There are touring veterans like My Morning Jacket and the Killers, which Jay Marciano, chief executive of concert-promotion giant AEG Presents, calls "the biggest unknown rock band"; older emo bands (Fall Out Boy); newer retro acts (Greta Van Fleet); jam bands (Lettuce); metal bands (Ghost); punk bands (Lee Bains III and the Glory Fires); along with indie rockers (Courtney Barnett), folk rockers (Avett Brothers) and Christian rockers (Casting Crowns, which grossed \$12 million in North America last year).

Twenty One Pilots, a Columbus, Ohio, duo that incorporates rap, pop and reggae, is one of rock's most commercially successful newcomers, graduating over the past seven years from 200-capacity

rooms to 10,000- to 18,000-seat arenas.

"Building a live business does not always align with what, on the surface, might be called 'pop-culture' success," says Chris Wolman, Twenty One Pilots' manager. "You are creating your own culture."

Today's rock acts may not fill the void when legendary acts like Elton John, U2 and Metallica call it quits. And it isn't easy to make a living on the road. Smaller acts often lose money. If you tour too often, fans stop buying tickets.

Phoebe Bridgers, 24, performed as a teenager at a farmers' market in Pasadena, Calif., making \$35 to \$200 a day. Last year, "Motion Sickness," one of her singles, won over critics. She shared a bill last month with the rock band the National. Next month, she starts a co-headlining tour with singer-songwriter Julien Baker.

"It's schizophrenic," she says.

"I'm small, but I get to open for big people."

Messrs. Hood and Cooley, now in their 50s, first tried to be rock stars in Alabama in the late 1980s. Drive-By Truckers, which they founded in 1996, toured relentlessly, playing as many as 250

shows a year and running four vans into the ground.

The road took a toll on them. Band members fought, and some departed. Touring "has broken us a few times," Mr. Hood says.

Now the group tours in three-week spurts so members can go home to their families. "I don't want to be a shitty parent," Mr. Hood says. "I may be about to play a show, but I'll be answering an email from an eighth-grade math teacher."

Drive-By Truckers recently finished recording the follow-up to its 2016 album, "American Band," but it isn't planning to release it until next year. Messrs. Hood and Cooley are booked through the spring and need family time next summer.

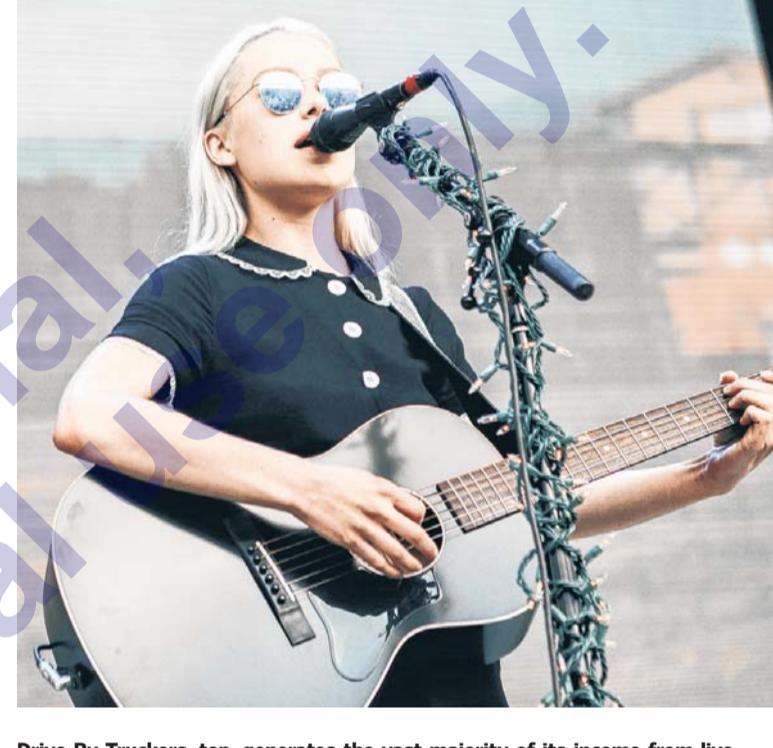
"We're too busy to put it out," Mr. Hood says.

So far this year, the band's ticket sales are up 10% over the same period in 2017.

In November, the Truckers play three nights at Saturn, a 525-capacity club in Birmingham, Ala., roughly 100 miles south of Florence, Ala., where Messrs. Hood and Cooley first shared an apartment in 1985. The next day, it's back out on the road.



Drive-By Truckers, from left: Jay Gonzalez, Brad Morgan, Matt Patton, Mike Cooley and Patterson Hood.



Drive-By Truckers, top, generates the vast majority of its income from live performances. Fans watch their show, left, at the Variety Playhouse in Atlanta. Other acts for whom touring is important include Phoebe Bridgers, above, and Twenty One Pilots, below.

**Rockin' Out**  
Among last year's 10 top-grossing music tours, more than half of them were rock.

## 2017 world-wide gross (millions)

U2	\$316.0
Guns N' Roses	292.5
Coldplay	238.0
Bruno Mars	200.1
Metallica	152.8
Depeche Mode	141.1
Paul McCartney	132.0
Ed Sheeran	124.1
The Rolling Stones	120.0
Garth Brooks	101.4

Source: Pollstar

THE WALL STREET JOURNAL.

## LIFE &amp; ARTS

## HEALTH &amp; WELLNESS

# A New Push to Lower Breast Cancer Risk

Personalized assessments aim to reduce chances of getting the disease by getting people eating more healthily and exercising

BY LAURA LANDRO

**A REGULAR MAMMOGRAM** isn't enough to battle breast cancer anymore.

Researchers have found that a third of breast cancer cases may have roots in issues like obesity, alcohol use and inactivity.

Hospitals are parlaying that fact into new, personalized assessments that emphasize prevention and healthier life choices, along with other factors that increase or decrease risk. They're using the results to guide follow-up and recommendations tailored to each woman.

These efforts are part of a wider trend toward personalized medicine. Such programs are too new to show impact on cancer diagnoses. But breast cancer experts say they are low-cost, do no harm and encourage women to live healthier lives. They also give women much-needed prevention guidance beyond their annual reminder to get a mammogram.

"Routine screening and early detection are important tools to defeating cancer, and yet we know there is room to improve upon how we assess risk and motivate healthy lifestyle choices," says Dr. Marisa Weiss, a breast cancer survivor who is chief medical officer and founder of the nonprofit Breastcancer.org.

"Individuals are much more likely to make and sustain daily healthy lifestyle choices when their risk profile and action plans are customized to their unique situation."

Brigham and Women's Hospital in Boston offers a program called B-Prep—for Breast Cancer Personalized Risk Assessment, Education and Prevention—to women who visit for breast complaints or abnormal tests. It's also open to anyone who wants to learn about her own personal risk. (Heredit accounts for 5% to 10% of breast cancer cases, and dense breast tissue increases risk. Oral contraceptives and hormone replacement therapy may also play a role.)

As part of B-Prep, women fill out a survey to evaluate lifestyle, family history and other risk factors and receive a personalized evaluation of their risk with exercise and diet recommendations, free educational sessions and follow-up recommendations. Genetic



STUART BRADFORD

counselors and physicians are available to discuss testing for inherited risk to those with a family history that increases the risk of breast cancer.

Patients wanting help with weight loss are referred to a Brigham and Women's weight-management program and can consult with the weight-loss surgery program. They're also offered the chance to participate in clinical trials. One is testing whether a 12-week exercise regimen can change inflammatory and immune markers associated with breast cancer.

Kathy Wood, a 61-year-old dental-office manager in the Boston area, heard about the program after having her annual mammogram in June. Although the results were negative, she was concerned about risk from her dense breast tissue. Because it can make screening more difficult, additional imaging tests are sometimes recommended.

She filled out the B-Prep survey and had a follow-up ultrasound, which was also negative. Last weekend she attended a free, four-hour B-Prep forum, with presentations and Q&A sessions with ex-

perts on topics including lifestyle and the role of exercise and diet in reducing risk.

"I went in not knowing anything and learned so much," Ms. Wood says.

She was happy to learn that her lifestyle might help lower her risk. She rarely drinks, maintains a healthy weight and exercises regularly. But she says she was unaware of dietary factors associated with several types of cancer discussed at the forum, including the role of carcinogens in some processed foods. "It makes you stop and think about what your daily diet should be, and what you are putting in your body," Ms. Wood says.

Dr. Tari King is chief of breast surgery at the Dana-Farber/Brigham and Women's Cancer Center and director of the B-Prep program. She says one aim is to put risk data into perspective. For example, the average woman has a 12% absolute risk of developing breast cancer over a lifetime. Drinking more than one alcoholic beverage a day increases that risk to between 14% and 15%.

"We are not trying to encourage excessive drinking, but we don't want women to feel they can't have a glass of wine or two after a particularly stressful day," Dr. King says.

At Memorial Sloan Kettering Cancer Center in New York, a program known as Rise (Risk Assessment, Imaging, Surveillance and Education) creates a customized, long-term surveillance plan for women already determined to be at high risk for breast cancer. That includes those with a family history or previous radiation treatment to the chest wall. Participants fill out a detailed survey that includes lifestyle questions and can arrange sessions with a dietitian.

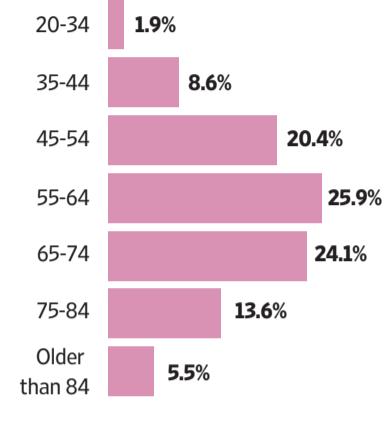
"We are trying to personalize screening recommendations and risk reduction strategies, not a one-size-fits-all approach," says Melissa Pilewskie, a breast surgeon and director of strategic planning and research for the Rise program.

A 2017 study led by Dr. Pilewskie published in the journal Breast Cancer Research found that 60% of high-risk women reported a

## Breast Cancer Breakdown

Female breast cancer is most common in middle-age and older women. Although rare, men also can develop breast cancer.

### Percent of new cases by age group



Source: National Cancer Institute  
THE WALL STREET JOURNAL.

possible area for risk reduction. Among 1,277 women who completed the survey, only half met national physical activity recommendations, 40% were overweight or obese and 18% reported consuming more than one drink a day. More than two-thirds qualified for genetic evaluation but 40% reported no prior testing.

Memorial Sloan Kettering's Exercise Oncology Service is also researching the right level of exercise for cancer prevention. In one trial, women with abnormal changes in breast tissue that increase the risk of developing invasive breast cancer will be assigned to treadmill walking for six months, ranging from 75 minutes a week to 300 minutes. A control group will receive usual care with no prescription for exercise.

After six months, researchers will repeat a biopsy to evaluate whether the training lowers the expression of genes in the normal breast tissue that are known to promote breast cancer. They also hope to find the optimal amount of exercise to stimulate the changes.

"A lot of women come in and are anxious about risk and want to know what they can do, and we want to show them there is science behind these modifiable risk behaviors," Dr. Pilewskie says.

## FILM

# BOOSTED BY 'STAR IS BORN'

### What music clichés did you try to avoid?

We wanted somebody with his own style, someone with his own voice and something to say. Stereotypes are no fun and you don't want to do something that's been done before. That's an artist's worst nightmare, to be stuck in something, that's like being in prison.

Look at Dad—he's done a reggae album, he's done a song with Snoop Dogg, he's done a bunch of stuff all over.

### Did you feel you were destined to become a musician?

Yeah. I had a dream when I was, like, 6 years old, that I was on stage in front of hundreds of thousands of people.

I was singing and I was terrified. And then a voice told me to shrink down into my chest and look out at the audience through my chest, which I woke up and years later realized it was just a metaphor, like coming from the heart. Because I felt safe in that place, and when I started to sing from that place, the crowd went wild.

### Do you think about the downsides of fame?

I think about that, but then I also say, "OK, stop thinking." You know, I'm studying math now. I'm going back into calculus and reviewing algebra.

Really, I think the only purpose of being alive is learning and growing and creating. I didn't pay attention in school because I was paying attention to learning guitar. It doesn't mean I don't want to know these things and be able to understand the universe and the world around me.

### Did anything happen on set that you never would have predicted?

The only time I'm good at predicting something is if I can see a pattern I can recognize. In chess, I can predict a few moves ahead of time. As a child I tried to build my foundation musically. I practice every day, that's all I focus on, is just getting as good as I can at what I do.

A book I read as a kid, "Jonathan Livingston Seagull," is about all these seagulls, all they can think about is just fighting over food and eating. And this seagull is like, "No. I want to learn how to fly as fast as I possibly can."

He spends all day away from the crowd just practicing his aerodynamics, getting as fast as he can, flying as fast as he can just for the ultimate joy of flying.

The rest of the guys hate him. They think, "He's weird. Why aren't you trying to eat?" And he's like, "I just want to fly."

I won't give away the

whole rest of the book. It's a very beautiful book.

### Has your dad seen the movie?

Not yet. We just have to coordinate between all of us. Just seeing each other is a big deal.

### Are you texting with Bradley Cooper—are you guys friends now?

We're very close. He's a fantastic dude. We connected very deeply. As a human being, he's such a hard worker and he meditates every day.

I read that your mom wouldn't let you play guitar in Bob Dylan's band when you were in high school. Were you mad at her?

No, I didn't even know it had happened until a little later. I love Bob Dylan to death. I think he's a fantastic human being. I would've gone for sure had I had the choice.

### Do you like watching yourself on-screen?

Well, you know, I don't cringe. That's a good sign.



Bradley Cooper and Lady Gaga in 'A Star Is Born.'



'I don't cringe. That's a good sign,' Lukas Nelson says of seeing himself in 'A Star Is Born.'

BY ELLEN GAMERMAN

**WHEN ASKED ABOUT** the potentially destructive power of fame, Lukas Nelson quotes from a refrigerator magnet his mom bought for his band's tour bus.

"Fame is a vapor," he says. "Only one thing endures and that is character."

The lead singer of the country-rock band Lukas Nelson & Promise of the Real is inhaling a bit more of that vapor as he prepares for the opening of "A Star Is Born," a movie remake about a rising musician featuring songs Mr. Nelson helped write and perform.

The 29-year-old son of country-music legend Willie Nelson, Lukas Nelson joined the movie as an adviser to its director and star, Bradley Cooper. He was hired to keep the concert scenes feeling authentic while Mr. Cooper

performed as the seasoned musician Jackson Maine.

That job morphed into a larger role as Mr. Nelson began writing songs with Mr. Cooper at his Los Angeles home and brainstorming tracks with Lady Gaga, who plays the breakthrough singer in the film. Mr. Nelson co-wrote eight songs and appears on-screen with his band, backing Jackson Maine.

Mr. Nelson spoke with the Journal about inspirational seagulls, what he learned from his father's work with Snoop Dogg and the childhood anxiety dream that predicted his future. Here are edited excerpts from the conversation:

### Do you feel swept up in the premiere of "A Star Is Born"?

I'm exercising a lot, meditating, stretching and doing yoga. Trying to stay grounded as things come in and recognize that success is

a product of inspiration.

### How did you go from an adviser on the film to songwriter and performing?

We were trying to find the character of who Jackson Maine was. The songwriting sort of helped shape that. It was a natural process of evolution, just the fact that I was there and I do write. I'm spending all this time creating this character, I might as well write for this character and see what he thinks.

### How is Bradley Cooper as a songwriter?

He had a lot of great ideas. He would sing me the notes of solos he wanted me to play. He's a very musical guy. He was inspired when I'd say, "You know, that's actually good."

That's really all you need, is support from people around you and honesty when it could be better.

## LIFE &amp; ARTS



George Shaw's 'It's All the Same to Me' (2014-15), above; 'Scenes From the Passion: The Hawthorne Tree' (2001), right; and 'The Rude Screen' (2015-16), above right



## ART REVIEW

# Solid, Quietly Poetic And Gently Political

British figurative painter George Shaw gets his first American solo exhibition

BY PETER PLAGENS

*New Haven, Conn.*  
THE WINNER of Britain's Turner Prize in 2011, the year that figurative painter George Shaw was a nominee, was Martin Boyce, an artist who combined minimalist sculpture with installation art. While Mr. Shaw may not exactly have been a token traditional artist in the contest, he was an against-the-grain choice that ran counter to the sensationalist-style U.K. artists (e.g., Damien Hirst, Tracey Emin and the Chapman brothers) who have seemed to dominate British contemporary art since the 1980s. Now, in "George Shaw: A Corner of a Foreign Field,"

his solid, quietly poetic, and gently political pictures are the subject of his first solo exhibition on this side of the Atlantic at, appropriately enough, the Yale Center for British Art.

Mr. Shaw was born in the Midlands in 1966, the son of Irish immigrants (his father was a Catholic socialist). He attended a red-brick university and, in his early 30s, earned a master's degree from the Royal College of Art in London. Mr. Shaw paints and draws from photographs he takes himself: "I'm a prowler with a camera. I have my territory that I revisit looking for clues to I'm not sure what," he told the British newspaper the *Observer* in 2011. Central to Mr.

Shaw's hunting grounds is the Tile Hill public housing complex ("council housing estate" in local parlance) in Coventry, which was built in the 1950s to re-

place shelter obliterated by the Blitz during the early days of World War II.

The political quotient of Mr. Shaw's painting lies both in his wonderful titles, such as "It's All the Same to Me" and "The Back That Used to Be the Front," and in the images themselves, which subtly emphasize the dilapidation overtaking public housing during the ensuing years. It's a stretch to attribute politics to Mr. Shaw's very choice of paint—quick-drying canned enamel, rather than fancy tubed oils—but his medium does lend Mr. Shaw's pictures a brittle straightforwardness that matches his subjects.

"Collectively, [his paintings] reflect the anxieties and aspirations of British culture in the decades of Mr. Shaw's upbringing," the Yale press kit says. The aspirations come first, chronologically, in this exhibition of 70 paintings and 60 drawings, plus sketchbook material. That last category includes youthful, adoring pencil portraits of such famous persons as David Bowie and Francis Bacon, along with some truly embarrassing—or at least they should be—slavish copies of skin-magazine photos featuring female genitalia. (Mr. Shaw is likely trying merely to be honest about his development in the vein of the earlier Kitchen Sink school of painters and Angry Young Men writers, but such full disclosure doesn't help the show.)

It's in Mr. Shaw's paintings that hope turns to worry. The progressive, public-spirited housing architecture of the 20th century's midpoint becomes worn and neglected. Clean modern walls start to mildew. Pavement cracks and fencing proliferates—especially at the abandoned industrial sites

where plentiful jobs once augmented the housing. Mr. Shaw often amps up his color, lending a pink sunset glow to the melancholy of ruin, but that contrast heightens the poignancy of what he has to say. "For me, it was taking those clichés of epiphany and the sublime," he told art-net, an online publication, "and putting them in a place where great thoughts aren't rumored to happen." Mr. Shaw's exhibition is, in short, a visual elegy.



A small alas: The show is too big, and so are a few of Mr. Shaw's paintings. The power of pictorial content in an institutional show of many, many works of art comes from selectivity and, however deceptive, modesty. Mr. Shaw's small and medium-size paintings, in the less-than-a-yard-on-a-side neighborhood, have a cer-

tain charm to them that makes them poignant. Not so the three 70-by-77-inch pictures—all of mysterious detritus in darkened woods—that greet viewers at the show's entrance. They're the product of a 30-month residency at London's National Gallery and somehow come off not as personal, but almost official. The big charcoal drawings of similar woods in which Mr. Shaw gamboled as a child are similarly built more to impress than to move.

Nevertheless, in his best work Mr. Shaw transforms the inherently homely into something beautiful. (By comparison, his art-world-revered countryman David Hockney takes the already beautiful and turns it, in his recent painting, into some-

thing almost blindingly pretty—a different if likewise formidable accomplishment.) Mr. Shaw negotiates the tricky boundary between painting and sociology without becoming either arcane or obvious, and aesthetically avoids the trap of being a "literary" painter. The exhibition's mix of large and small, of jejune and mature, is at times a little shaky but—not unlike a well-poured pint and a meat pie in a welcoming Midlands pub—the show is eminently satisfying.

