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Business & Finance

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◆ Three hedge funds have closed in less than a week as investors question a once-highflying industry plagued by weak returns. A1

◆ Airbus named the head of its plane-making unit and effective No. 2, Guillaume Faury, as its next chief, capping a leadership overhaul. B1

◆ Activist investor Trian is evaluating a possible takeover bid for the Papa John's pizza chain. B1

◆ D.E. Shaw has boosted its stake in Bunge and is pushing it to make operational changes and add board members. B3

◆ U.S. stocks stalled amid a tech retreat. The Nasdaq lost 0.7%, while the Dow erased early losses to gain 0.2%. B1

◆ German prosecutors are investigating three employees of VW's Audi unit on suspicion of falsifying documents. B3

◆ Fannie Mae named board member Hugh R. Frater interim CEO, as the firm's current chief prepares to exit. A2

◆ Facebook is launching video-chat devices that will give it a deeper connection to what users do at home. B4

◆ Hope Hicks, a former senior adviser to Trump, will go to the new Fox as chief communications officer. B5

◆ Offshore driller Ensco reached a deal to acquire rival Rowan Cos. B3

World-Wide

◆ A confrontation between the top U.S. and Chinese diplomats marked a new level in worsening relations between their countries and risked complicating an anticipated summit between Trump and North Korea's Kim. A1

◆ Pakistan will seek an IMF bailout, fueling concerns that China's global infrastructure initiative is pushing recipient countries into financial crisis. A8

◆ Trump said he had no plans to fire Rosenstein, giving a vote of confidence to the No. 2 Justice official. A4

◆ Interpol's former chief is being investigated in China by a new, powerful anticorruption agency. A9

◆ The rise in Brazil of right-wing firebrand Bolsonaro marks the latest tremor in global politics as voters turn against the status quo. A9

◆ The Nobel in economics was awarded to Americans William D. Nordhaus and Paul M. Romer for work on climate change and innovation. A3

◆ Trump said he is concerned about the disappearance of a Saudi journalist in Istanbul, the latest sign of White House frustration with Riyadh. A8

◆ The president is moving to allow year-round sale of gasoline containing a higher percentage of ethanol. A7

◆ Hurricane Michael gathered strength as it moved north toward Florida. A3

◆ Libyan forces captured a former Egyptian army commander wanted for a series of deadly attacks in Egypt. A9

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TUESDAY, OCTOBER 9, 2018 ~ VOL. CCLXXII NO. 84

After a Bitter Battle, Kavanaugh Prepares to Join High Court



NUMBER NINE: Supreme Court Justice Brett Kavanaugh, right, at his ceremonial swearing-in Monday at the White House, following a grueling confirmation process. Also shown, front row from left: White House Counsel Don McGahn, Chief Justice John Roberts and Justices Clarence Thomas, Ruth Bader Ginsburg, Stephen Breyer, Samuel Alito and Sonia Sotomayor. A7

U.S.-China Strains Deepen

Diplomatic spat adds risk to cooperation over trade, security and North Korea

BY JEREMY PAGE AND MICHAEL R. GORDON

BELIJNG—A rare public confrontation between the top U.S. and Chinese diplomats marked a new level in the worsening relations between the world's two biggest economies and risked complicating an anticipated summit meeting between President Trump and North Korean leader Kim Jong Un.

Secretary of State Mike Pompeo exchanged testy words with Foreign Minister Wang Yi in Beijing on Monday at a critical moment for U.S.-China relations, with trade negotiations stalled, military talks halted and both sides blaming each other for a recent close encounter between their warships in the South China Sea.

The exchange followed a major speech last week in which Vice President Mike Pence outlined a shift in U.S. strategy from engagement to confrontation with China, accusing Beijing of undermining American interests on several

fronts, including meddling in U.S. elections.

It also came as the U.S. presses China—North Korea's main ally, investor and trade partner—to persuade Mr. Kim to abandon his nuclear weapons program.

Mr. Wang began his meeting with Mr. Pompeo by accusing the U.S. of escalating trade friction, causing trouble over Taiwan and unjustifiably criticizing China's domestic and external policies.

"We demand that the U.S. side stop this kind of mistaken action," Mr. Wang said.

Mr. Pompeo said the U.S. had a "fundamental disagree-

ment" with Beijing on the issues Mr. Wang identified but that the relationship between the two countries was "incredibly important."

Mr. Pompeo also didn't meet with Chinese President Xi Jinping, as he did in June during his first official visit to China as secretary of state.

It was highly unusual for a visiting U.S. secretary of state not to meet with the Chinese president and to be publicly chastised by his host, said Daniel Russel, who

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◆ Heard on the Street: Google needs political savvy..... B11

Trade Fight Spurs Tariff Dodges, With 18,927 Options

Switching product identification codes is growing way to duck levies

BY CHUIN-WEI YAP

One day in June, seven months after the U.S. imposed stiff tariffs on plywood from China, a wood importer in Oregon got a call from a supplier asking if he would like to get some Chinese plywood tariff-free.

How would that work, asked importer David Visse. The products carry an identification code that is checked by U.S. Customs agents.

"Don't worry about it," Mr. Visse says the supplier told him. The plywood would be stripped of its Chinese markings, and "we'll ship it under some other code."