*Mr. Plagens is an artist and writer in New York.*

**George Shaw: A Corner of a Foreign Field**  
Yale Center for British Art, through Dec. 30

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## SPORTS

## THE COUNT

## DEFENSIVE WOES IN THE STEEL CITY

The Steel Curtain is in tatters. Since the days of "Mean" Joe Greene and Jack Lambert in the 70s, one of the near certainties in the NFL has been the stout defense of the Pittsburgh Steelers. From 2000 to 2017, the Steelers had the highest-ranked defense on average in both yards and points allowed, according to Stats LLC.

But this season, the Steelers (1-2-1) are letting opponents march up and down the field and defensive-minded head coach Mike Tomlin seems oddly resigned. After giving up 451 yards at home in a 26-14 loss to the Baltimore Ravens, dropping to 30th in yards allowed per game and 26th in points, Tomlin chose not to spit fire at his flailing defense, but compliment it.

"I think we're finding our rhythm defensively," he said.

The Steelers defense has now allowed 400-plus total yards in three straight weeks. The last time the Steelers and Tomlin won the Super Bowl, to cap the 2008 season, the Steelers didn't allow an opponent to gain even 300 yards until Week 16. And the Steel Curtain at its 1976 peak allowed 28 total points in their last nine games combined. This year's Steelers yielded 21 points in the first quarter of their home opener in Week 2 against the Kansas City Chiefs.

Things aren't likely to get easier this week for the Pittsburgh defense. On Sunday, they host the Atlanta Falcons (1-3), who have averaged 35 points and 448 yards the past three weeks.

—Michael Salfino



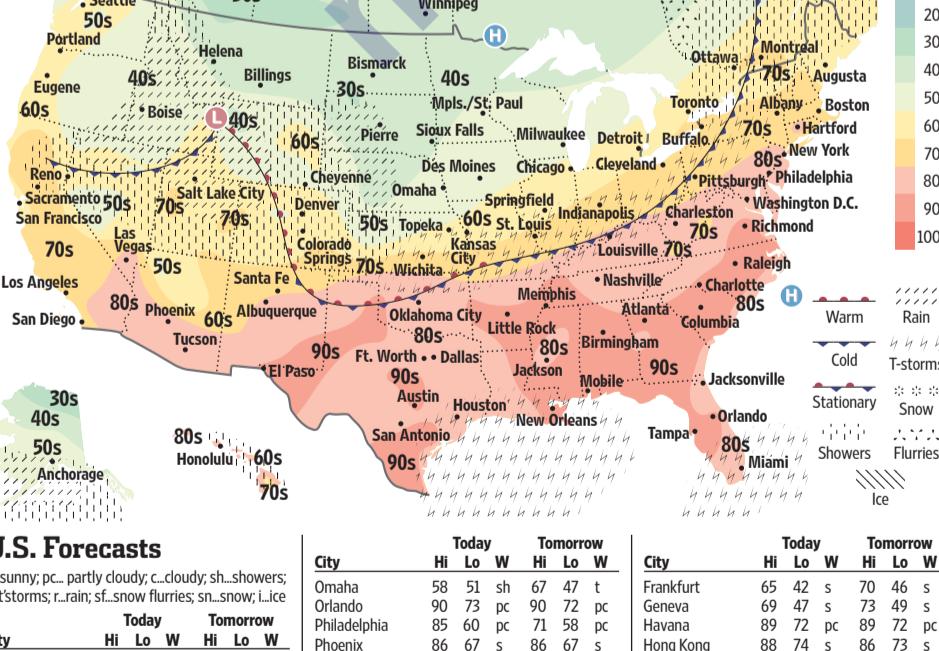
## The Dept. of Defense

From 2000 to 2017, the Steelers had the highest-ranked defense on average in both yards and points allowed.

TEAM	Avg. Rank	Avg. Rank Points
1. Steelers	6.6	7.7
2. Ravens	7.2	8.3
3. Broncos	11.9	15.9
4. Jets	12.3	14.8
5. Panthers	13.4	14.2
6. Cowboys	14.1	16.5
7. Eagles	14.1	13
8. Dolphins	14.4	13.7
9. Buccaneers	14.7	15.1
10. Jaguars	15.2	16.9

Source: Stats LLC

## Weather



## U.S. Forecasts

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

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## OPINION

# High Noon for Kavanaugh

**WONDER LAND**  
By Daniel Henninger

In the matter of the Democratic Party versus Judge Brett Kavanaugh's nomination to the U.S. Supreme Court, it is time to have it out.

We have arrived at an inevitable moment in every classic Western showdown. There is nothing left to talk about. We don't need any more FBI reports. It's time to go out into the street and settle this. As a man who was done talking in Sam Peckinpah's "Ride the High Country" said: "Start the ball, old man!"

It's time to start the ball—first with a vote on the Senate floor, and then with votes across the country for Senate control in November.

We are a civilized people. We don't actually shoot each other, most of the time. Street gangs do that, and the U.S. Senate isn't a street gang. But it has begun to look more like Dodge City than the seat of a great nation.

Senate hearings have become dogfights attended by mobs. Demonstrators routinely throw themselves on the floor in front of senators' offices. The Jeff Flake entrapment after the Judiciary Committee vote was a low point in modern Senate history, with the senator cornered inside an elevator by a woman shrieking "Look at me!" for inevitable capture by a video.

By now in the Kavanaugh

saga, with all the moral intimidation, gender-baiting and bad faith thrown at their side, you would think each of the 51 Republican Senators would vote to confirm out of simple self-respect. But self-respect has become a hard thing to maintain under the weight of modern media, so people just bend.

The Kavanaugh confirmation was always going to be a big political moment, but no one could have predicted it would expand across four weeks into one of the most defining political events in a generation.

Before this began, the conventional wisdom was correct that the midterm elections would be a referendum on He Who Cannot Be Avoided—President Trump. After lying low through most of the hearings, Mr. Trump surfaced Tuesday evening in Mississippi with a diatribe against Christine Ford's variable memory.

I'm not sure another Trump cannonball matters at this point. The Kavanaugh confirmation, watched by millions, has put in play considerations bigger than Donald Trump or Brett Kavanaugh.

Start with the other transcendent event of our time: The 2016 presidential election result. Within hours, the Trump victory put in motion an anti-Trump "resistance" that transferred control of the Democratic Party to its leftmost wing.

The nonstop war between Mr. Trump on one side and the left and the national press corps on the other has caused

a few realities from the 2016 election to drop from view.

The 63 million or so Americans who voted for Donald Trump weren't the lunatic fringe. For many, Mr. Trump was their vessel for two concerns—the future of the Supreme Court and the implications of a Hillary Clinton presidency after Barack Obama's two terms.

**The time for talking is over. The time has come for the Senate and nation to vote.**

The Kavanaugh nomination has put both these powerful subtexts from 2016 back in play. The Democrats have managed to shift the midterm elections away from Mr. Trump's personality and make it about the Supreme Court, the status of the law in the U.S. and the nature of Democratic rule.

The sincerity of Ms. Ford's testimony notwithstanding, this phase of the confirmation began with no corroborative evidence against Judge Kavanaugh and is ending with no evidence. The acceptance of this no-evidence standard, not just by the Judiciary Committee Democrats but by nearly all Democrats and most of the media, is something people have noticed.

One reader of this column said a litmus test of pure belief in the context of a nomination to the nation's highest legal institution brought to

mind a famous dictum by Fidel Castro: "Within the revolution, everything. Against the revolution, nothing."

As to the many who said in 2016 their vote was less about Donald Trump than about preventing a Clinton presidency, the hearings have put faces on the reality of Democratic congressional control: Feinstein, Leahy, Durbin, Whitehouse, Klobuchar, Coons, Blumenthal, Hiroto, Booker and Harris. As the committee's senior Democrat, Dianne Feinstein would become arbiter of the federal judiciary.

The coverage of Brett Kavanaugh's past has also put a whiff of anti-Catholicism in the air, with the constant invocations of "Georgetown Prep," suggesting not subtly that this all-boys school, founded by Jesuits in 1789, was an abusers' breeding ground. To invoke a legal term, this is a slander, and many at this point resent it.

It's possible the Democrats are aligned with a deeper shift in the nation's psyche. Despite a modern world created by precise algorithmic proofs, we may be entering a time driven more by inner mental states. Some are calling it an era of post-truth. For the law, I would call it an era of jury nullification. Chuck Schumer wants results without votes.

It is time for Sens. Jeff Flake, Susan Collins, Lisa Murkowski, Joe Manchin and Heidi Heitkamp to stand for one Senate tradition: a public vote.

*Write henninger@wsj.com.*

**BOOKSHELF** | By Katherine Boyle

## The Front Page Of the Internet

### We Are the Nerds

By Christine Lagorio-Chafkin  
(Hachette, 492 pages, \$28)

**A**t a recent Senate hearing on election interference, Sen. Mark Warner (D., Va.) declared that "the era of the Wild West in social media" was coming to an end. Internet executives, he said, had been "flatfooted" in their response to bad actors on their platforms—from Russian trolls to domestic conspiracy theorists—and it was time for companies to atone. Top executives from Facebook and Twitter met these rebukes head-on. Google, for its part, endured the committee's ire for offering to send its lowly Chief Legal Officer. Missing from the hearing were representatives from Reddit, the community-driven news and discussion platform that recently overtook Facebook to become the third most popular web destination in America—and that, for years, has been publicly grappling with some of the same problems of policing user behavior that the other social-media giants now confront.

Some observers may sneer at the communities—or "subreddits"—that make up the site's user base, but Reddit has become, for good or ill, the internet's most honest bellwether of American sentiment. Its users include nerds (gathering on subreddits like r/askhistorians), trolls (r/4chan), anonymous champions of internet freedom (r/netneutrality) and enthusiasts dedicated to birthing the memes

that make internet culture churn (r/HoldMyBeer). "We Are the Nerds," the product of six years of reporting by Christine Lagorio-Chafkin, a senior writer for Inc. magazine, is both an account of the site's history and an efficient recap of the major controversies surrounding online behavior—from the limits of free speech (r/nsfw) to the effects of technology on democracy (r/TheDonald, a group that boasted about "memeing a man into the White House").

The founders of Reddit, Alexis Ohanian and Steve Huffman, seem to have bumbled their way through building a company. Rejected by a then little-known startup incubator called Y Combinator, they got a call a bit later from YC co-founder Paul Graham. Their first idea was terrible, he said, but the two of them were a pretty great pair: Why not work with Y Combinator and build something else?

In 2005 they began their foray into that "something else," which turned out to be a network of communities bound by common interests, moderated by each community's own "power users." Fueled by "the real-time flow of information and opinion" and an innovative commenting system that let the wisdom of crowds determine the merits of comments, Reddit began to earn its reputation as "the front page of the internet."

The site also became a political gathering place, especially for internet-born movements. In 2011 many users feared that the Stop Online Piracy Act and Protect IP Act would restrict their free speech. Reddit rallied, and the bills were shelved. By 2012, when President Barack Obama signed on to Reddit to participate in the ritual Q&A known as "Ask Me Anything," it was clear that the site had gone mainstream.

**Reddit, like other sites, has faced controversies over its users' behavior. But public scrutiny has also prompted the platform to mature and evolve.**

The opening sections of Ms. Lagorio-Chafkin's story present a classic "we were cachers once, and young" tale: engineers sleeping in cupboards; founders wearing T-shirts to acquisition talks. At times readers may wish for more detail about the early days. Fateful design decisions are treated only briefly, as if in imitation of the site's first engineers, who moved hastily (but efficiently) to build something that would please its user base.

Ms. Lagorio-Chafkin fearlessly explores Reddit's dark edges, documenting the mob mentality that is so often evident on the platform and describing each scandal neatly as the book progresses. She reminds us of Reddit's brush with internet vigilantism after the Boston bombings in 2013: Users of the site tried to identify the bombers through online research but ended up misidentifying them and making false accusations. She also recounts the 2014 hacking of nude photos of Jennifer Lawrence and other celebrities, whose images remained on the platform for days.

One inspiring example of Reddit's ability to foster ad-hoc communities is RedditGifts. Started by a power user, Dan McComas, this "Secret Santa"-style gift exchange among randomly matched Reddit users went on to attract hundreds of thousands of participants in more than 150 countries. The flip side, of course, is the nasty subreddit r/jailbait, eventually closed for promoting underage sexual content. Such crackdowns by management usually prompt an outraged response from impassioned users worried about "free speech," some of whom have bullied and harassed the company's top brass—including Ellen Pao, the interim chief executive who resigned in 2015 after such an episode.

By that time the company had gone through a series of CEOs. Messrs. Huffman and Ohanian sold Reddit in 2006 to Advance Publications (for just \$10 million) and left the company three years later. Soon Advance Publications realized that taming the chaotic website wasn't something it really wanted to do, and again spun Reddit out as its own company.

Yet as "We Are the Nerds" goes on, we see Reddit mature and evolve. Messrs. Huffman and Ohanian have returned at different times to help shepherd the platform beyond difficult controversies, and management has been willing to make hard decisions that in retrospect seem obvious: Reddit, for instance, was quick to ban "revenge porn"—the posting of sexual content from a former partner without his or her consent—beating Facebook and Twitter to the punch. With Mr. Huffman at the helm today, it's a more mindful Reddit.

Contrary to Reddit's motto, the site's power has not come from being the internet's front page but from often being overlooked and left to develop in a fascinating if disorderly way. The question now is how the company will fare in an age of greater political oversight. But judging from 13 years of practice, Reddit is used to being underestimated.

*Ms. Boyle, a former reporter for the Washington Post, is a venture capitalist at General Catalyst Partners in San Francisco.*

## How Kavanaugh Could Help the GOP

By Karl Rove

**F**ollowing last week's extraordinary testimony by Prof. Christine Blasey Ford and Judge Brett Kavanaugh, public attitudes are split and malleable.

The hearing eroded support for Judge Kavanaugh's Supreme Court confirmation, according to a Sept. 30 Harvard-Harris poll. Before the hearing, 36% of voters favored his confirmation with 38% opposed and 26% undecided. After the hearing, support for confirmation was roughly unchanged, but opposition ticked up to 44% as the share of undecideds fell. Responses broke along partisan lines: Republicans favored confirmation 72% to 13%, while Democrats opposed it 71% to 16%. Independents also opposed confirmation, 45% to 28%.

But the tide of opinion could reverse after the Federal Bureau of Investigation finishes its supplemental background check. The Harvard-Harris survey also asked respondents where they would stand if the FBI review "finds no corroboration" of Ms. Ford's accusations. In that case, support for confirming Judge Kavanaugh rises to 60%—including 58% among independents—while opposition drops to 40%.

This is why Democrats—who demanded an FBI investigation—are likely to disparage it once it concludes. They will argue it was rushed even though Sen. Amy Klobuchar initially said "let's give this

one week" and Sen. Mazie Hirono said over the weekend "there is time to get to the bottom of it, even if it's seven days." In a Sept. 20 letter to the White House, Democratic senators noted that "the FBI finished its work in three days" when investigating accusations against Clarence Thomas in 1991.

But Sen. Richard Blumenthal has already called the FBI's time frame "too accelerated and too artificial." After Democrats warned the White House not to influence the

If the FBI finds no further evidence, Republicans benefit in the midterms.

FBI's work, Mr. Blumenthal now demands the FBI question 25 people. Once the investigation wraps up, Democrats may insist on another televised hearing. Others will drop the sexual-assault issue and turn to teenage drinking and yearbook scribbles to suggest Judge Kavanaugh misled the Judiciary Committee.

Democrats aren't the only ones revved up by all this. The Harvard-Harris poll found 46% of Republicans along with 50% of Democrats agreed "the battle over Brett Kavanaugh" made them "more likely to turn out and vote in this November's midterm elections."

Two other red-state Democratic senators, Missouri's Claire McCaskill and Mon-

tan's Jon Tester, oppose the judge, but offered reasons other than Ms. Ford's accusations.

The GOP could strengthen its hand further—especially with independents—by keeping the focus on how Democrats created this mess. Sixty-nine percent of all voters—not just Republicans—believe "the Senate confirmation hearings . . . have been a national disgrace." Seventy-five percent of voters agree Sen. Dianne Feinstein should "have immediately turned over the letter from Christine Blasey Ford" rather than sit on it for six weeks until it was leaked in the media. Note to California Republicans, left without a Senate candidate by the state's open primary: Vote for Mrs. Feinstein's Democratic opponent, Kevin de Leon. The better his showing in California's red precincts, the bigger the rebuke to Mrs. Feinstein.

In purple states such as Arizona, Florida and Nevada, this issue will cut more evenly between the parties. GOP candidates there must emphasize that the hearings were a mess that could have been avoided if Mrs. Feinstein turned over Ms. Ford's letter promptly. That way her privacy could have been protected and the charges examined in the FBI's normal process.

It would have been better for Ms. Ford, Judge Kavanaugh and the country if regular order had been followed. But Democrats refused. Now America will have to live with the ugly consequences, which will only be made worse if a good man is kept from the bench by an uncorroborated charge promoted by a party that specializes in last-minute character assassination.

*Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).*

## A Trade War America Can't Afford to Lose

By Jeff Moon

**P**resident Trump has raised the stakes so high in his China trade war that he can't afford to lose. If he comes away with anything less than a deal guaranteeing significant, verifiable reforms to Beijing's mercantilist trading practices, he risks imperiling American business prospects in China for years.

A settlement that merely tinkers with the status quo—like the recent reworking of the North American Free Trade Agreement—would spell long-term political and economic disaster. The Chinese know that future U.S. presidents are unlikely to match Mr. Trump's rhetoric and personal political investment in the trade issue. Beijing would interpret any unfulfilled threat from Mr.

Trump as proof that it need never yield to U.S. trade demands, having shown it can withstand maximum American economic pressure. Chinese leaders will conclude that they have survived the

The stakes are so high, a Nafta-like rewrite would be a disaster.

Americans' best effort to pry open their markets. They will then feel free to perpetuate indefinitely their discriminatory trading practices and industrial policies.

History provides a cautionary tale. President Clinton threatened during the post-Tiananmen period to condition China's most-favored-nation trading status on its progress on human

rights issues. After much wrangling, Mr. Clinton realized he had overplayed his hand. He backed down in 1994, leaving the affair as the high-water mark of American pressure on China over human rights. The issue subsequently receded into the background of the bilateral relationship, to the point that the Trump administration now raises human rights with the Chinese as an afterthought, if at all.

The American business community appears not to appreciate fully that precedent, and they underestimate the danger ahead. Businesses and trade associations overwhelmingly have opposed Mr. Trump's tariff policy, and they hope to avoid short-term pain by pressuring the president to withdraw the tariffs. But the long-term stakes of the trade war have

increased now that Mr. Trump has escalated the conflict beyond the point of no return. If Mr. Trump now settles the fight he has picked with China for little or nothing, he will signal that China can ignore longstanding demands into the indefinite future, along with any threats seeking a level playing field for U.S. businesses in the Chinese market.

Mr. Trump is living out the old maxim that you need to be careful what you ask for because you just might get it. Now that he has the trade war he so vigorously sought, he bears ultimate responsibility for his gamble over America's trade with China. He better win, or else.

*Mr. Moon is a China trade consultant and former assistant U.S. trade representative for China.*

## OPINION

## REVIEW &amp; OUTLOOK

**The Never Conservatives**

**D**onald Trump didn't help Brett Kavanaugh's confirmation with his crude mockery of Christine Blasey Ford on Tuesday night in Tennessee, but then this Supreme Court moshpit isn't about this President. The left's all-out assault on the judge is clarifying because it shows that the "resistance" is really about anything and everything conservative in America. Mr. Trump is its foil to regain power.

Brett Kavanaugh isn't part of Mr. Trump's New York menagerie, or some Steve Bannon insurgent. The judge is the epitome of the GOP legal establishment, a Supreme Court nominee from central casting. He went to the best schools and served his apprenticeship among legal elites including a clerkship with former Justice Anthony Kennedy.

He has spent 26 years in public service instead of cashing in as a Beltway lawyer. He served at the highest levels of George W. Bush's White House staff in positions of great trust. On the D.C. Circuit Court of Appeals for 12 years, he has written more than 300 opinions and had at least 10 adopted by the Supreme Court. He has taught at Harvard Law School at the invitation of then dean, and now Justice, Elena Kagan.

With these credentials Judge Kavanaugh would have been on any Republican's short list for the Supreme Court. He could have been Jeb Bush's nominee, or John Kasich's, though Mr. Kasich in the ambitious ebb of his career now tilts with the anti-conservative left against Mr. Kavanaugh. In 2012 the *New Yorker's* Jeffrey Toobin wrote that Mr. Kavanaugh would have been Mitt Romney's "most likely first nominee" for the High Court. Mr. Toobin, who loathes conservatives, meant it as a warning.

\* \* \*

Mr. Trump's nomination of Mr. Kavanaugh is a credit to the process he established to win the election and govern with conservative support. He sought the help of legal elites on the right, led by the Federalist Society, who compiled an impressive list of potential nominees. This isn't a rogue judicial operation to choose presidential cronies. It is the gold standard for legal talent that believes in the original meaning of the Constitution. It's hard to see how any GOP President would have done better, and others have done much worse.

Yet this is precisely why Democrats and the left have set out to destroy Judge Kavanaugh—not in legal philosophy or competence, which they knew was a political loser, but as a human being, a spouse and father. They need to destroy him personally with accusations but no corroboration, as they tried with Clarence Thomas, so

**Ben Franklin Who?**

**T**hese days it's popular to lament that immigrants are destroying America's national identity, but maybe we're getting it backward. When the Woodrow Wilson National Fellowship Foundation recently put questions from the U.S. Citizenship Test to American citizens, only one in three could pass the multiple choice test.

It's embarrassing. According to the foundation, only 13% of Americans knew when the Constitution was ratified, and 60% didn't know which countries the United States fought in World War II. Most couldn't correctly identify the 13 original colonies, which at least is something of a teaser. But only 24% could identify something that Ben Franklin was famous for, and 37% thought it was for inventing the light bulb.

**Britain's Emerging Choice**

**B**ritain's political parties wrapped up their annual conference season on Wednesday, and it was unusually illuminating. Both the ruling Conservatives and opposition Labour finally showed signs of congealing around visions for Britain's future, no longer forcing voters to shadow-box on election days.

This won't be immediately obvious given political reporters' tendency to focus on the divisions within each party. Prime Minister Theresa May faced an internal challenge to her rule—a no-confidence letter sent to the caucus of Tory MPs—the morning she delivered her annual set-piece convention speech Wednesday. The main event on Tuesday was an address by former Foreign Secretary Boris Johnson sniping at Mrs. May's approach to Brexit, although he never seems ready to make his own play for power.

Labour, which convened last week, is barely hanging together on a vague strategy for Britain's departure from the European Union. Leader Jeremy Corbyn is plagued by internal dissent (and external embarrassment) on anti-Semitism among his most ardent supporters and a discredited socialist economic program. Polls show Mr. Corbyn is less popular than the Labour Party, and moderate members are convinced Mr. Corbyn will drive the party over an electoral cliff.

These internal splits still matter, especially on Brexit. Mrs. May has doubled down on the approach in the so-called Chequers agreement reached among her cabinet over the summer for free trade with the European Union in goods but not services. It's unlikely this plan will ever be acceptable to Brussels in its current form, but dissatisfaction in the Remain and Leave factions

they can deny the open Supreme Court seat to a judicial conservative.

So much the better if playing the #MeToo card also helps Democrats retake Congress. In this sense too, Mr. Trump is the left's foil, though the Kavanaugh fight has usefully exposed the dishonesty of the loud worries about Mr. Trump's threat to

"democratic norms."

Democrats were so worried about Senate norms that they hid Ms. Ford's name from Republicans for six weeks, found her a lawyer, midwifed a lie detector test whose results they still haven't fully disclosed, and then orchestrated the rollout of her accusations. Mr. Trump's rhetoric is too often divisive and dissembling, but no action in his Presidency comes close to matching the partisan viciousness of the Senate ambush of Brett Kavanaugh. These are today's Democratic norms.

The other Democratic targets here are Paul Ryan, Mitch McConnell and the conservative GOP majorities in Congress that have cut taxes, eased crushing regulations and confirmed a record number of appellate judges. Democrats claim to want to be a "check" on Mr. Trump, but good luck with that.

Their real goal is to retake Capitol Hill, roll back tax reform, expand the entitlement state, taunt Mr. Trump like a dancing bear, and set up 2020 for a return of the Obama agenda under the identity-politics leadership of Kamala Harris or Elizabeth Warren.

\* \* \*

The media sometimes profess to be puzzled that more than 80% of Republicans across the country tell pollsters they support Mr. Trump despite his personal flaws. The Never Conservatives are the reason, and the assault on Judge Kavanaugh is the latest showcase of their methods. Republicans have figured out that if the left can willfully, even gleefully, destroy a man as distinguished as Brett Kavanaugh, they can and will do it to any conservative who threatens their grip on power.

Republicans are well aware of Mr. Trump's excesses and falsehoods. But they have also come to understand that the resistance to him isn't rooted in principle or some august call to superior character. They know Democrats nominated Hillary Clinton in 2016 despite her history of deceit. Voters know this is about the left's will to power by any means necessary.

Republicans across America can see, and certainly their Senators voting on Judge Kavanaugh should realize, that the left hates them as much or more than they loathe Mr. Trump. Conservatives understand that, for the Americans left, they are all deplorables now.

**E**nough with a highly contested Supreme Court nomination now in play in the Senate, 57% of Americans couldn't say how many Justices are on the Court. Older Americans did much better than younger Americans—only 19% of the under-45 crowd passed—which probably reflects the declining state of American public schools. None of this augurs well for the future of self-government.

We've always thought it important that immigrants must pass a test on the basics of American history and civics before they can be sworn in as citizens. Immigrants who are motivated to become citizens will take the time to learn. The real threat to American freedom is the failure of current citizens to learn even the most basic facts about U.S. history and government.

**T**he Tories will limit Mrs. May's room to compromise.

Labour's approach to Brexit now is to agree on

little beyond steadfast opposition to any deal Mrs. May might strike with Brussels. This might unite the party's moderate Remainers and far-left Leavers, barely, but it's irresponsible for the main opposition party to

abdicate on an important national debate.

At least now each party is offering voters a competing idea of what Brexit is about—which is the kind of country Britain should be. Mr. Corbyn's slogan "for the many, not the few" seeks to mobilize voters behind the promise of an egalitarian society united by the economic power of the state. Mrs. May contrasted that with her goal of a united society built around patriotism and economic opportunity.

Neither party has translated its ideas into a governing program that is compelling and actionable. Mr. Corbyn's tax and spending plans would run the economy into the ground, while his cultural fixations and indulgence of anti-Semitism would sow deep division.

Mrs. May hasn't overcome her fondness for old centrist Labour proposals—this week it is more government borrowing for housing. And the Tories have exhausted the political pop from "temporarily" suspending new fuel taxes nine years in a row.

Recent elections in Britain and elsewhere teach that today's voters view such policy specifics as second-order questions. How to define national identity and overall economic progress are bigger priorities. On that front Britain's parties are finally competing. The challenge now, especially for the Tories, is to match that vision with policies that can deliver it.

## OPINION

## LETTERS TO THE EDITOR

**A Looming Recession? Look at Interest Rates**

Martin Feldstein argues that we are facing a severe economic downturn, to be triggered by a major increase in long-term interest rates ("Another Recession Is Looming," op-ed, Sept. 28). Note that in the 20-year period preceding the financial crisis and the 2007-09 recession, the 10-year Treasury bond yield and the CPI inflation rate averaged 6.1% and 3.1%, respectively, generating an average U.S. real 10-year Treasury bond yield of 3%.

In contrast, the real 10-year bond yield today is near zero. In view of the unprecedented magnitude of impending structural federal budget deficits, along with an unemployment rate that is likely below the sustainable rate (thus auguring rising inflation), the current Treasury bond yield appears anomalous. The key is likely, in part, to lower expected marginal productivity of capital in the postcrisis era, as reflected

in subpar investment expenditures. In part, it reflects exceptionally low government bond yields in Europe and Japan and the role of the U.S. as a safe haven for funds generated in nations suffering severe instability, both of which boost foreign demand for U.S. Treasury securities. Today, 10-year government bond yields in Germany, France and Japan are well below 1%. In the U.K. and Spain such yields are less than half of those in the U.S.

Ironically, Mr. Feldstein's dire prediction might become validated by forthcoming normalization of economic conditions in Europe and the resulting increase in interest rates there as European nations emerge from their long period of anemic economic performance and the European Central Bank ends its quantitative-easing program.

LLOYD B. THOMAS JR., PH.D.

University of Missouri-Columbia

**Kavanaugh, Bork and the Rule of Philosophy**

"This Is No Mere 'Job Interview'" (op-ed, Oct. 1) by Prof Alan M. Dershowitz is thoughtful but wrong in saying Judge Merrick Garland was "improperly denied" a seat on the high court. Judge Garland was rejected by a majority of the Senate on the same ideological grounds that the good professor deems appropriate in Judge Robert Bork's rejection. Judge Garland was rejected because he is a liberal, and the majority of the Senate wanted to wait for a conservative nominee. He was treated far better than Judge Bork, who was demeaned and disparaged as someone whose America would force women into "back-alley abortions" and blacks to "sit at segregated lunch counters." Judge Bork wasn't simply rejected for his conservative judicial philosophy. He was denigrated, diminished and defamed. His treatment by the Democrats coined a new term of incivility, that of being "Borked."

In Judge Garland's case, the majority rejected him for his liberal jurisprudence by deciding not to have hearings or hold an embarrassing vote. This was the same nonconsent outcome, entirely within the Senate's constitutional powers, but without any harm or disparagement of the reputation of a good man and a good jurist. It would have taken only two or three Republican senators to join all the Democrats to require the hearings and a vote. That didn't happen because all of the Republican members, the majority of the Senate, decided that they didn't want a liberal to fill the late, conservative Antonin Scalia's seat in a presidential election year that could provide an early alternative. There is nothing improper in that decision, and the Democrats would have done the same if the positions were reversed.

GEORGE ANAGOS

Ridgewood, N.J.

**Keep Incentives, Burn Only Expiring Patents**

Peter Kolchinsky is right to celebrate the milestone of the expiration of the patent on the popular drug Lyrica with a patent-burning, but only because it is an expired patent ("Let's Throw a Patent-Burning Party," op-ed, Oct. 1). Too many critics of expensive therapeutics would like to burn those which are unexpired by means of compulsory licensing, sanctioned government infringement or march-in. They imagine that eliminating time-limited patent monopolies will magically result in affordable drugs for all. It won't and, worse, the likely outcome will be fewer new drugs and weakening of America's pharma- and bio-innovation pipeline.

Admittedly, patents are a double-edged sword that feature a trade-off for inventors that can cause undesirable social side effects when it comes

to health care. In exchange for telling the world "how you did it," the government gives the innovator up to 20 years protection to incentivize investment to develop a discovery. When the new drug comes to market, this protection results in a higher price, allowing both recovery of the investment and a profit. Those with adequate insurance or financial resources can afford the drug; others can't until the monopoly ends. Solving this timing-driven inequity will take creative ideas and public-private cooperation. It won't be solved by sending existing intellectual-property rights up in smoke.

FRED REINHART

Plymouth, Mich.

**The Road Wasn't Romantic And it Didn't Pay the Bills**

In response to "Road Trip Redefined: 6,000 Miles, an 18-Wheeler and a Spouse" (page one, Sept. 27): My wife and I drove as a team for a national trucking carrier 30 years ago. We were paid by the mile and drove through 47 U.S. states and two Canadian provinces. We were keen to spend time together, see the country and make some money.

The reality was that one of us was driving while the other slept. We saw plenty of interstate highways, truck stops and industrial parks. We went past lots of pretty places either because there was no time to stop, big-truck parking was prohibited or our rig simply wouldn't fit into the available space.

In 1990 we worked 307 days, and some of them were 24 hours on the road. Our total pay was \$37,000.

Cellphones, Wi-Fi and GPS navigation have changed the work, but trucking companies still have trouble keeping drivers. Many make the same decision my wife and I finally did, to turn in the keys.

JEFF AARON

Cleveland

**Better Peanuts Don't Make Up for Declining Experience**

In response to "Airlines Spruce Up Coach Menus" (Business News, Sept. 25): Why bother? With the cramped seats, one can't even see the food, much less try to eat it. I can envision the day when even seat cushions and armrests will be optional.

OREN SPIEGLER

Washington, Pa.

**Pepper ... And Salt**

THE WALL STREET JOURNAL



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## OPINION

# Therapeutic Narratives Needn't Be Factual

By Erica Komisar

**C**hristine Blasey Ford was believable and sincere when she told her story of being assaulted by a young Brett Kavanaugh. So was Judge Kavanaugh when he categorically denied her claims—and none of her purported eyewitnesses have any memory of the gathering she describes. They can't both be telling the truth, but it is possible neither is deliberately lying.

Consider that according to Ms. Ford, she first told the story during therapy. The therapist's role is different from that of a detective, journalist or lawyer. When a patient tells me a story, I don't test it to see if it's objectively accurate. I may help patients see things from a different perspective, but I never doubt the reality of what they are saying—or, as Sen. Cory Booker put it, of "her truth." The therapist's job is to empathize with and believe those in pain.

**A psychologist's job is to empathize and believe the patient's story, not test it against objective reality.**

In many cases therapy leads patients to change the stories they tell themselves to heal their emotional wounds. A therapeutic narrative may be a mix of accurate and inaccurate memories, along with inferences to fill in the gaps. Like mythology or other literature, it can provide truthful insights into one's inner life even if it doesn't pass the test of objective accuracy.

Complicating matters in this case is the undeveloped state of the adolescent brain. Between ages 9 and 25, the prefrontal cortex and limbic system undergo stages of flux and reorganization. These areas of the brain are responsible for memory, judgment, stress and emotional regulation, and connecting behaviors to consequences. Before the brain is fully mature, boys and girls alike are prone to impulsive, aggressive and selfish behavior. Teens commonly use the psychological defenses of denial and repression to protect themselves from painful memories or actions.

Middle adolescence (14 to 17) is also a time of what mental-health professionals call present-oriented thinking. Teens at this stage have little connection to the past (experience) or the future (consequences). That contributes to later difficulty in recalling events and actions from those years of development.

How we remember depends on many factors. Both traumatic and thrilling events can leave a lasting imprint. A very painful or embarrassing memory may be repressed, or an occasion of no consequence may be forgotten. Memories may change or become less clear over time. Often a person who feels victimized will remember an incident vividly, while the same event will leave no impression on the aggressor. Years after being bullied as a teenager, I approached one of my tormentors at a party in New York. When I reminded her how she treated me, she stared blankly and said she didn't know what I was talking about. I believed her—and in that moment understood how powerful psychological defenses can be.

It is difficult not to feel for both Ms. Ford and Judge Kavanaugh. They each remember the past so differently, and each of their lives has been changed forever by what happened—or didn't—36 years ago.

*Ms. Komisar is a psychoanalyst, parent guidance expert and author of "Being There: Why Prioritizing Motherhood in the First Three Years Matters." She is working on a book about the psychological and emotional lives of adolescents.*

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# Will the Senate Kill a Mockingbird?

By Allysa Finley

If you read Harper Lee's "To Kill a Mockingbird" in high school, you probably recall it as a parable of racial injustice in the Jim Crow South. It was more than that. The novel chronicles the persecution of an innocent man by a bigoted and bloody-minded town. Amid the left's crucible of Judge Brett Kavanaugh, Lee's enduring lessons about due process merit reflection.

The story is set in the sleepy fictional backwater of Maycomb, Ala., in 1935. A black man, Tom Robinson, stands accused by 19-year-old Mayella Ewell and her father—lower-class whites who live on relief—of rape, a capital offense. Atticus Finch is Tom's defense lawyer, and the trial turns into a public spectacle—"a gala occasion"—as all the townspeople flock to the county courthouse.

Mayella alleges that after she asked Tom for help breaking down a dresser in her house, he took advantage of the situation to violate her. Tom claims that Mayella aggressively propositioned him, and he resisted her advances as well as he could without hurting her. In Tom's account, Mr. Ewell, witnessing his daughter's lewd behavior from the window, blew his top and shouted at Mayella: "I'll kill ya."

"The only thing we've got is a black man's word against the Ewells," Atticus notes. "The evidence boils down to you-did—I didn't." But through cross-examination, he is able to poke holes in the Ewells' testimony.

It is revealed that Mr. Ewell didn't call the doctor after the purported rape. Mr. Ewell also turns out to be left-handed. Mayella's injuries were on her right side, suggesting a left-handed assailant. Tom's left arm is crippled.



Atticus Finch (Gregory Peck) and Tom Robinson (Brock Peters) in 'To Kill a Mockingbird' (1962).

When Atticus cross-examines "the fragile-looking" Mayella, she bawls and accuses him of bullying. She then contradicts herself: "No, I don't recollect if [Tom] hit me. I mean yes I do, he hit me." Asked for clarification, she replies: "Huh? Yes, he hit—I just don't remember, I just don't remember . . . it all happened so quick."

### Brett Kavanaugh's ordeal resembles the sham trial of Tom Robinson in Harper Lee's classic novel.

Apart from the Ewells' eyewitness accounts, the prosecutor can produce no evidence that Tom raped Mayella. He claims that a prior disorderly-conduct citation is evidence of Tom's criminality, though people who know him well "say he kept himself clean." In his testimony, Tom resists calling Mayella a liar.

"She's mistaken in her mind," he says.

"This case is not a difficult one, it requires no minute sifting of complicated facts, but it does require you to be sure beyond all reasonable doubt as to the guilt of the defendant," Atticus tells the jury in his closing. The state is relying on hearsay from two unreliable witnesses in "the cynical confidence that their testimony would not be doubted, confident that you gentlemen would go along with them on the assumption—the evil assumption—that all Negroes lie, that all Negroes are basically immoral beings, that all Negro men are not to be trusted around our women."

He concludes: "Thomas Jefferson once said that all men are created equal" but "there is a tendency in this year of grace, 1935, for certain people to use this phrase out of context, to satisfy all conditions . . . But there is one way in this country in which all men are created equal," and that is before the law. "Our courts are the great levelers."

Overcoming the jury's prejudices proves too great a challenge for Atticus Finch. As the trial judge remarks, "People generally see what they look for, and hear what they listen for." Mayella's accusation is deemed credible because she is a white woman.

"In the secret courts of men's hearts Atticus had no case," Lee writes. "Tom was a dead man the minute Mayella Ewell opened her mouth and screamed."

Lynching was not uncommon in the Jim Crow South, so Tom was relatively fortunate to receive even an unfair trial and conviction. He is later shot while trying to escape prison. With its unsettling ending, Lee's tale underscores how the presumption of guilt based on prevailing prejudices threatens American justice.

Despite high praise from people who have known him for decades, liberals presume Judge Kavanaugh guilty on the basis of his race and sex. "Brett Kavanaugh's indignation was the sound of privileged white male entitlement," read one newspaper headline." What difference does it make that after excavating his past for weeks, liberals in the Senate and the media have failed to produce a shred of corroborating evidence of any wrongdoing?

Unlike in Tom's case, there is no physical evidence that Judge Kavanaugh's accusers are lying. But Democratic senators assert that a woman's testimony should not be doubted regardless of its inconsistencies. If they prevail in the absence of additional evidence, Brett Kavanaugh was a dead man the moment Christine Ford opened her mouth.

*Ms. Finley is a member of the Journal's editorial board.*

## Pot-Smoking Agitators Burst Into My Office

By Andy Harris

I was physically confronted Tuesday by aggressive, pot-smoking agitators at my Capitol Hill office. They attempted to shove open a private door, throwing their shoulders into it and injuring my wrist in the process (thank goodness not seriously). Some from the crowd were arrested. Also thankfully, my staff and innocent bystanders weren't injured. But it could have been much worse.

This aggression, by people who disagree with my opposition to the legalization of recreational marijuana, demonstrates a growing problem with political discourse today. Violence should have no place in politics. We're all Americans. We're entitled to express our opinions, but we must draw the line at physical aggression.

My parents fled communist Eastern Europe, where people were harassed, imprisoned, or shot for their political views. They instilled in me

a deep-rooted respect for differing opinions offered in a civilized manner. When people substitute physical intimidation for deliberative debate, our democratic system starts to break down.

In the past few months, we have seen officials in the Trump administration harassed in public. We have seen senators chased out of private dinners with their spouses, and presidential nominees shouted down and subjected to death threats.

Unfortunately, some of my colleagues approve of such behavior. This summer, Rep. Maxine Waters advised her constituents: "You get out and you create a crowd and you push back on them, and you tell them they're not welcome anymore, anywhere." She and the left are getting exactly what they sought. The crowd in my office followed her advice.

Where does it end? Tweeting about the altercation that took place at my office Tuesday, Majority Whip Steve Scalise said it best: "As-

saulting anyone because you disagree with them is NEVER acceptable." I couldn't agree more. Mr. Scalise knows all too well how encouragement of violent harassment

### We all must stand against political violence. But some in Congress are egging it on instead.

can end: Last June he was shot and critically wounded during a congressional baseball game. The gunman was apparently motivated by hatred of Republicans.

I am happy to work with people who disagree with me. I have sponsored legislation to facilitate research into the potential value or harms of medicinal marijuana.

My cosponsors include Democrats and Republicans, and some of Congress' leading marijuana legalization propo-

nents. I have discussed this issue in detail with researchers, grass-roots advocacy groups, university leaders, law-enforcement officers and regulatory-agency personnel.

Some of the people who unpeaceably assembled in my office have participated in, and disrupted, my town halls by talking over other constituents. I won't allow them to violate the rights of constituents who seek a real dialogue. I'm honored and proud to represent these hard-working people. They, and all Americans, have the right to speak their opinions freely. I also won't allow trespassers to suppress my voice as an elected representative.

We must return to civility. We need to be able to agree to disagree, and express our disagreements through the democratic process. The need for civil discourse is greater now than it has ever been.

*Mr. Harris, a Republican, represents Maryland's First Congressional District.*

## The Art of Predicting Unpredictable Tsunamis

By Costas Synolakis

When it comes to earthquakes and tsunamis, what we don't know can kill us. The wave that killed more than 1,200 people on the Indonesian island of Sulawesi last week was not supposed to happen. A magnitude 7.5 earthquake caused mainly horizontal movement of the ground, which isn't supposed to produce a tsunami. The entire world—from Asia to the Caribbean—can learn from this event.

On Friday, Indonesian authorities issued a warning within minutes of

the earthquake, and thousands of local residents moved to higher ground. Yet 30 minutes later the warning was canceled, reportedly because a tide gauge recorded insignificant waves.

This was unwise. Once generated, tsunamis can last for hours. Narrow bays such as the one before Palu, the worst-hit city, can cause sloshing that lasts for days, with cycles of substantial flooding and ebbing.

When an earthquake fault with horizontal motion slices through a coastal city—as happened last week—large waves can be generated indirectly. The same effect happened in the Philippines in 1994, Papua New Guinea in 1998, and Turkey in 1999.

The Indonesian warning system is largely based on seismic detection. It decides whether to issue a warning based on the size of the earthquake, its location, how its plates move, and the local history of tsunamis. The system relies on 134 tide-gauge stations. For a country the size of Indonesia, this is a drop in the bucket.

Worse, tide-gauge stations only can detect a tsunami's arrival on the coast. This makes them almost useless, because by the time a tide gauge registers the wave, it is too late to warn people in local communities. Indonesia is not alone: The Mediterranean is "protected" by similar primitive systems.

What can more-evolved warning systems do? Many have a library of hundreds of precomputed digital

models of tsunamis likely to hit a given area. Once an event actually occurs, they pull from the database the scenario that most resembles what happened. The systems protecting the North Atlantic and part of the Pacific, operated by two warning centers, one each in the

### Thousands of lives could be saved if countries adopted U.S. systems instead of building their own.

U.S. and Australia, use information on water levels from buoys in the deep ocean to update the initial forecast based on the scenario from the library. They work like hurricane forecasts, updating regularly with more information. In the past 20 years, this technology has proved efficacious.

Any kind of forecast is exceptionally hard for local seismic events, in which waves arrive in 30 minutes or less. Consider Puget Sound, where local earthquakes theoretically can trigger underwater landslides. They in turn can spawn large local tsunamis, which can arrive onshore within 15 minutes.

Scientists at the U.S. Geological Survey have inferred that a magnitude 7 earthquake in California's Santa Monica bay triggered a massive landslide off the Palos Verdes Peninsula a few thousand years

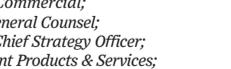
ago, causing a Palu-size tsunami. The Mediterranean poses unique challenges: It is replete with faults and has a long history of damaging tsunamis, and waves can strike within 20 minutes.

How can governments better protect people from tsunamis? Had there been evacuation maps in Palu, residents would have known the location of shelters. Computer models can calculate with great precision how long it takes to evacuate a coastal area. These models can also help authorities choose locations for shelters.

When lives are at stake, tried and tested technology should be used to detect the size of the oncoming disaster. Several countries in Asia and Europe—in their attempts to support local technology development or simply because of corruption—try to create their own early-warning systems. But they have to work perfectly the first time. These dangerous practices need to stop, particularly because state-of-the-art technology developed in the U.S. and Australia is available free through Unesco.

Even so, no one has foolproof technology to protect against natural disasters, particularly ones that can hit quickly like tsunamis. If you ever are close to the beach and feel a tremor that lasts more than 15 seconds, get to higher ground and stay there until you learn more.

*Mr. Synolakis is director of the Tsunami Research Center at the University of Southern California.*



Dow Jones News Corp

TIME, AN HERMÈS OBJECT.



Carré H  
Time, square like an Hermès scarf.

# BUSINESS & FINANCE

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## China to Raise Billions in Dollar Debt

By MANJU DALAL

China plans to sell \$3 billion in U.S. dollar bonds this month, wooing foreign investors at a time of heightened trade tensions with the U.S. and turbulence in its own stock market.

If successful, it would be the country's second dollar-bond sale in a year and only its third since 2004. China's Ministry of Finance has tapped a dozen Chinese and global investment banks to handle the offering and plans to market the securities to investors next week, according to people familiar with the matter.

China intends to sell bonds that mature in five, 10 and 30 years and become a regular issuer of sovereign debt, the people added.

The offering is coming at a delicate time for the world's

second-largest economy. China's gross-domestic-product growth is slowing and the pace of investment in factories and public-works projects has cooled this year. The U.S. has imposed tariffs on hundreds of billions of dollars of Chinese exports and is threatening more of them. China's stock-market benchmark, the Shanghai Composite Index, is down 15% this year.

Despite those issues, debt investors still regard China's creditworthiness as very strong, thanks to the country's robust foreign-currency reserves and large trade surplus.

In October 2017, the country issued \$2 billion in five- and 10-year bonds at slightly higher interest rates than what the U.S. Treasury was paying to borrow at the time, even though China's credit rating is three to four notches below that of the U.S. That of-

### Yield Play

The gap between the yields on China's 10-year dollar bond and 10-year Treasuries has widened recently.



Sources: FactSet (China); Ryan ALM (U.S.)

fering was multiple times oversubscribed by Chinese and foreign investors.

Benchmark U.S. Treasury yields have since risen, fol-

owing multiple interest-rate increases by the Federal Reserve. Prices of China's bonds issued a year ago have fallen as their yields have climbed.

But the securities that mature in 2022 currently yield about 3.2%, according to Refinitiv data, or about 0.2 percentage point above comparable Treasuries—more than its 0.15 percentage-point spread a year ago.

The 10-year bonds China issued a year ago now yield around 3.5%, about 0.3 percentage point above comparable Treasuries, versus 0.25 percentage point last October.

The coming sovereign bond sale will help set new interest-rate benchmarks for Chinese companies and municipalities that have been active issuers of debt in the U.S. dollar-bond market in recent years. If China can borrow from global markets at low rates like it did a year ago, that could help other Chinese debt issuers raise money by selling dollar debt.

Asian companies outside

Japan have sold \$185 billion in U.S. dollar bonds so far in 2018, of which roughly half has come from Chinese companies, according to ANZ Research. Overall Asia ex-Japan corporate-debt issuance is down 17% from a year ago.

"It's opportune for China to do a longer-dated sovereign bond sale" while long-term interest rates are still relatively low by historical standards, said Sanjay Guglani, chief investment officer of Silverdale Funds in Singapore.

The dozen banks handling the sale include **Bank of China**, **China Construction Bank**, **Deutsche Bank**, **Goldman Sachs Group** and **JPMorgan Chase**, according to a memo to investors seen by The Wall Street Journal. They plan to hold a meeting for debt investors in Hong Kong on Oct. 9, and the sale is likely to begin shortly afterward.

## Vacancies At Malls At 7-Year High

By ESTHER FUNG

Retailers anticipate a strong holiday season, boosted by a healthy economy and burgeoning consumer confidence, but an intensifying slump among shopping-mall operators shows not all are benefiting from the recovery.

Mall vacancy rates rose to 9.1% in the third quarter, their highest level in seven years. Many of the older shopping centers that lack trendy retailers, lively restaurants or other forms of popular entertainment continue to lose tenants or even close down.

Much of the retail sector has bounced back this year after years of losing out to online competitors that have decimated some of the industry's biggest names, including department stores like Macy's and retailers like Payless ShoeSource.

So far this year, shares of retail stocks are enjoying their biggest rally in years, boosted by better-than-expected earnings and a nationwide shopping spree for everything from electronics to apparel.

Robust job growth and a solid economic outlook have pried open wallets. Consumer confidence hit an 18-year high last month, while the Dow Jones Industrial Average set another record Wednesday. Wages were already starting to tick higher when Amazon.com Inc. announced this week it was raising its minimum wage to \$15 an hour, a move that could put more pressure on other big employers to boost pay.

That momentum looks poised to carry into the crucial holiday shopping season, which begins next month. The National Retail Federation on Wednesday said it expects hol-

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## AUTO SECTOR

## TECH SECTOR

Auto companies are linking up with each other and tech giants to advance driverless-car technology.

A rundown of some of the active collaborations

Sources: the companies; staff reports

## Mining Company Is Seeking A Rival

By SARAH MCFARLANE AND BEN DUMMETT

U.S. mining company **Peabody Energy Corp.** has held talks to buy Colombian peer **Drummond International LLC**, people familiar with the matter said, a deal that would cement a swift comeback from bankruptcy for America's largest coal producer.

It is unclear how advanced the discussions are and whether the two sides will reach an agreement.

The potential deal would see Peabody acquire 80% of Drummond International, Colombia's top coal exporter, leaving the remaining 20% in the hands of Japanese trading house Itochu Corp., the people familiar with the matter said. The deal could be valued at between \$4 billion and \$4.5 billion, one of the people said.

Itochu acquired a 20% stake in Drummond International for \$1.5 billion in 2011. That deal came when closely held U.S. coal company Drummond Co. spun off its Colombia operations into a new joint venture, Drummond International LLC, of which it owns 80%.

Peabody was pushed into bankruptcy in 2016 by large debts and lower coal prices, and emerged from the process last year. Its revival comes as the price of thermal coal,

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## Honda Bets on GM's Driverless Car

By ADRIENNE ROBERTS AND SEAN McLAIN

**Honda Motor Co.** is investing \$750 million in **General Motors Co.**'s self-driving car unit, with plans to commit an additional \$2 billion, for the joint development of a mass-produced fully autonomous car.

Auto makers and technology

giants have been scrambling to plant stakes in a transportation landscape that is swiftly being

reshaped by self-driving technology.

Honda will work with GM

Cruise LLC to develop a driverless car that can be manufactured in high volumes and deployed globally. The companies are also exploring opportunities to establish a network of autonomous vehicles.

"This is a partnership that has a running start to it and will allow us to move very quickly," said GM President Dan Ammann, who has been minding the auto maker's autonomous-vehicle efforts.

In 2013, the companies said they would co-develop hydrogen fuel-cell systems. In June, Honda said it would source electric-vehicle batteries from GM for some of its vehicles.

Honda will invest the \$750

million in GM Cruise immediately, while the \$2 billion will be spread out over 12 years, the companies said. Honda will

take a 5.7% stake in Cruise as a result.

Japan's SoftBank Group Corp. took a 19.6% stake in Cruise in June with an investment of \$2.2 billion.

GM set up Cruise as a separate unit to draw in investors who don't want exposure to the cyclical, low-margin business of manufacturing cars.

Ford Motor Co. in July created a similar setup for its autono-

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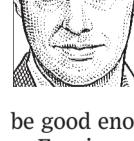


### RETAILERS HIRE MORE ROBOTS FOR HOLIDAYS

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HEARD ON THE STREET | By Justin Lahart

## Corporate Earnings Must Meet Great Expectations



Companies' third-quarter results should be very good. That doesn't mean they will be good enough for investors.

Earnings season starts next week and, once again, the combination of a strong economy and corporate tax cuts should add up to some very strong growth. For companies in the S&P 500, analysts estimate third-quarter earnings 21.6% above the year-earlier level, according to Thomson Reuters I/B/E/S. That isn't quite as strong as the second quarter's 24.9%,

but it still counts as one of the fastest expansions on record.

The problem is that investors are now well aware of both the effect the tax cut is having on companies' bottom lines and the boost the humongous economy is giving to their sales.

Meanwhile, there are some added risks to the downside. A tight jobs market is pushing labor costs higher as well as making it harder for many companies to find the workers they need to meet demand. The dollar was up 5% against other currencies in the third

quarter from a year earlier on a trade-weighted basis, marking its first gain in over a year. That will weigh on multinationals' overseas sales when translated back into dollars. Tariff-related costs also may begin to bite more, and in their postearnings calls, companies will be saying how new tariffs imposed on China last month will affect them in the future.

While none of these are likely to put a sizable dent in overall results, some companies could see disappointments at the margin. And in aggregate they may be enough to reduce the big

earnings beats that investors have become accustomed to in recent quarters.

Indeed, there are some signs that companies may not clear the earnings bar that analysts have set for the third quarter quite as cleanly as in the second quarter, when a record number of companies beat analyst estimates.

When the third quarter started, analysts expected S&P 500 earnings would grow by 23.4%, so the 21.6% they now expect is a downward revision. That isn't unusual, but the reverse happened in the second quarter

when companies revised earnings figures a bit upward—an early indication of how big the second-quarter earnings beats would be.

Another difference is that far more companies are warning on earnings in comparison to those offering positive preannouncements. The third quarter's negative-to-positive ratio stands at 2; for the second quarter in early July it was 1.5.

Actual earnings growth should still surpass analyst estimates—it almost always does. The risk is that it will fall short of elevated expectations.

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## BUSINESS & FINANCE

# Activist Asks Papaap John's for Calm

BY CARA LOMBARDO AND JULIE JARGON

The activist investor in **Papa John's International Inc.** wants the pizza chain's leaders to stop feuding with its founder.

"We want to get back to the business of selling pizza and away from the business of dealing with controversy," Ted White, a managing director of **Legion Partners Asset Management LLC**, said in an interview.

Legion and the **California State Teachers' Retirement System** on Monday disclosed a 5.5% stake in Papa John's. Mr. White and a person familiar with the company said Legion has talked with the company in recent weeks about adding board members with restaurant experience, restoring the morale of franchisees and employees and cutting costs.

Legion also wants Papaap John's leaders to avoid remaining embroiled in controversy with founder John Schnatter, who remains on the board and owns a 29% stake in the company. Some people close to the company say the business can't improve until that fight is settled.

Mr. Schnatter's relations with the board and management began to unravel last fall, when he blamed the chain's poor sales on the National Football League's handling of its players' protests during the national anthem. The ensuing criticism resulted in his resigning as chief executive in December. He sparked new outrage in July when news of his using a racial slur on a company mar-

*'We want to get back to the business of selling pizza,' said a Legion executive.*

keting call was leaked.

Mr. Schnatter apologized and said his use of a racial slur was taken out of context. He agreed to step down as chairman of the board.

But he has since filed two lawsuits against the company and created a website, savepapajohns.com, to publicize his claims that the board kept documents from him to hide "devious motives" related to his

ouster. The company has denied those assertions.

The Papa John's board in July adopted a "poison pill" provision to prevent him from regaining control of the company. Legion investors aren't working with Mr. Schnatter and haven't spoken to him directly, Mr. White said, but plan to consider his perspective as they would that of any major shareholder. Mr. Schnatter, through a spokesman, declined to comment on Legion.

Legion's investment in Papa John's comes as the company is conducting a strategic review that could end in a sale. A person familiar with the company said a sale isn't the only option and that the company could also decide to join with or seek investment from another company.

Shares in Papa John's, off 11% this year, are up 1% since Legion's investment was disclosed in a filing Monday.

Mr. White said Legion would rather devote some time to rehabilitating Papa John's before considering a sale. Papa John's in August reported its third consecutive quarterly decline in same-store sales at its North American restaurants.

## Tough Times

Papa John's sales have dropped in recent quarters while its shares are down this year.

Comparable-store sales in North America, change from previous year



Share price, year-to-date



Sources: the company (sales); SIX (share price)  
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## Honda Bets on GM Cruise

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mous-vehicle business.

The funding from SoftBank and Honda also allows GM to continue developing driverless-vehicle services without siphoning capital away from its traditional car-making business. Previously, GM said the

infusion from SoftBank would enable Cruise to launch a robot-taxi service in an undisclosed city sometime in 2019.

GM shares rose 2.1% to \$34.01 on Wednesday.

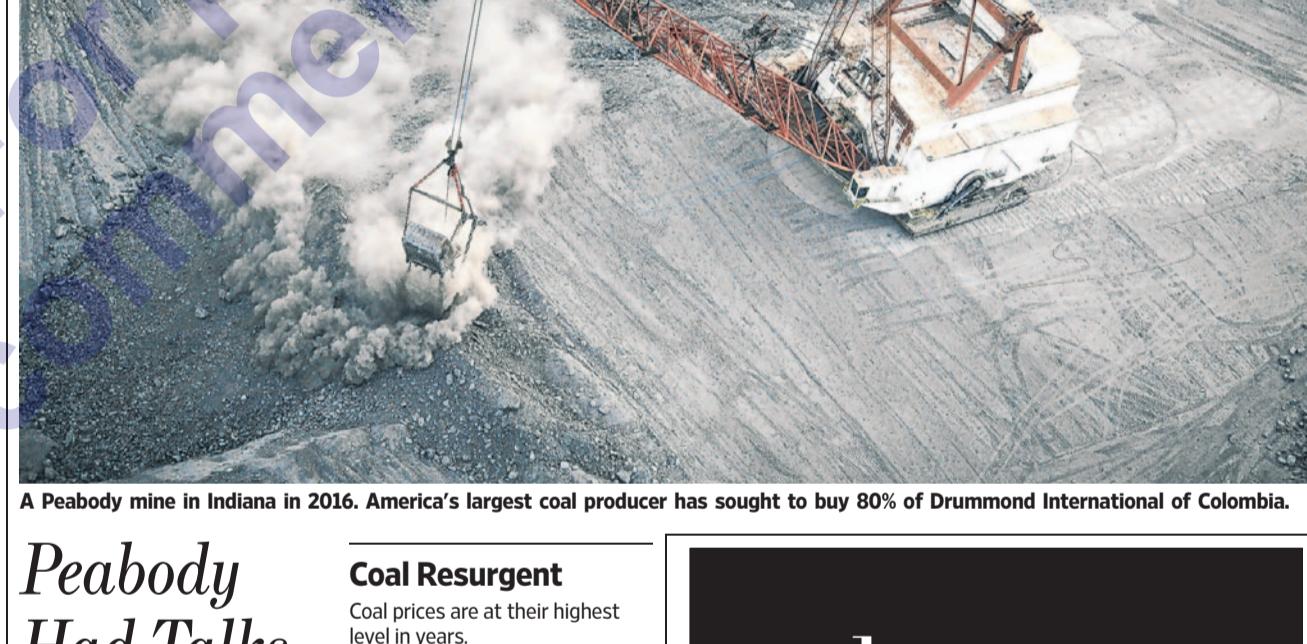
Honda's decision to invest in GM's self-driving arm reflects a culture change underway at the Japanese car maker, which long prided itself on its engineering prowess, shunning technologies developed by outside companies. Honda Chief Executive Takanori Hachigo has been on a deal-making spree, with particular focus on electric and autonomous vehicles.

In a note to investors in May, Piper Jaffray & Co. said it expects a handful of "winners" to emerge from the race to commercialize driverless vehicles. That prospect and the

large capital outlays required to develop the technology could lead to more collaboration among automotive rivals.

Fiat Chrysler Automobiles NV has joined a BMW AG-led consortium to develop self-driving car technology with the aim of producing fully automated vehicles by 2021.

Piper Jaffray analyst Alexander Potter said GM is well positioned because of the progress with Cruise and GM's experience with mass production. "We think GM has a structural advantage over peers, including Silicon Valley disruptors," Mr. Potter wrote.



A Peabody mine in Indiana in 2016. America's largest coal producer has sought to buy 80% of Drummond International of Colombia.

## Peabody Had Talks To Buy Peer

Continued from the prior page  
which is used to generate power, hits its highest levels in several years. The coal industry has also been backed by President Trump, who has replaced Obama-era climate policies with new rules to help coal-burning power plants.

Shares of Peabody rose 14 cents to \$36.05 in New York on Wednesday.

A spokesman for St. Louis-based Peabody declined to comment on whether there are deal talks.

Peabody bought **Drummond** Co.'s Shoal Creek metallurgical coal mine, located in central Alabama, for \$400 million in September. Last week, Peabody said it didn't expect any production from its North Goonyella mine in Australia in the fourth quarter after a fire at the site. It is unclear whether the fire will affect discussions regarding the potential deal.

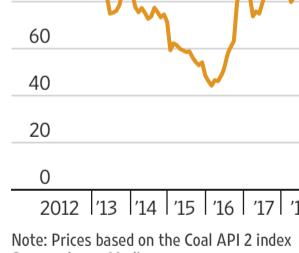
In an email, the Peabody spokesman said "our focus is on the current platform, the incident at North Goonyella in Australia, and completing and integrating the Shoal Creek Mine acquisition in Alabama."

Peabody has a market capitalization of \$4.33 billion, similar to the expected size of the

## Coal Resurgent

Coal prices are at their highest level in years.

Price of thermal coal delivered to Europe



Note: Prices based on the Coal API 2 index

Source: Argus Media

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deal under discussion, so buying Drummond would significantly expand the U.S. company's market value and international footprint.

Drummond didn't respond to phone calls and an emailed request for comment.

Colombia is the top source of U.S. coal imports, according to the Energy Information Administration. Drummond was Colombia's top producer and exporter of thermal coal in 2017, according to the company's website.

Cleaner energy sources such as renewable energy and natural gas have made inroads into the Western power markets once dominated by coal. A decade ago, coal fueled almost 50% of U.S. electricity but that share has fallen to less than one-third.

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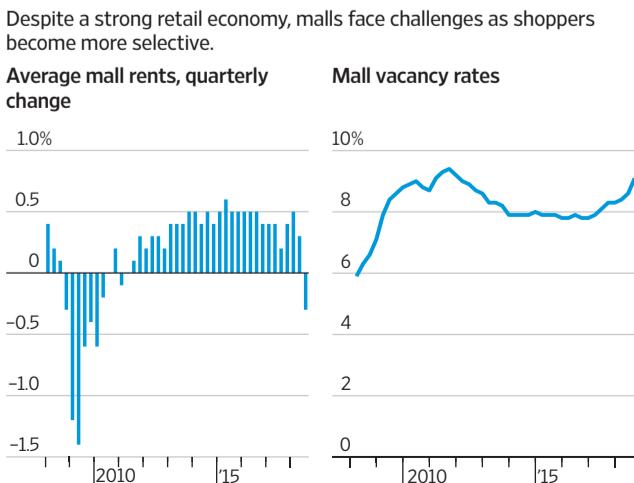
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## Space for Rent

Despite a strong retail economy, malls face challenges as shoppers become more selective.

Average mall rents, quarterly  
change



## BUSINESS NEWS

# Blackstone to Buy Clarus in a Push Into Life Sciences

By MIRIAM GOTTFRIED

**Blackstone Group** LP has agreed to buy **Clarus**, an investment firm focused on life sciences, to serve as a platform for future acquisitions and partnerships in an area it thinks lacks access to capital.

The deal, expected to be announced Thursday, will launch Blackstone's life-sciences efforts, joining insurance and infrastructure as the private-equity giant's newest business lines. While the initiative will start relatively small with a few billion in assets, Clarus already has investments in biotechnology, pharmaceuticals and medical devices, and Blackstone says the business could eventually be much larger.

Blackstone declined to disclose the price it is paying for Clarus.

The life-sciences endeavor signals a deeper push by Blackstone into an increasingly popular category known as growth investing, where targets are in an earlier stage than with traditional private

equity. Growth companies are typically closer to achieving profitability than startups and require more money to get them through their next phase than a venture-capital firm would offer.

Based in Boston and San Francisco, Clarus has more than \$2.6 billion in assets and has invested in more than 50 private and public companies. Its team of around two dozen investment professionals includes alumni from pharmaceutical companies such as Merck & Co. and Genentech Inc. Nicholas Galakatos, a Clarus managing director with a doctorate in organic chemistry from MIT, will run the business. It will be renamed Blackstone Life Sciences when the deal closes.

"Many pharmaceutical companies that are beyond the venture stage don't have sufficient access to capital," said Joseph Baratta, Blackstone's head of private equity, in an interview. With Clarus, "we also have significant operational expertise." When Blackstone launches a new business, it generally looks for markets with a shortage of capital where it can achieve scale and generate high returns.

Blackstone Life Sciences may buy entrepreneur-led companies that need capital to further develop their products or carve out drug portfolios from pharmaceutical companies that want to focus on other areas.

The division will also continue Clarus's practice of joining with pharma companies that have drugs in the final phase of the Food and Drug Administration's approval process. The division will fund and execute the clinical trial, earning a payment, and in some cases royalties, if the drug is approved.



Barnes & Noble's total sales fell 6% in the fiscal year ended April 28. Its market cap is off over two-thirds since 2015 to about \$400 million.

## Barnes Considers a Sale

Bookseller evaluates strategic options and adopts a rights plan; Riggio shows interest

By JEFFREY A. TRACHTENBERG

**Barnes & Noble** Inc. said it is considering a sale after receiving interest from multiple parties including its executive chairman, Leonard Riggio, the latest twist for the embattled bookseller as its business reaches a critical juncture following years of decline.

The company on Wednesday said it would launch a formal review process to evaluate its strategic options. A special committee of the board will lead the review.

Barnes & Noble also said that it has adopted a short-term shareholder rights plan—also known as a poison pill—meant to fend off an unsolicited acquirer, after observing "rapid material accu-

mulations" of its stock by parties it can't identify.

In after-hours trading, Barnes & Noble shares were up nearly 20%.

Physical book retailing has been under assault for the better part of two decades from the rise of Amazon.com Inc. and online distribution. Borders Group Inc., the other major chain, filed for bankruptcy protection in 2011 and later went into liquidation.

Barnes & Noble is the one remaining publicly traded superstore chain, but the book retailer has watched its market share and clout in the industry gradually erode.

Years of sliding sales and unsuccessful turnaround efforts have taken a heavy toll. Its market capitalization has been sliced by more than two-thirds since 2015 to about \$400 million. And there is no sign of an end to the bleeding. For the full fiscal year that ended April 28, total sales fell 6% to \$3.7 billion.

The company remains optimistic. It has added new stores this year and has forecast an increase in earnings before interest, taxes, depreciation and amortization in fiscal 2019.

Amazon is a major factor for its troubles: The tech giant now accounts for more than 60% of all books sold online, including physical and digital books, according to Peter Hildick-Smith, chief executive of book research company Codex Group LLC.

To its critics, Barnes & Noble has failed to imagine what a modern bookstore can be, despite several attempts to reinvent the format—whether it be efforts a few years ago to add more gifts and nonbook items, or more recent efforts to add full-service restaurants.

Book sales as a whole have lately tracked ahead of Barnes & Noble's performance, suggesting it is isn't capturing consumer demand sufficiently. Print-book unit sales rose slightly last year to 687 million, according to book tracker NPD BookScan, even as Barnes & Noble's sales slid.

Barnes & Noble has struggled with its digital offerings. Its boldest attempt, the Nook e-reader, fell flat in the market and was unable to compete with devices from Amazon and Apple Inc.

Online sales remain weak. Online revenue fell 14% in the most recent quarter. On Wednesday, during the retailer's annual shareholder meeting, Mr. Riggio said improving the company's website was a priority.

Management turmoil has exacerbated the problems. Barnes & Noble has had five chief executives since 2013. The latest, Demos Parneros, was fired abruptly in July for violating company policies. Mr. Parneros, who didn't receive any severance pay, has since filed suit against Barnes & Noble, alleging wrongful termination.

## Biotech Boom

S&P Biotechnology Select Industry Index



Source: FactSet

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## Verizon Asks 44,000 Workers To Weigh Severance Packages

By SARAH KROUSE

**Verizon Communications** Inc.'s offer of voluntary severance packages last month was made to roughly 44,000 employees, or more than a quarter of the carrier's workforce.

A spokesman for the company confirmed the scope of the offer, which was previously reported by The Wall Street Journal.

Verizon's efforts to trim its workforce come as the largest U.S. wireless carrier by subscribers seeks to cut \$10 billion in costs and upgrade to a faster 5G network.

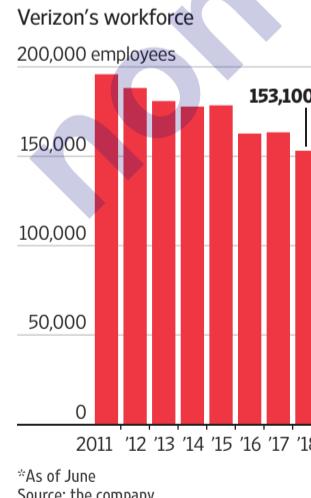
The severance packages will give Verizon "an opportunity to find more efficiencies in the size and scope of our V Team and help expedite the building of an innovative operating model for our future," Chief Executive Hans Vestberg wrote in a memo sent to employees and reviewed by the Journal.

Employees eligible for the severance packages were offered three weeks' pay for each year of service up to 60

weeks.

The same day the offer was announced, Verizon notified many information technology employees that they were being transferred to Indian outsourcing giant Infosys Ltd. as part of a \$700 million outsourcing agreement.

The pool of employees who



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either received the severance offer or are affected by the Infosys deal amounts to about 30% of the 153,100 employees Verizon had globally at the end of June.

"Strategically we are going to invest more in transforming the business versus running the business," the New York-based company said in materials detailing the outsourcing agreement.

As part of that pact, Verizon is transferring about 2,500 employees in the U.S. and overseas to Infosys. Those employees aren't eligible for severance payments and won't receive their 2018 bonus if they are offered a job at Infosys and don't accept it, according to materials given to the employees.

"There is a disappointment there" among long-serving employees who are being transferred to Infosys, rather than being offered severance packages some colleagues are eligible for, said Jerry Risi, who said he has worked at Verizon for more than 38 years and is a senior manager in IT.

## Auto Makers Face Tougher EU Rules

By VALENTINA POP AND WILLIAM BOSTON

The European Parliament proposed stricter emission targets for the auto industry, putting down its marker in a growing fight inside the European Union over how much it can tighten carbon-dioxide limits for cars.

EU lawmakers voted that the bloc should cut carbon-dioxide emissions from new cars and vans by 20% through 2025 and 40% by 2030. This position must still be negotiated with EU governments and the European Commission, the EU's executive arm. The debate is complicated by Germany's desire to slow the pace of reductions, in contrast to the aims of France and other countries.

The commission's initial

proposal, put forward last year, was more lenient, aiming for a 30% reduction in emission levels for cars, vans and light trucks by 2030. The commission's target is measured against the average 95 grams of carbon-dioxide emissions per kilometer that auto makers aim to achieve by 2021, whereas the parliament will use a lower benchmark that is yet to be determined.

European auto makers viewed those targets as overly aggressive but environmental groups and some European politicians criticized the approach as too lax.

In September, the European Parliament's environmental affairs committee passed a more ambitious resolution to seek a 45% reduction in greenhouse gas emissions from automobiles by 2030.

The commission's proposal calls for a midterm review of progress toward achieving the emissions targets. The auto industry fears that policy makers will use the review to make the targets tougher.



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## TECHNOLOGY

# eBay Accuses Amazon of Luring Sellers

BY LAURA STEVENS

**EBay Inc.** is accusing **Amazon.com Inc.**'s sales reps of trying to poach sellers for its own marketplace through eBay's messaging system.

EBay sent a cease-and-desist letter to Amazon on Monday to stop the alleged recruiting practice after determining roughly 50 Amazon sales representatives world-wide sent more than 1,000 messages to sellers on its platform, according to the letter, which was viewed by The Wall Street Journal, and a person familiar with the investigation.

EBay investigated the matter after a seller alerted the company about 10 days ago of someone using the messaging system on eBay's site to convince this seller to move to Amazon, the person said. In the cease-and-desist letter, eBay claims Amazon has violated California's Com-



Shoppers look at products for sale in eBay's Airstream.

prehensive Computer Data Access and Fraud Act, a law covering computer crime, in addition to its own user agreement.

"We can confirm that we have uncovered an unlawful and troubling scheme on the part of Am-

azon to solicit eBay sellers to move to Amazon's platform," an eBay spokesman said in a statement. "We have demanded that Amazon end its unlawful activity and will take the appropriate steps, as needed, to protect

eBay."

An Amazon spokeswoman said they are investigating the allegations.

EBay and Amazon have been locked in competition for years, in part because both companies heavily rely on independent merchants who sell items on their sites. eBay is a pure marketplace and doesn't sell its own merchandise, while Amazon's units sold are split down the middle between its own retail arm and its merchants.

Amazon in recent years has relied more heavily on its independent marketplace to grow sales because those transactions are usually more profitable. Amazon typically takes a cut of roughly 15% of each sale, plus collects advertising, warehousing and other fees from the merchants.

While Amazon has taken a dominant position in online re-

tail, commanding nearly half of all U.S. sales, eBay has worked in recent years to modernize and shed its reputation as an online garage sale. It has recently added to its sales and customer base in part due to new, aggressive marketing campaigns and commitments that allow it to better compete with Amazon, like free, fast shipping.

Many merchants already sell on both sites, but others have chosen to focus their business on one or the other.

That is where eBay's internal messaging system comes in. eBay's system allows sellers to communicate with the company, one another and customers. To use it, a seller must set up an account.

EBay's user agreement specifically prohibits using its messaging platform for trading outside contact information, spamming and promoting sales outside

eBay's platform.

To avoid detection, messages sent by Amazon sales reps stayed generic and frequently used hyphens or periods between letters to describe the rival company, including a-m-a-z-o-n or A.M.Z.N., the cease-and-desist letter alleges. They also spelled out email addresses and phone numbers to avoid automated detection meant to prevent sharing contact information, eBay claims in the letter said.

The messages, which the eBay letter claims stemmed from Amazon sales reps around the globe, typically suggested talking on the phone or taking the conversation off eBay's platform. In some cases when a seller said they felt uncomfortable with the outreach, the reps assured those sellers they had engaged in similar behavior many times before, the letter said.

## Robotics, AI Set to Deliver For This Holiday Season

BY JENNIFER SMITH

Never mind the reindeer and elves. This year, robots are helping deliver the holidays.

**Gap Inc.** is using automated arms and artificial intelligence to sort the retailer's clothing orders. **Walmart Inc.** is testing robots that roam store aisles to check inventory and tell workers where to find goods. And logistics providers are sending mobile step-stools mounted with shelves through fulfillment centers to help pull online orders for toys, apparel and **Walt Disney Co.** products.

With the busy holiday peak looming, retailers and logistics companies are ramping up automation as surging demand for labor outstrips the number of available workers.

Much of the technology is being used in distribution operations, where workers pulling carts or driving forklifts are increasingly working alongside machines built to keep goods moving at a rapid pace.

"It's a fight for talent...It's like 'Game of Thrones' out there," Erik Caldwell, chief operating officer for supply chain in the Americas and Asia Pacific at **XPO Logistics Inc.**, said at an industry conference earlier this year, discussing the company's use of robots to fulfill online orders.

The use of robotics and other automation technology in industrial operations is

growing, although the vast majority of warehouse work remains largely manual. About 16.5% of organizations across several industries including warehousing are now using commercial service robots, and 21.5% have them in pilot programs, according to a 2018 survey of 600 respondents by research firm IDC.

The holiday shopping season highlights a warehouse-worker squeeze that is driving more logistics operators to embrace

*Retailers and logistics companies are ramping up automation.*

automation, as the growth of online commerce pushes more retail sales from storefronts to distribution centers.

Online fulfillment centers—where companies like **Amazon.com Inc.** pick, pack and ship consumer orders—require two to three times as many workers as traditional warehouses. Payrolls in the sector have nearly doubled over the past five years, and firms are competing for workers amid unemployment.

Deloitte forecasts online sales will grow by between 17% to 22% this holiday season over last year, reaching up to \$134

billion. Greenwich, Conn.-based XPO said this week it is deploying 5,000 autonomous mobile units from Singapore-based **GreyOrange Pte.** at logistics sites across North America and Europe. The robots, which resemble Roomba autonomous vacuum cleaners, sync up with XPO's warehouse-management software to help workers fulfill up to 48 orders at a time, the company said.

The robots more than doubled the speed at which orders are processed and help the company keep better tabs on inventory, said XPO Chief Executive Brad Jacobs.

The technology resembles shelf-moving robots developed in the 2000s by **Kiva Systems**, which Amazon bought in 2012. XPO, whose clients include IKEA and **Inditex SA's Zara**, uses up to 79 different types of robotic equipment, including more than 100 "Chuck" units from 6 River Systems Inc. that guide workers through warehouse aisles, lighting up when they reach the next item to pick.

At Gap's distribution center complex in Gallatin, Tenn., yellow mechanical arms mounted inside six cylindrical sorting machines pick up bagged items of clothing from the company's Athleta, Banana Republic and Old Navy brands. The robots scan the bar code, then stow items in cubbies corresponding to individual orders.



A Kindred robot sorts garments at a Gap distribution center in Gallatin, Tenn. The warehouse handles Gap's Athleta brand, among others.

## Overseas Marketing Stokes China Sales

BY MIKE CHERNEY

**SYDNEY—Unilever PLC** wants its Australian instant-soup brand to be a top-seller in the lucrative Chinese market. But instead of launching an advertising campaign in Beijing, it is offering free samples to Chinese residents here, hoping they will buy and ship the product to family, friends and other consumers back home.

The Chinese buyers in Australia are called "daigou," a term (pronounced "die-go") that is derived from a Mandarin phrase that means "buying on behalf of." That role has evolved from students or tourists who sent home the occasional package to people who do it as a part-time or full-time job, reaping often hefty profit margins.

Now, companies like Unilever are increasingly marketing their products directly to daigou, a low-cost channel into the Chinese market that doesn't require warehouses or distribution networks in China itself. But even well-known Western brands, many of which are still absent from China, aren't guaranteed success, and must convince daigou and their Chinese customers that their products are high quality and authentic.

"The daigou buyers here have become more like a wholesaler," said Julia Illera, a consultant at market-research firm Euromonitor International in Sydney. They can "make or destroy a brand" in China, she said.

Unilever declined to discuss its daigou strategy.

Daigou sales are difficult to measure because the items can be bought routinely from grocery stores and pharmacies. But such sales could exceed 1 billion Australian dollars (about US\$720 million) annually, according to an estimate from Keong Chan, executive chairman of **AuMake International Ltd.**, which operates stores in Australia that cater specifically to Chinese tourists and daigou.

Marketing to daigou could be more effective at first than a conventional advertising campaign in China. Chinese consumers are willing to pay more for products they know are shipped directly from overseas because of concerns over locally made products as a result of scandals like the 2008 tainted-milk incident.

And they rely on daigou for information on which products are popular abroad.

After the milk scandal, Australian supermarkets restricted the amount of infant formula that individual customers could buy because the demand became so intense. Other popular daigou items include dietary supplements, cosmetics, Ugg boots and jackets.

The stakes are high. After an oversupply of products from infant-formula producer

**Bellamy's Australia Ltd.** in China forced Chinese e-commerce sites to lower prices,

daigou in Australia struggled to make a profit on Bellamy's products, and many switched to other brands. That dented the company's margins, and in December 2016 Bellamy's shares crumbled by nearly 50%, and the chief executive eventually resigned.

Bellamy's inadvertently went too broad on distribution, which led to crowding out of the daigou channel," a

Bellamy's spokesman said, adding that the surrogate buyers are now "back as core to the business."

Daigou operate all over the globe, but Australia is a focus given the heavy influx of Chinese tourists and students in recent years.

Earlier this year, Mr. Chan's company, AuMake, opened a store in Sydney that it calls a "daigou hub," where an assortment of products can be bought and shipped out to China from within the store. It also includes a cafe and a room where Australian companies, such as cosmetics company Jurlique, offer training sessions and free samples.

"I find now that we're able to present in Mandarin, that they're a lot more engaged," said Rachael Lupton, regional business manager at Jurlique, whose Mandarin-speaking colleague gave a presentation at AuMake's store about a new product line.

Currently, some personal shipments under a particular value aren't taxed by Chinese authorities, said Matt McDougall, whose Sydney-based company, DaigouSales, operates an online store for daigou. A new Chinese e-commerce law, however, goes into effect next year. Mr. McDougall doesn't expect it will significantly impact daigou shipments at this point, though the taxes could rise.

Only about 10% of brands are ultimately successful in using daigou as a step toward more conventional distribution in China, said Mr. McDougall. "It's all about brand perception. It's all really word-of-mouth and testimonials."

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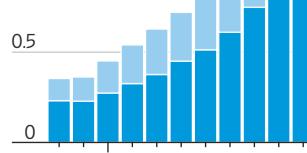
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## Shipping Out

Rapidly growing numbers of Chinese visitors and residents in Australia contribute to a flourishing 'daigou' trade.

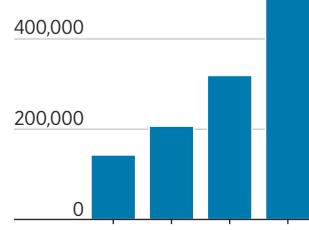
## Chinese tourist arrivals in Australia

1.5 million



## Australian residents born in mainland China

600,000



Source: Australian Bureau of Statistics

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## MANAGEMENT

## BUSINESS WATCH

## MERGERS AND ACQUISITIONS

**Cloudera to Combine With Hortonworks**

**Cloudera Inc.** and **Hortonworks Inc.** agreed to combine in an all-stock deal that the companies say will help increase their scale in providing software to enterprise clients.

Cloudera stockholders will own about 60% of the combined company and Hortonworks stockholders the remaining 40%, the companies said Wednesday.

Each Hortonworks share will be good for 1.305 common shares of Cloudera, providing a 1.9% premium to Hortonworks' closing price Wednesday of \$21.88. After hours, Cloudera shares rose more than 16% to \$19.90, while Hortonworks rose by a comparable margin to \$25.40.

The firms, which expect to generate about \$720 million in combined annual revenue, forecast the transaction to result in more than \$125 million in annual cost savings.

—Aisha Al-Muslim

## LENNAR

**Home Builder Gets Bids for Rialto Unit**

**Lennar Corp.**'s executive chairman, Stuart Miller, said the home builder has received several offers for Rialto Mortgage Finance, a financing subsidiary, adding that many of them are "attractive."

On an investor call, Mr. Miller said the company is evaluating them. He said the company would sell only if the price and terms negotiated are attractive enough.

Alternatively, the company is also mapping out how it could place Rialto under its Lennar Financial Services business in order to cut costs.

Lennar disclosed earlier this year it had engaged investment bankers to explore what to do with Rialto.

—Kimberly Chin

# Education Perks Help in Hiring

Employers seek edge in tight labor market with college coaching, student-loan assistance

By TE-PING CHEN

As companies compete for workers in the tightest labor market in years, they are rolling out new education benefits like college coaching and student-loan repayments to recruit employees.

Rariety Monford, 27 years old, product supervisor at health-care company **Abbott Laboratories**, is a beneficiary. Growing up in Cincinnati as the daughter of a single mother, Ms. Monford was the first in her family to attend college. But it meant racking up \$60,000 in student loans, which Abbott is now helping her pay down as part of a program launched this summer.

"It's a really good deal, especially right now early in my career," said Ms. Monford, who is also pursuing a master's degree in engineering management at the University of Houston-Clear Lake. Her employer is paying for that degree in full.

Unemployment is near an 18-year low, and many companies are competing for talent across industries by dangling extra perks. With student-loan debt at \$1.5 trillion and counting, according to the Federal Reserve, education benefits are top of mind, experts say.

"We hire close to 900 people a day," said Tim Massa, **Kroger Co.**'s senior vice president of human resources. Today's workers "want to know what companies will do to grow and develop them."

The grocery chain recently launched a program that offers up to \$3,500 in education expenses annually to employees, including those who bag groceries part-time.

**HCA Healthcare Inc.** plans to spend up to \$300 million on worker benefits, mostly education-related, including a stu-



About 160 companies participated in a career fair Tuesday for University of Southern California students. Unemployment is near an 18-year low, and many companies are competing for talent.

## Companies Expected To Step Up Funding

Research from the Society for Human Resource Management, an association of HR professionals, shows around half of U.S. employers offer to help fund undergraduate education for employees, up to \$5,250 of which can be excluded from taxable income per year.

Chatrane Birbal, congressional affairs director at SHRM, said she expects more

companies to step up spending on education perks because of the labor market. The percentage of employers offering college selection and referral programs already has more than doubled since 2014, to 10% today.

Lindsay Tharp, a 37-year-old nurse in Missouri, attended community college before transferring to nursing school two decades ago. She said navigating the admissions process with her son, now a student at the University of Missouri, felt extraordinarily

complicated. It meant heated conversations over how to balance his desire to study at Kansas State University, a more expensive out-of-state option, with their financial needs, she said.

"It's a very big burden, because your children are looking to you for answers in waters you haven't navigated," said Ms. Tharp, who works for DaVita Kidney Care, which began offering college counseling last year. Ms. Tharp received help from the counseling service.

McGurl, 47, of his son's college search. "We're nowhere near helicopter parents, but we're involved and we want the best for our kids."

Increasing salaries would be more costly and education perks make "employees feel appreciated," said Deniz Grevrek, associate economics professor at Texas A&M University, Corpus Christi.

This summer, Abbott began offering employees who pay at

least 2% of their gross salary to student loans a new benefit. Abbott will contribute 5% of their salary into a 401(k), a tax-preferential arrangement the company obtained special permission from the IRS to create. Traditional student loan repayment programs don't get the same kind of pretax treatment as 401(k) funds do.

The company hires more than 1,000 college-educated workers under age 35 each year, said Steve Fussell, the company's executive vice president. Many, like Ms. Monford, are struggling with college debt.

"Our assumption is this will actually pay for itself," Mr. Fussell said, adding that for such employees, it costs the company about 13% of their salary to replace them.

Abbott isn't the only company to make that calculation. In July, **Bright Horizons**, a child-care provider, began offering full tuition to child-care-center employees pursuing associate or bachelor degrees in early childhood education. The company estimates it will get \$1.67 in return on every dollar invested in higher retention rates alone.

"It's not charity," said Peter Cappelli, professor at the University of Pennsylvania's Wharton School, who noted online university programs make it easier for companies to offer such perks "quite cheaply."

Chatrane Birbal, congressional-affairs director at the Society for Human Resource Management, said the uptick in interest from employers in school-related perks reminds her of how employer-sponsored health programs partly grew in response to World War II, when the U.S. also faced a labor shortage and companies offered health insurance as a way to compete for workers.

"In a few years, like health insurance, these could also become a new norm," she said.

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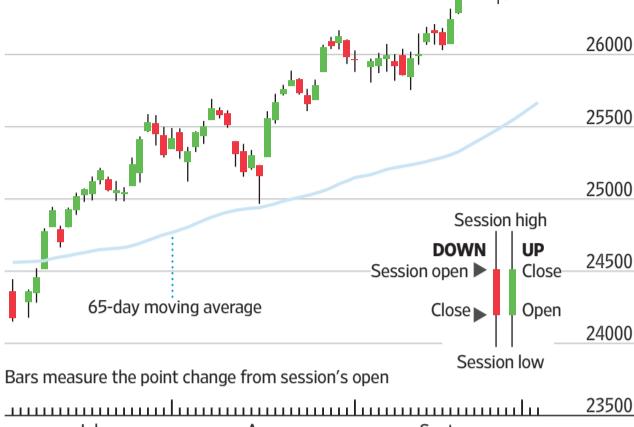
## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**26828.39** ▲ 54.45, or 0.20%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.24 20.76  
 P/E estimate \* 17.11 18.89  
 Dividend yield 2.06 2.25  
 All-time high 26828.39, 10/03/18



Current divisor 0.14748071991788  
 Bars measure the point change from session's open  
 July Aug. Sept. 23500

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2925.51** ▲ 2.08, or 0.07%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.40 24.22  
 P/E estimate \* 18.09 19.19  
 Dividend yield 1.80 1.98  
 All-time high 2930.75, 09/20/18



July Aug. Sept. 2600

## Nasdaq Composite Index

**8025.09** ▲ 25.54, or 0.32%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.95 25.69  
 P/E estimate \* 21.82 21.32  
 Dividend yield 0.97 1.10  
 All-time high: 8109.69, 08/29/18



July Aug. Sept. 7200

## Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD		3-yr. ann.	
	High	Low	Close	Net chg	% chg	% chg		
Dow Jones								
Industrial Average	26951.81	26789.08	<b>26828.39</b>	54.45	▲ 0.20	26828.39	22661.64	18.4 8.5 <b>17.7</b>
Transportation Avg	11414.87	11303.34	<b>11342.96</b>	61.88	▲ 0.55	11570.84	9440.87	14.3 6.9 <b>12.9</b>
Utility Average	730.15	712.99	<b>719.17</b>	-8.19	-1.13	774.47	647.90	-1.7 -0.6 <b>7.6</b>
Total Stock Market	30354.33	30191.57	<b>30234.83</b>	49.51	▲ 0.16	30390.61	26358.08	14.7 9.3 <b>14.2</b>
Barron's 400	767.64	759.02	<b>764.91</b>	6.73	▲ 0.89	786.73	676.86	11.7 7.6 <b>14.3</b>

## Nasdaq Stock Market

	High	Low	Latest	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
Nasdaq Composite	8053.93	8012.03	<b>8025.09</b>	25.54	▲ 0.32	8109.69	6534.63	22.8 16.2 <b>19.5</b>		
Nasdaq 100	7676.90	7625.60	<b>7637.43</b>	9.15	▲ 0.12	7660.18	5998.84	27.3 19.4 <b>21.4</b>		

## S&amp;P

	High	Low	Latest	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
500 Index	2939.86	2921.36	<b>2925.51</b>	2.08	▲ 0.07	2930.75	2537.74	15.3 9.4 <b>14.5</b>		
MidCap 400	2013.19	1997.88	<b>2004.06</b>	7.51	▲ 0.38	2050.23	1801.29	10.5 5.4 <b>13.1</b>		
SmallCap 600	1049.00	1035.57	<b>1044.75</b>	9.33	▲ 0.90	1098.36	889.94	14.2 11.6 <b>16.9</b>		

## Other Indexes

	High	Low	Latest	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
Russell 2000	1677.17	1656.31	<b>1671.29</b>	15.25	▲ 0.92	1740.75	1463.79	10.8 8.8 <b>14.5</b>		
NYSE Composite	13175.61	13101.14	<b>13118.55</b>	12.54	▲ 0.10	13637.02	12177.70	6.6 2.4 <b>9.6</b>		
Value Line	580.89	576.38	<b>578.61</b>	2.23	▲ 0.39	593.57	533.26	6.3 2.9 <b>9.1</b>		
NYSE Arca Biotech	5345.90	5254.11	<b>5324.61</b>	19.11	▲ 0.36	5400.34	4045.25	23.9 26.1 <b>14.6</b>		
NYSE Arca Pharma	602.95	597.73	<b>598.21</b>	0.88	▲ 0.15	598.21	516.32	8.3 9.8 <b>3.7</b>		
KBW Bank	106.90	105.21	<b>106.40</b>	1.59	▲ 1.51	116.52	97.59	7.2 -0.3 <b>15.3</b>		
PHLX® Gold/Silver	67.57	66.06	<b>66.15</b>	-0.83	-1.24	92.08	61.92	-23.5 -22.4 <b>10.5</b>		
PHLX® Oil Service	153.99	151.45	<b>153.48</b>	1.47	▲ 0.97	170.18	127.61	10.5 2.6 <b>-2.4</b>		
PHLX® Semiconductor	1381.17	1359.72	<b>1372.40</b>	1.53	▲ 0.11	1449.90	1185.24	15.8 9.5 <b>31.1</b>		
Cboe Volatility	12.14	11.34	<b>11.61</b>	-0.44	-3.65	37.32	9.14	20.6 5.2 <b>-17.8</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	8,076.7	291.30	-0.42	-0.14	292.74	291.18
iShares MSCI Emg Markets	EEM	5,011.6	41.93	-0.11	-0.26	42.69	41.86
Energy Transfer Equity	ETE	4,557.4	17.77	...	unch.	17.77	17.77
Comcast Cl A	CMCSA	3,974.6	35.20	0.01	0.03	35.79	35.06
Sprint Corp.	S	3,745.5	6.48	-0.02	-0.31	6.57	6.48
Van Eck Vectors Gold Miner	GDX	3,577.1	18.77	-0.02	-0.11	19.10	18.74
iShares MSCI Brazil ETF	EWZ	3,212.9	36.12	-0.78	-2.11	36.90	36.11
Bank of America	BAC	2,331.7	30.02	0.02	0.07	30.06	29.98

## Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Hortonworks	HDP	211.2	27.35	5.47	25.00	28.40	21.88
Cloudera	CLDR	1,054.5	21.25	4.17	24.41	21.50	17.07
Barnes Noble	BKS	627.9	6.59	1.13	20.70	6.85	5.45
New Concept Energy	GBR	125.3	2.74	0.16	6.20	3.10	2.53
Verastem	VSTM	81.2	7.25	0.24	3.42	7.25	

## COMMODITIES

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## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2.7965	2.8215	2.7880	2.8225	0.0275	1,693	
Oct	2.8000	2.8395	2.7965	2.8340	0.0275	127,989	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1202.60	1202.60	1196.60	1198.30	-4.10	2,720	
Dec	1207.00	1212.30	1200.40	1202.90	-4.10	376,541	
<b>Feb'19</b> 1213.10	1217.50	1206.60	1208.60	1204.40	-4.10	43,802	
June	1229.10	1229.10	1218.00	1220.40	-4.00	13,738	
Aug	1232.70	1234.70	1225.40	1226.30	-4.00	2,178	
Dec	1245.20	1245.20	1237.90	1238.70	-4.00	4,682	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	1046.00	1058.40	1038.60	1053.00	2.30	22,197	
March'19	1037.50	1051.10	1033.70	1046.10	2.30	1,411	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.	832.30	834.80	827.20	832.20	2.10	272	
Oct	835.00	840.00	828.60	835.70	2.20	70,670	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.	14.735	14.735	14.660	14.590	-0.020	82	
Dec	14.730	14.855	14.650	14.670	-0.023	168,703	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	75.15	76.90	74.30	76.41	1.18	388,829	
Dec	74.99	76.72	74.05	76.24	1.20	306,039	
<b>Jan'19</b> 74.87	76.55	73.95	76.10	75.84	1.19	165,592	
March	74.63	76.29	73.70	75.27	1.19	188,359	
Jun	74.06	75.65	73.23	75.27	1.19	188,359	
Dec	71.81	73.40	71.27	73.07	1.17	240,340	
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.	2.4075	2.4500	2.3897	2.4372	.0296	146,082	
Nov	2.4114	2.4541	2.3940	2.4415	.0300	87,385	
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	2.1279	2.1500	2.0973	2.1378	.0109	170,283	
Dec	2.1210	2.1464	2.0926	2.1351	.0151	80,497	
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.	3.166	3.261	3.155	3.230	.064	313,397	
Dec	3.239	3.326	3.228	3.297	.058	175,684	
<b>Jan'19</b> 3.310	3.402	3.302	3.370	3.370	.058	200,737	
Feb	3.212	3.271	3.207	3.252	.037	92,738	
March	3.004	3.044	3.001	3.034	.025	212,820	
April	2.689	2.715	2.688	2.712	.015	174,353	

## Agriculture Futures

## Corn (CBT)-5,000 bu.; cents per bu.

Dec 367.75 369.00 364.50 364.75 -2.75 885,757

March'19 379.75 380.75 376.25 376.75 -2.75 344,415

## Oats (CBT)-5,000 bu.; cents per bu.

Dec 273.75 278.00 273.25 275.00 2.00 3,331

March'19 271.00 274.50 271.00 271.00 .75 975

## Soybeans (CBT)-5,000 bu.; cents per bu.

Nov 866.00 870.25 860.50 861.50 -4.50 398,311

Jan'19 879.75 884.00 874.50 875.75 -4.25 135,340

## Soybean Meal (CBT)-100 tons; \$ per ton.

Oct 311.20 312.40 307.50 307.50 -3.70 2,071

Dec 314.90 316.40 311.00 311.20 -3.90 223,094

## Soybean Oil (CBT)-60,000 lbs.; cents per lb.

Oct 29.45 29.56 29.38 29.52 .16 1,307

Dec 29.66 29.88 29.58 29.84 .18 248,358

## Rough Rice (CBT)-2000 cwt.; \$ per cwt.

Nov 102.00 105.00 102.50 104.99 22.50 6,677

Jan'19 1041.50 1066.00 1040.00 1065.50 24.00 1,740

## Wheat (CBT)-5,000 bu.; cents per bu.

Dec 521.25 527.25 514.25 515.25 -4.00 232,152

March'19 541.00 545.75 533.00 534.75 -3.25 110,034

## Wheat (KCC)-5,000 bu.; cents per bu.

Dec 524.25 530.75 517.75 518.75 -3.75 155,786

March'19 548.50 554.75 542.00 542.25 -4.25 65,832

## Wheat (MPLS)-5,000 bu.; cents per bu.

Dec 591.50 598.75 588.25 589.75 -1.75 35,375

March'19 604.00 611.25 600.75 602.25 -2.00 15,609

## Cattle-Feeder (CME)-50,000 lbs.; cents per lb.

Oct 158.800 158.800 157.750 157.875 -1.200 6,621

Nov 159.25 159.425 158.500 158.775 -800 21,574

## Cattle-Live (CME)-40,000 lbs.; cents per lb.

Oct 113.950 114.025 113.125 113.200 -.775 31,202

Dec 119.450 119.475 118.275 118.400 -1.075 125,871

## Hogs-Lean (CME)-40,000 lbs.; cents per lb.

Oct 67.000 67.550 65.725 67.475 1.050 19,618

Dec 59.100 59.250 56.475 57.150 -2.000 105,798

## Lumber (CME)-110,000 bd. ft.; \$ per 1,000 bd. ft.

Nov 342.00 361.30 338.20 353.60 7.30 2,367

Jan'19 353.10 371.20 349.90 363.00 6.80 1,107

## Milk (CME)-200,000 lbs., cents per lb.

Oct 15.93 15.93 15.76 15.81 -.13 4,440

## Inventories, 000s barrels

Current Expected Previous Year 4-week 5-year

change week ago avg avg

## Imports, 000s barrels per day

Current Expected Previous Year 4-week 5-year

change week ago avg avg

## Crude oil and petroleum prod

1,248,714 ... 1,241 1,294 1,241 1,241

## Crude oil excluding SPR

403,964 1,300 396 465 398 432

## Gasoline

235,221 ... 236 219 235 218

## Finished gasoline

25,440 800 25 22 25 31

## Reformulated

57 ... 0 0 0 0

## Conventional

25,383 ... 24 22 25 30

## Blend. components

209,781 ... 211 197 210 187

## Natural gas (bcf)

2,768 ... 3 3 3 4

## Kerosene-type

jet fuel 46,223 ... 47 43 46 41

## Distillates

136,131 -1,300 138 135 138 137

## Heating oil

9,057 ... 9 11 9 15

## Diesel

127,074 ... 129 124 129 122

## Residual fuel oil

27,999 ... 29 37 28 37

## Other oils

297,009 ... 297 296 297 272

## Net crude, petroleum products, incl. SPR

1,908,724 ... 1,901 1,968 1,901 1,931

## Source: SIX Financial Information

## Weekly Demand, 000s barrels per day

Current Expected Previous Year 4-week 5-year

change week ago avg avg

## Natural gas storage

Billions of cubic feet; weekly totals

2017 2018

4250 3250 2250 1250 250&lt;/div



## BANKING &amp; FINANCE

# Fed Looks To Update Payment System

BY RYAN TRACY  
AND LALITA CLOZEL

**WASHINGTON**—The Federal Reserve is reviewing whether to update its payments infrastructure for the 21st century, a move that could speed up the processing of trillions of dollars for consumers and businesses.

The Fed on Tuesday floated a proposal for a new “24/7/365” payment system for banks that would operate round the clock, upgrading an old system that isn’t open on weekends and holidays and has been outstripped by smartphone apps, online shopping and other new technology.

“There is a growing gap between the transaction capabilities we need and expect in the digital economy—fast, convenient, and accessible to all—and the underlying settlement capabilities” of the current system, Fed governor Lael Brainard said in a speech announcing the proposal.

In all, interbank payments systems in the U.S. handled transactions totaling more than \$1 quadrillion in 2016, according to a recent Treasury Department report.

The Fed proposal would address a nagging problem in the U.S. financial system: While there has been significant innovation in consumer-facing payments technology, “there has been relatively little change to the back-end processes that actually move value throughout the financial system,” the Treasury Department report said.

The Fed operates a payment system between banks, which runs alongside other systems such as the bank-run automated clearinghouse and credit or debit cards.

To ensure consumers and business get their money when they need it, banks sometimes issue IOUs to one another.

That delay “could present real risks to the financial system in times of stress,” Ms. Brainard said.

Tuesday’s proposal would involve a new, real-time settlement system where banks process transactions as soon as a customer sends money. It would be operated by Federal Reserve banks in cities across the country and could be used by more than 11,000 U.S. financial institutions.

That could shorten the time it takes for online transactions to show up in a bank account, including money that people send through smartphone apps or bills consumers pay online.

“The benefits could be especially important for households and small-business owners who face cash-flow constraints,” Ms. Brainard said. For instance, it could mean an online merchant sees a customer’s payment hit its bank account more quickly.

Gregory Hesse, a partner at Hunton Andrews Kurth LLP, said the changes could help consumers avoid late fees or “allow for some individual consumer-to-consumer transfers [where] you would have access to the funds immediately.”

The Fed’s proposal would compete with other private, faster payments initiatives, including one run by the Clearing House, a settlement organization co-owned by several of the largest banks.

The Fed said it was seeking public input.



Athens Stock Exchange employees walked past screens showing falling stock prices on Wednesday.

# Highfields Plans To Shutter Its \$12 Billion Fund

By JULIET CHUNG

Boston hedge fund **Highfields Capital Management** is returning billions in client money and converting into a family office, founder Jonathan Jacobson told investors in a letter Wednesday.

The decision to return money to investors marks one of the largest hedge-fund closings in recent history. Mr. Jacobson started the \$12.1 billion stock-trading firm in 1998 after he left his post trading stocks for Harvard University’s endowment. Harvard was the first client at Highfields, which has about \$9.5 billion in outside client money.

“Done correctly, money management is an all-consuming, 24/7 pursuit... After three-and-a-half decades of sitting in front of a screen, I realized I am ready for a change,” Mr. Jacobson, 57 years old, wrote.

Mr. Jacobson’s decision to return money, which he described as “beyond incredibly difficult,” is the latest closure by a high-profile manager during a tough period for hedge funds.

This year through August, stock hedge funds on average returned 2.3% compared with a 10% return for the S&P 500, including dividends, according to industry research firm HFR.

Some firms have lowered their relatively high fees, while others have closed their doors and returned client money.

In the past few years, several well-known hedge-fund managers have closed their firms. Among them, investor Eric Mindich said he would close his \$7 billion hedge-fund firm Eton Park Capital Management LP in 2017 and billionaire Richard Perry an-

nounced his decision to shutter his hedge-fund firm in 2016.

While stock hedge funds that bet both on and against stocks have a particularly difficult time keeping pace with extended bull markets, several years of lackluster returns have tested investor patience.

“Our 2018 results and those of the last few years have clearly not met either my expectations or yours,” wrote Mr. Jacobson.

Highfields managed as much as \$14.6 billion at the end of 2013, then returned more than \$2 billion of client money. This year through September, its funds have lost more than 1%. Its annualized return over its two decades is 10.2%, said a person familiar with the matter.

*‘I realized I am ready for a change,’ said the fund’s founder in a letter to investors.*

# Concerns About Bad Loans, Capital Hit Greek Bank Stocks

By NEKTARIA STAMOULI

**ATHENS**—Greek bank stocks are coming under heavy pressure amid fears that the banks can’t digest their mountain of bad loans and might need fresh capital.

Shares in the banking sector, which have shed around 30% of their market value since the beginning of September, ended 8.8% lower on Wednesday after being down 18% earlier.

Shares of **Piraeus Bank** led the selloff, shedding 20.7%. The bank needs to raise some €500 million (\$577.5 million) in capital by selling Tier 2 bonds

by the end of the year under a plan agreed to with European Central Bank supervisors, several officials said.

Greece left its eight-year-long bailout program in late August, but uncertainty over the country’s banks persists. Many investors aren’t convinced that the banks can reach their challenging targets for reducing nonperforming loans while returning to profit and regaining the ability to make new loans and sustain the fragile Greek economy.

Nonperforming loans and other assets at Greek banks, which have been recapitalized

three times during the country’s debt crisis, total €88.6 billion.

“Investors appear to have completely lost confidence in Greek banks,” economists at HSBC said in a research note.

The four main banks—**National Bank of Greece, Alpha Bank, Eurobank Ergasias** and Piraeus Bank—recently submitted ambitious plans to rid themselves of more than half of their soured loans by 2021 to the banking-supervision unit of the ECB, several bank officials said.

Under the new plans, which the ECB is considering, the banks would commit themselves to reduce their nonperforming loans to 15% to 21% of their total loans, compared with today’s levels of 40.7% to 54.7%.

The reduction would be achieved through settlements, auctions and portfolio sales, as well as by writing off assets and booking losses. But there has been limited investor interest in the auctions of foreclosed properties, with many of them ending up being bought by the banks themselves. Progress on sales of nonperforming-loan portfolios also has been slow. Write-offs had an impact on second-quarter results, with some banks swinging to losses.

## Hard-Hit

Uncertainty over Greek banks’ ability to clean off balance sheet causes selloff.

Share-price and index performance since Sept. 1



Source: FactSet

THE WALL STREET JOURNAL

# IPO’s Flop Tests London Markets

By PHILIP GEORGIADIS

London’s landmark fintech IPO flopped Wednesday, with shares trading sharply below their offer price, testing investor appetite for the sector.

Shares in peer-to-peer lending firm **Funding Circle** closed at 365 pence per share (\$4.74) on Wednesday, well below the firm’s flotation price of 440 pence. Shares had earlier fallen to 335 pence, a discount of more than 20% to the IPO.

Funding Circle’s debut came on a gloomy day for London’s IPO market as luxury car manufacturer **Aston Martin** fell on

its first day of conditional trading. The car maker priced at the lower end of its range at 1,900 pence each, and fell nearly 5% Wednesday.

With a £1.5 billion flotation, Funding Circle became the first peer-to-peer lender to go public in the U.K., following a rapid expansion of the sector.

The company originates funding to growing businesses, and has facilitated loans worth more than £5 billion to 51,000 businesses globally. More than two-thirds of its loans have been originated in the U.K. The company launched in the U.S. in October 2013 and also

has operations in Germany and the Netherlands.

The company said it has raised more than £250 million of equity capital since 2010, from backers including **Accel Partners, Baillie Gifford** and **BlackRock**.

Funding Circle’s slow start is the first test for investor appetite around fintech firms since Dutch payment technology company **Adyen** soared in its stock-market debut in Amsterdam in June.

Funding Circle’s IPO hit issues soon after it announced flotation plans in September. It narrowed its IPO range

ahead of the debut, having originally priced a range between 420 and 530 pence per share.

Russ Mould, investment director at stockbroker AJ Bell, said investors are approaching any form of credit financing with “eyes wide open” as interest rates rise and following issues with some listed lenders in the U.S.

Funding Circle said in its IPO prospectus that in its own stress tests showed returns for investors would remain positive even in an extreme economic downturn comparable with the 2008 crash.

## Slow Start

Funding Circle’s share price



Note: 100 pence = \$1.30

Source: SIX

THE WALL STREET JOURNAL

# TD Ameritrade, Virtu Back New Crypto Exchange

By TELIS DEMOS  
AND ALEXANDER OSIPOVICH

derivatives, according to the companies. ErisX unveiled its new business plan Wednesday.

Separately, another derivatives exchange, trueEX LLC, announced plans to launch a bitcoin swap.

Crypto so far has struggled to attract mainstream investors and button-down financial firms. Big, established exchanges have tried to bring bitcoin to Wall Street with mixed results.

Crypto markets are volatile, and some regulators worry

they are vulnerable to manipulation.

ErisX hopes to bring digital currencies closer to traditional asset classes by appealing to brokers, including some used by small retail investors.

“We wanted to find something that brings cryptocurrency to customers where they can see it on an actual exchange, something they feel comfortable with in regulated space,” said J.B. Mackenzie, head of futures and foreign exchange trading at TD Ameri-

trade, which has more than 11 million funded retail accounts.

CME Group Inc., the world’s largest exchange group, and its smaller rival Cboe Global Markets Inc. both introduced bitcoin futures in December.

Such contracts let traders bet on whether the price of bitcoin will rise or fall without having to hold the digital currency.

Next year, ErisX aims to launch direct or “spot” trading of digital coins, as well as futures contracts that would en-

able investors to receive coins at a future date—a contrast to CME and Cboe bitcoin futures that pay out cash based on a calculation of bitcoin’s price.

ErisX plans to require trades to be fully funded, a move that will limit the ability of investors to place risky bets in an already volatile market.

“The traditional aspects of our market will create an environment that is open to a wide range of traders and intermediaries,” said Thomas Chippas, chief executive of ErisX.

## Mutual Funds

Data provided by LIPPER

Wednesday, October 3, 2018	Net YTD Chg % Ret								
American Century Inv	52.32 +0.1 20.5	Baird Funds	19.27 -0.04 -3.8	Fidelity Advisor	11.32 +0.02 13.5	Fidelity Freedom	102.69 +0.07 11.0	JPMorgan Funds	11.32 +0.02 13.5
Ultra	52.32 +0.1 20.5	Int'lVal	10.42 -0.06 -2.2	Int'lSco	12.76 +0.04 20.6	Int'lSco	102.69 +0.08 11.0	JP Morgan Funds	12.76 +0.04 20.6
American Funds Cl A	13.74 -0.06 -1.9	Int'lSco	10.77 -0.06 -1.9	Int'lSco	12.76 +0.06 20.6	JP Morgan R Class	102.69 +0.08 11.0	JP Morgan Funds	1

## MARKETS

# Treasury Yields Rise On Strong Jobs Data

BY AKANE OTANI

U.S. government bond yields soared to multiyear highs Wednesday after data showed the U.S. economy remained robust in September, triggering the latest retreat from safe debt.

The yield on the benchmark 10-year U.S. Treasury note, used as a reference for everything from mortgages to student debt, jumped after data showed the U.S. private sector added far more jobs than expected in September. Auto-

**CREDIT MARKETS** Processing Inc. and Moody's Analytics reported that the U.S. private sector added 230,000 jobs last month.

The yield on the 10-year U.S. Treasury note settled at 3.159% from 3.056% Tuesday, ending at its highest level since July 1, 2011, and notching its biggest one-day rise in more than a year.

Longer-dated debt came under pressure, too, with the yield on the 30-year U.S. Treasury bond settling at a four-year high of 3.315%, compared with 3.206% Tuesday.

Bonds, whose prices fall when yields rise, then came under further selling pressure after a separate report showed growth across U.S. service industries accelerated in September to the highest reading on record. The Institute for Supply Management's survey of nonmanufacturing firms climbed to 61.6 last month from 58.5.

**The U.S. economy continues to defy expectations of stagnation.**

Together, the data showed investors that more than nine years into the expansion, the U.S. economy continues to defy expectations of stagnation. The latest burst of confidence in the economy helped drive stocks to records, while sending investors out of Treasurys, which typically suffer when the growth outlook is strong.

"The labor force is slowing, the baby boom generation retiring, immigration barriers to entry being put in place, but somehow in the tenth year of an almost record expansion, the economy continues to be strong enough to create jobs for Americans," said Chris Rupkey, managing director and chief financial economist at MUFG, in an email.

Renewed confidence in the economy has helped drive bond yields to highs in the second half after months of relatively driftless trading.

Commerce Department data showed the economy rose at a 4.2% seasonally and inflation-adjusted annual rate in the second quarter, thanks to gains in consumer spending and business investment.

Measures of consumer confidence are at 18-year highs, and corporate profits are expected to grow rapidly again in the third quarter.

The upbeat data have helped the Federal Reserve justify raising short-term interest rates three times this year and penciling in another quarter-percentage point increase by the end of the year. In turn, yields on two-year Treasurys—which are often sensitive to interest-rate expectations—have flirted with 10-year highs.

Elsewhere, Italian government bonds rebounded after the country's finance minister said officials were looking at gradually reducing the budget deficit.

Worries about a potential clash over finances between Italy and the European Union had hit Italian stocks and bonds throughout the past week, although analysts regained some hope Wednesday of Italy working toward a potential resolution.

The yield on the 10-year Italian government bond fell to 3.310%, according to Refinitiv, from 3.435% Tuesday.

# Manufacturers, Banks Power Stocks

By AMRITH RAMKUMAR  
AND DONATO PAOLO MANCINI

The Dow Jones Industrial Average climbed to a record, boosted by shares of manufacturing and financial firms.

Stock prices have gotten a lift this week after the U.S. and Canada reached a compromise on trade policy, leading some investors to anticipate further trade deals ahead with China. Despite worries that tariffs could slow the global economy, steady U.S. growth and corporate-earnings figures have boosted stock indexes throughout the year.

Several Federal Reserve officials have delivered upbeat comments about the U.S. economy this week, reinforcing the view that inflation remains steady but not so strong that the central bank needs to hasten its pace of interest-rate increases. Some investors expect that backdrop to continue lifting stocks in the fourth quarter.

"As long as you don't see clear evidence of the U.S. economy getting weaker, this momentum can continue," said Luca Paolini, chief strategist at Pictet Asset Management.

The Dow industrials added 54.45 points, or 0.2%, to 26828.39, for a fifth consecutive session of gains. The S&P 500 climbed 2.08 points, or less than 0.1%, to 2925.51 and is 0.2% from its most recent record. The tech-heavy Nasdaq Composite closed up 25.54 points, or 0.3%, at 8025.09, and is 1% below its high reached on Aug. 29.

The yield on the benchmark 10-year U.S. Treasury note rose to 3.159%—its highest level since 2011—from 3.056% Tuesday. Bond yields climb as prices fall.

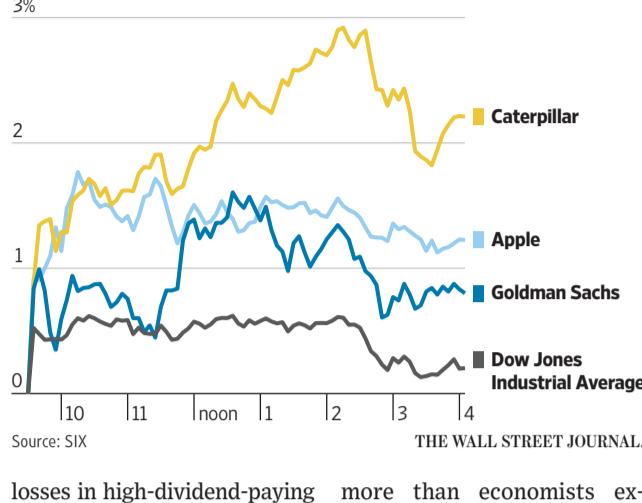
Rising Treasury yields lifted shares of banks, as higher long-term yields tend to boost lending profitability. The S&P 500 financials sector added 0.8%.

Manufacturers also benefited from optimism about trade and domestic economic growth, with the S&P 500 industrials sector rising for a third straight session.

Gains in those areas and in technology stocks neutralized

## Supportive Force

Caterpillar, Apple and Goldman Sachs helped the Dow industrials eke out a record Wednesday.



Source: SIX

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losses in high-dividend-paying sectors that look less attractive when Treasury yields rise. The utilities, real-estate and consumer-staples groups each fell about 1%.

Analysts were awaiting Friday's jobs report for the latest update on U.S. hiring and wage growth.

Data on Wednesday showed the U.S. private sector added 230,000 jobs in September,

more than economists expected, with midsize businesses and the service sector continuing to dominate those gains.

Additionally, investors were debating whether Amazon.com's recent decision to increase its minimum wage to \$15 an hour next month could cause labor-cost pressure at other companies. Still, many analysts say rises

in price pressures should remain gradual moving forward, barring an unexpected trade setback or spike in oil prices.

Meanwhile, the WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, rose 0.6%, posting a sixth consecutive session of gains.

Although worries about tighter financial conditions have eased lately, some analysts remain worried about political tensions in Europe and stagnant growth outside the U.S., leading investors to favor assets considered safer, such as the dollar.

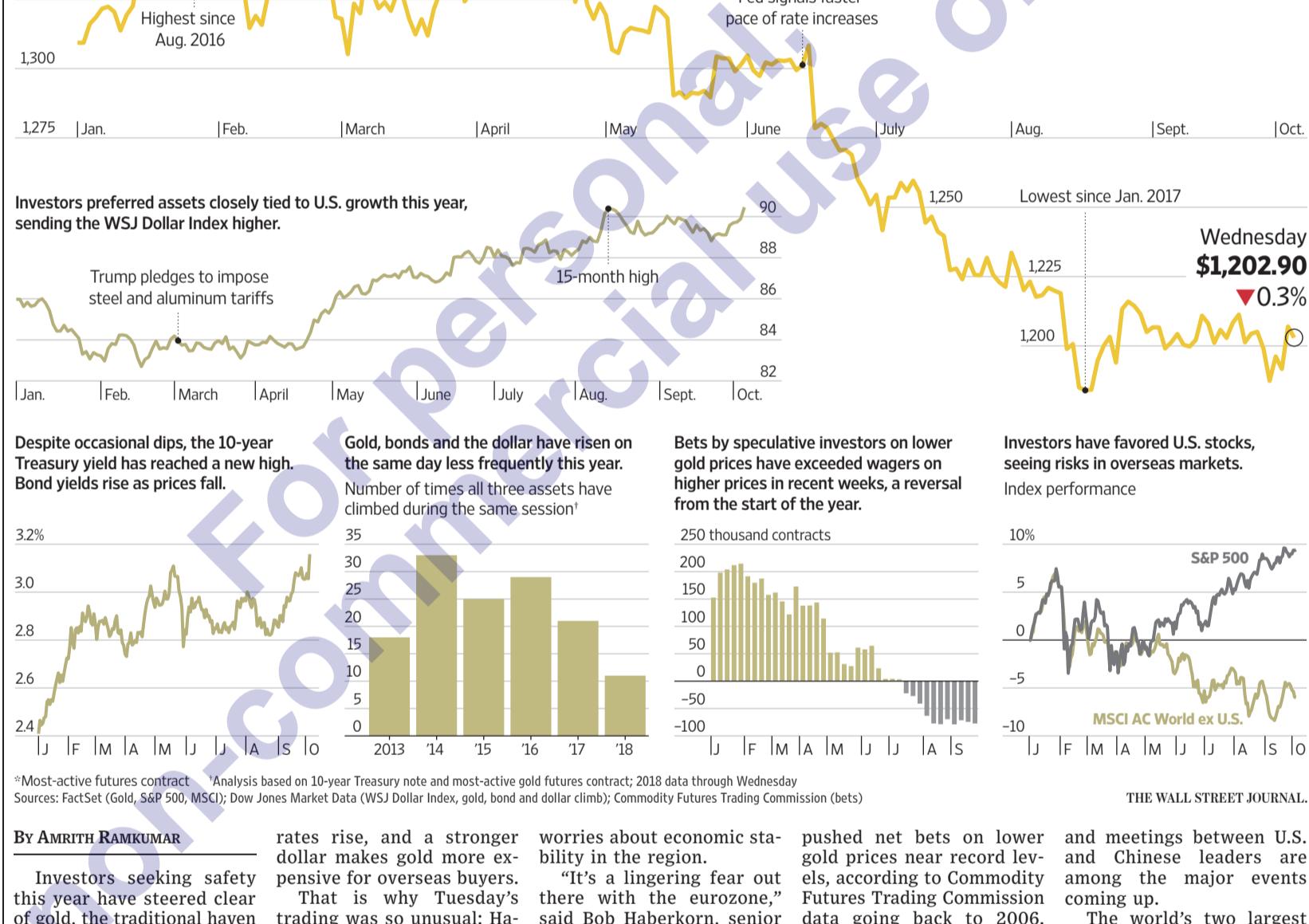
Wednesday's news that the Italian government was considering a lower deficit target after next year assuaged some fears that conflict between Italy and the European Union could stoke broader instability, analysts said.

The Stoxx Europe 600 added 0.5%, and Italian stocks and bonds rebounded.

Elsewhere, Japan's Nikkei Stock Average was down 0.17% in early trading Thursday, while Hong Kong's Hang Seng was off 1.32%

# Gold Is No Longer Haven Asset of Choice

Prices have fallen rapidly this year with investors seeking safety in other areas.\*



\*Most-active futures contract

Analysis based on 10-year Treasury note and most-active gold futures contract; 2018 data through Wednesday

Sources: FactSet (Gold, S&P 500, MSCI); Dow Jones Market Data (WSJ Dollar Index, gold, bond and dollar climb); Commodity Futures Trading Commission (bets)

By AMRITH RAMKUMAR

Investors seeking safety this year have steered clear of gold, the traditional haven asset, and turned to the dollar and Treasurys instead.

Tuesday was a rare exception. For just the fifth time in the past six months, the prices of gold, the dollar and 10-year U.S. Treasury notes rose on the same day, according to Dow Jones Market Data. Bond yields fall when prices rise.

Confidence in the U.S. economy this year has punished gold while leading some to favor the dollar and Treasurys instead. Gold also struggles to compete with yield-bearing assets such as Treasurys when interest

rates rise, and a stronger dollar makes gold more expensive for overseas buyers.

That is why Tuesday's trading was so unusual: Haven buying this year has been concentrated in the currency and bond markets and rarely spilled over into commodities. Gold, the dollar and bonds have risen together on the same day just 11 times in 2018, compared with more than 20 days in each of the previous four years. On Wednesday, gold and bonds fell as the dollar rose.

A day earlier, analysts said budget targets from Italy's populist government that could put the country in conflict with the European Union have stoked broader

worries about economic stability in the region.

"It's a lingering fear out

there with the eurozone,"

said Bob Haberkorn, senior

market strategist at RJO Fu-

tures.

Traders said that on Tues-

day, there was enough bull-

ish sentiment toward gold to

finally push prices higher.

Some worries over Italy

eased Wednesday following

media reports that the Ital-

ian government was consid-

ering a lower deficit target.

But analysts still expect vola-

tility in the region to persist.

That could be a boon for

gold bulls, who have been

frustrated by expectations

for higher interest rates

throughout the year.

Hedge funds have recently

pushed net bets on lower gold prices near record lev-

els, according to Commodity

Futures Trading Commission

data going back to 2006.

Bearish bets on gold by specu-

lative investors outnum-

bered bullish wagers by

77,313 contracts during the

week ended Sept. 25, the

most recent figures show.

Some analysts said Tues-

day's rise in gold was caused

by some investors covering

their short positions, rather

than a long-term shift in sen-

timent toward the metal.

That is another reason some

say gold could experience

more wild swings, especially

with several market-driving

events on the horizon.

The congressional mid-

term elections next month

and meetings between U.S. and Chinese leaders are among the major events coming up.

The world's two largest economies will try to resolve the tariff dispute during the November gathering.

While these events may trigger another bout of volatility, which could push gold prices higher, many analysts expect investors will continue to favor the dollar for safety as interest rates rise. Indeed, gold prices fell Wednesday while the U.S. currency climbed for a sixth consecutive session.

"This pop [in gold] could have some follow-through for a day or two, but I look at it as an opportunity to short it," Mr. Haberkorn said.

# Oil Surges to Multiyear Highs Ahead of Sanctions on Iran

By CHRISTOPHER ALESSI  
AND STEPHANIE YANG

Oil prices notched multiyear highs on Wednesday, as the market girded itself for the reimposition of U.S. economic sanctions on Iran's oil industry.

Light sweet crude for November delivery rose 1.6% to \$76.41 a barrel on the New York Mercantile Exchange, its highest close since 2014. Brent, the global benchmark, also hit a new high, closing up 1.8% at \$86.29.

Oil prices have surged in recent months, largely on the back of a faster-than-expected

decline in Iranian crude exports in the run-up to the enactment of U.S. oil sanctions on Nov. 4.

"Sanctions are in full effect in terms of the physical market," said Bjarne Schieldrop, chief commodities analyst at SEB Markets. Traders already are buying physical oil for November delivery and beyond and they are "not doing it with Iran," Mr. Schieldrop said.

Officials at the state-run National Iranian Oil Co. have said they provisionally expect crude shipments to have dropped to about 1.5 million barrels a day in September, compared with 2.3 million barrels a day in June, according to

people familiar with the matter.

President Trump pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear program in May, setting the stage for the reimposition of sanctions.

Prices also have been bolstered by a late September decision by the Organization of the Petroleum Exporting Countries and its partner producers not to raise production at a faster rate than previously planned.

That helped send Brent \$80-a-barrel threshold last week, and it has since quickly climbed to hover around \$85 a

barrel.

OPEC and its production allies said they would adhere to current production quotas first implemented at the start of 2017. That means continuing a gradual ramp-up in production that was agreed upon at the start of the summer in an effort to bring down over compliance with the initial agreement.

At the same time, there is growing market concern that OPEC and Russia have limited spare oil capacity to fully fill the Iranian shortfall, even if they wanted to, according to Stephen Brennock, analyst at brokerage PVM Oil Associates Ltd.

"There's zero room for error now if we lose any barrels," said John Kilduff, founding partner at Again Capital. "We're staring down a supply crunch, at least for a little while."

Still, some market observers think that in the long run OPEC and non-OPEC supply—including from the U.S.—will offset declines in Iranian production and exports.

"This is particularly the case, as there are now clear signs that demand is slowing, which underpins our forecast that prices will fall to \$60 a barrel by end-2019," said Caroline Bain, chief commodities economist at Capital Economics.

## MARKETS

## Deal Buoys North American Currencies

By IRA IOSEBASHVILI

Improving prospects for global trade are boosting the currencies of Canada and Mexico, as a revised North American Free Trade Agreement lifts a cloud of uncertainty that has hovered over the assets of both countries.

The Mexican peso is up 2.2% against the U.S. dollar in the past three months, the best-performing Latin American currency in that period. Canada's dollar, known as the loonie, has outperformed the currencies of its developed-country peers, with a 2.1% gain.

Investors have been wary of both currencies for years, after President Trump pledged to tear up Nafta if key U.S. conditions weren't met. The prospects for both currencies began to change several months ago, when investors became increasingly convinced that negotiators would be able to hammer out a trilateral deal.

The U.S. reached a dramatic, last-minute deal with Canada late Sunday to revise the agreement, after striking a deal with Mexico in August.

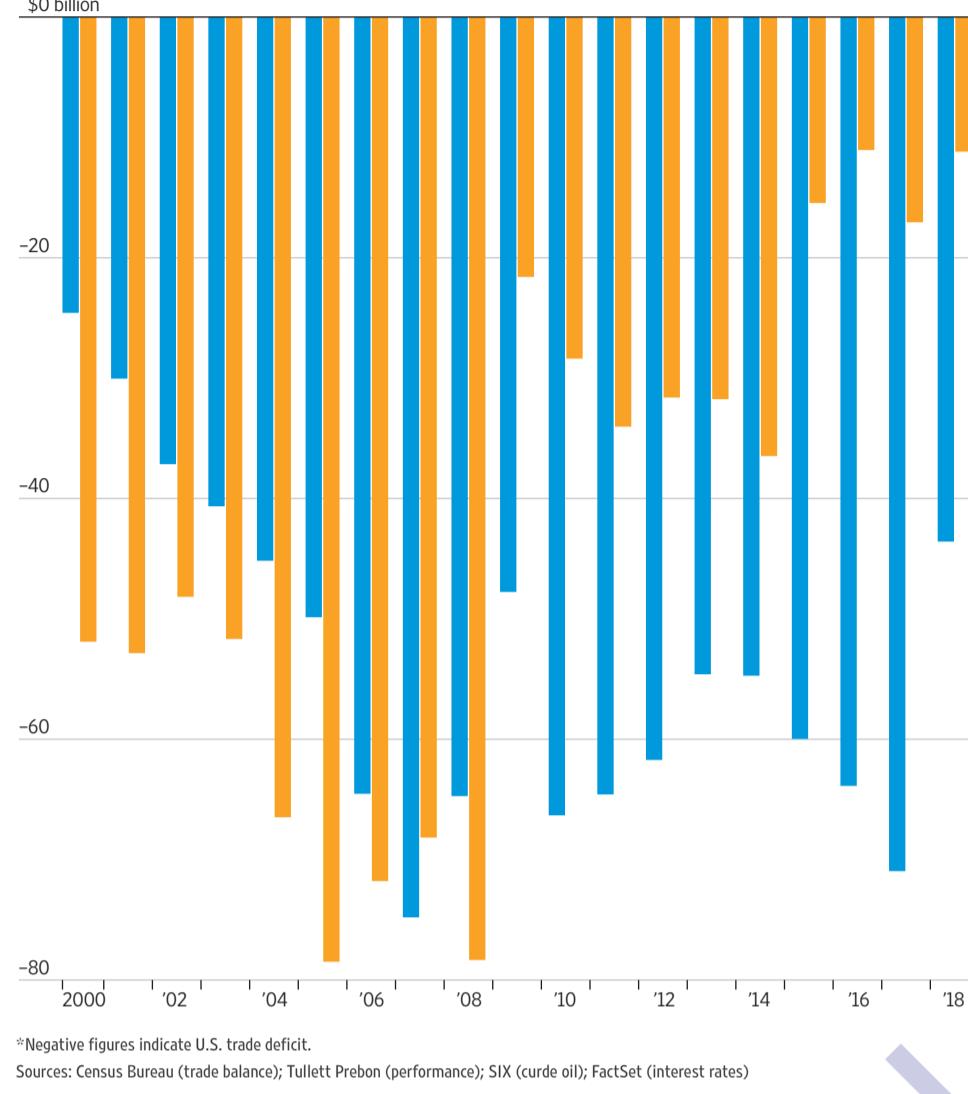
"Even in late July, the market began to smell the finish line" on a Nafta deal, said Gregory Anderson, global head of FX strategy at BMO Capital Markets. "Now that's over, and we are trying to figure out what the next story is for both of these currencies."

As Canada and Mexico are both oil producers, a sharp rise in oil prices has also helped their currencies. Prices for Brent crude, the global benchmark, are up 29% this year after hitting their highest level in nearly four years Wednesday.

Foreign investment in Mexico's oil sector could also help buoy the peso if oil prices remain elevated for the next six to 12 months, Mr. Anderson said.

Investors believe the Nafta overhaul will be a boon to the economies of Canada and Mexico, which are highly dependent on trade with the U.S.

## U.S. balance of trade in goods\*



\*Negative figures indicate U.S. trade deficit.

Sources: Census Bureau (trade balance); Tullett Prebon (performance); SIX (crude oil); FactSet (interest rates)

Jennifer Gorgoll, who manages emerging-market debt at Neuberger Berman, said the Nafta deal could spur a recovery in Mexican business sentiment and push companies that have been withholding expenditures to spend money.

But a stronger U.S. dollar can outweigh those factors and cap the peso's gains, as the Federal Reserve continues

raising interest rates to prevent a burgeoning U.S. economy from overheating, Ms. Gorgoll said.

Most analysts expect the U.S. central bank to raise rates for a fourth time this year and continue tightening monetary policy steadily in 2019. Higher rates make the dollar more attractive to yield-seeking investors.

"It may not be smooth sailing from here for the Mexican peso," Ms. Gorgoll said.

A hawkish Bank of Mexico could help mitigate the impact of higher rates in the U.S. A pickup in inflation over the summer months, which largely resulted from higher gasoline and propane-gas prices, has fed expectations

that the central bank could raise interest rates again before the end of the year. The Bank of Mexico meets again Thursday.

Canada's central bank held its benchmark interest rate steady last month, but analysts believe a resolution of Nafta talks increases the chances of an increase when it meets again in late October.

The Bank of Canada has raised interest rates four times since mid-2017, most recently in July.

The revised deal "is a great positive for Canada," outweighing more negative factors such as softer real-estate prices, said Vinay Pande, head of short-term investment opportunities at UBS Global Wealth Management.

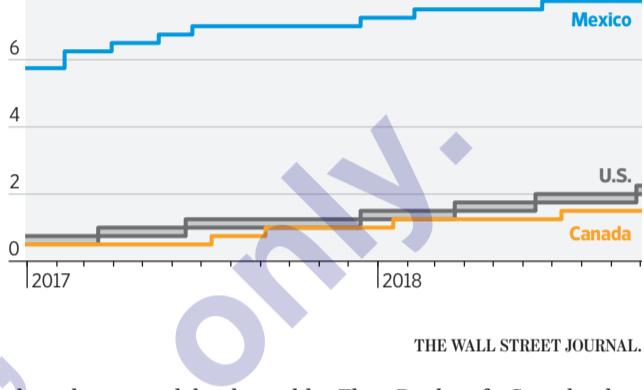
## Performance against the dollar since 2016



## Brent crude-oil futures



## Key interest rates



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## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

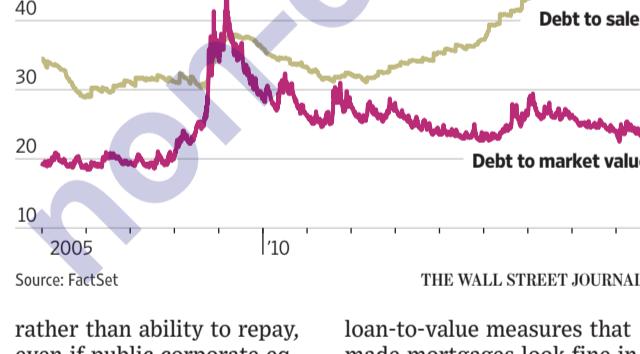
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## False Security in Corporate Debt

## Perception Counts

Different views of indebtedness among nonfinancial S&P 500 companies



rather than ability to repay, even if public corporate equity can't literally be used as collateral as homes are.

High equity values can make indebted firms look healthy. Total debt at non-financial companies in the S&P 500 is worth less than 23% of their market capitalization and has touched its lowest since May 2008. This is like

loan-to-value measures that made mortgages look fine in the latest housing boom.

Measuring indebtedness next to operational health makes all the difference. Mr. Blitz looks at the relation of all U.S. corporate debt to final sales of domestic production, which has risen sharply in recent years. A similar trend is discernible among

S&P 500 nonfinancial companies when comparing total debt and sales.

Versus profits, a more conventional benchmark, U.S. investment-grade corporate debt is near its highest in more than a decade, according to CreditSights.

That creates refinancing risk. Interest rates are moving higher and there is likely to be an earnings slowdown as the business cycle matures. Both factors will hit equity values, making indebtedness against values look less healthy.

For most investment-grade companies, this only should mean rising debt costs rather than default, according to Erin Lyons, senior U.S. strategist at CreditSights. But for equity investors, it will mean less money available for dividends, buybacks and other shareholder-friendly policies they became used to over the past decade. Look out for a bumpy ride.

—Paul J. Davies

## Investors Should Dance Gently to Tencent Music

The Tencent initial-public-offering factory has another IPO coming off the production line: **Tencent Music Entertainment Group**, 58%-owned by the social-media giant, is looking to go public in the U.S. in a listing that could value the online music company at more than \$25 billion. Investors, though, may find there is something discordant about this deal.

It is natural to compare **Spotify**—the Swedish company worth around \$32 billion after its own listing in April—with Tencent Music. The two even hold roughly 9% stakes in each other following a share swap last year. But there are important differences.

Most of Tencent Music's revenue doesn't come from subscriptions to music-streaming services, Spotify's bread and butter. Despite having more than 800 million monthly active users—more than four times Spotify's—Tencent Music has only 23 million paying subscribers versus Spotify's 83 million.

Instead, Tencent Music generates more than 70% of its revenue from a uniquely Chinese model: selling virtual

gifts to go with its online karaoke and live-streaming services. Customers who buy these virtual gifts can use them to tip entertainers streaming their performances live on Tencent Music apps.

The hitch is that after years of explosive growth, live streaming is starting to slow in China. Tencent Music's revenue from selling gifts has slowed sharply in recent quarters. Competition is growing from other online entertainment options, including videogame streaming or apps such as Douyin.

Despite these challenges, Tencent Music's valuation appears to price in plenty of growth ahead: At \$25 billion, it would be worth 64 times earnings for the 12-month period ended in June.

On top of all this, Tencent's own shares have slumped 22% this year amid regulatory problems in China. Several IPOs of companies backed by Tencent have slid below their listing price.

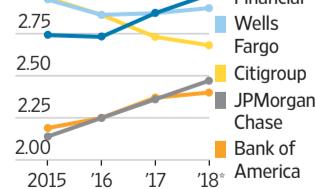
Investors tuning in to Tencent's latest market offering should avoid getting caught when the music stops.

—Jacky Wong

## Banks Primed to Awake From Slumber

## Rising Tide

Net interest margins



Source: Credit Suisse \*Estimates

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robust, reflecting their relationships with flourishing corporate clients.

Deposit costs are indeed on the rise, but overall they remain quite low, especially at large banks with big deposit bases. At JPMorgan, the average cost of interest-bearing deposits likely rose to 0.62% in the third quarter from 0.51% the previous quarter, analysts at Keefe, Bruyette & Woods estimate.

That is being offset by higher rates the banks are charging on loans tied to short-term benchmarks. Goldman Sachs estimates that around 40% of loans at JPMorgan, **Bank of America**, Citigroup and PNC Financial are tied to one-month Libor

rates, which are up 0.18 percentage point since the end of the second quarter.

Banks are now getting some relief at the long end of the curve as well. The 10-year Treasury yield rallied above 3.10% Wednesday from 2.85% at the end of the second quarter.

At around 10 times forward earnings, the biggest banks in the country are trading at a 40% discount to the rest of the market, compared with an average discount of around 30% since 2011, according to KBW.

With the economy strong, bank stocks should be doing better than that. Heading into earnings season, this underappreciated sector is the place to be.—Aaron Back

## OVERHEARD

He's no Satoshi, but don't discount **Nicolas Maduro** as a pitch man for the benefits of cryptocurrencies.

Investors in the sector are used to hyperbole. Other crypto promoters typically can't back it up with the sort of promises made by Venezuela's president, though. Officially endorsed by a sovereign state, the "petro" cryptocurrency should have an edge of hundreds over bitcoin wannabes. As of Monday, it became the

"mandatory accounting unit" of the state oil company.

But the response has been overwhelming with Venezuelan oil production at multidecade lows. If anything, Mr. Maduro's other job running a country is the best advertisement for replacing fiat currencies. In August, the bolivar had five zeros cut off due to rapid inflation. It reportedly was being used as toilet paper as it was cheaper and more available than the real thing.