Every product imported into the U.S. carries a 10-digit designation called an HTS

code, of which there are 18,927 in all. Like a taxonomic version of Noah's Ark, the code provides a common language to bridge disparate markets and identify products in all their variety.

In a world of increasing tariffs, the code has another function: evading those levies. The business of code-fudging is expanding in step with tariff increases, undermining U.S. efforts to shield American business from foreign competition, according to importers, customs officials, trade attorneys and shipping brokers.

As trade conflict grows between the two largest economies, these professionals say, code misclassification is starting to compete

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Is There Someone in the Kitchen? Phew, It's Just Alexa Acting Out

* * *

Amazon, Google devices startle when they talk out of turn; 'cocaine and reefer'

BY KATHERINE BINDLEY

Rheganne Mooradian was sitting on her bed crying one day after having just quit her job, listening to music, when she said she heard a voice tell her, "It's going to be OK." The words might have been comforting had she not heard them from Alexa—Amazon.com Inc.'s voice assistant that powers the Echo Dot speaker on her nightstand.

"I unplugged her instantly and I literally ran downstairs and shoved her in a drawer," said Ms. Mooradian, 24, who lives in Albuquerque, N.M. "I was just like, whoa, this is not normal. She's not supposed to do that."

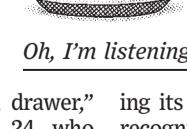
Smart speakers such as Amazon's Echo and Alphabet Inc.'s

Google Home products can handle a growing array of tasks from playing music to adjusting the thermostat to arming a security system.

They are also sometimes freaking people out, seeming to drop into conversations uninvited, playing music unprompted in the middle of the night, turning on other gadgets at random and acting generally, well, possessed.

Companies say there are reasonable explanations, such as the device mishearing its "wake word"—which it recognizes to start listening to commands. But such episodes can leave owners shaken and unsure of what to do next. Chalk it up to a misunderstanding? Reboot? Put the device in time

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Oh, I'm listening

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Google Hid Data Breach for Months

BY DOUGLAS MACMILLAN AND ROBERT MACMILLAN

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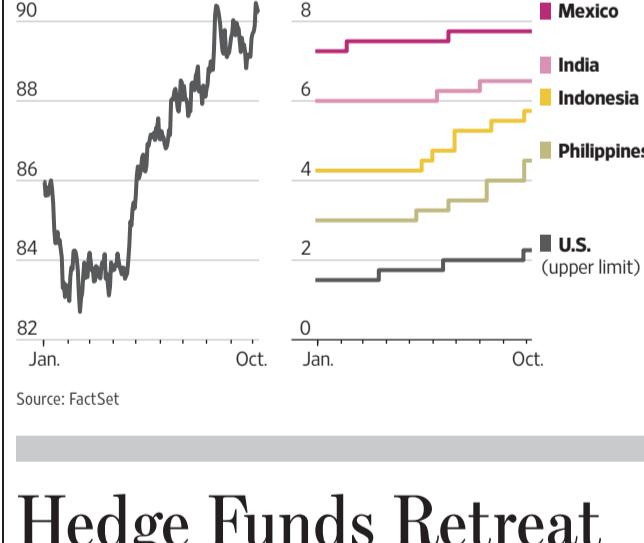
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A Blow for Emerging Economies

Pakistan's request for a bailout from the International Monetary Fund triggered new fears for emerging markets, which have been buffeted by the strong dollar and rising rates. A8, B10

WSJ Dollar Index



Hedge Funds Retreat As Markets Advance

By RACHAEL LEVY

Three hedge funds have closed in less than a week as investors question a once-highflying industry plagued by weak returns.

Tourbillon Capital Partners LP on Monday told clients it would return money and close its main fund. Last week, Highfields Capital Management and Criterion Capital Management announced they would return billions of dollars to clients.

The closures are the latest in a multiyear re-evaluation of such investment vehicles by managers and investors.

Some funds have closed as skepticism has increased about the value of paying hedge fund's famously high fees. Hedge funds often charge a 2% management fee and a 20% cut of performance gains.

Others have been hurt by poor performance relative to a stock market that has notched nearly a decade of gains. This year, through September, stock hedge funds on average returned 1.9% according to in-

dustry research firm HFR. By comparison, the S&P 500 had an average return of 10.6% over that period, including dividends, according to Dow Jones Market Data.

Tourbillon, which managed about \$4 billion in 2016, had been losing money for some time. The firm's flagship fund was down about 3.2% this year through Sept. 28, according to information reviewed by The Wall Street Journal. The firm had assets of about \$2 billion as of earlier this year.

When funds underperform, hedge-fund managers must make a choice.

"In the end, you make the decision to close the fund or the investors are going to do it for you," said Tim Ng, the chief investment officer at consulting firm Clearbrook Global Advisors.

Hedge funds can close at any time of the year, but around October many start to receive redemption notices from some clients and re-evaluate their future business plans. Instead of closing, some

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U.S. NEWS

Google Exposed User Data

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Chief Executive Sundar Pichai was briefed on the plan not to notify users after an internal committee had reached that decision, the people said.

The closure of Google+ is part of a broader review of privacy practices by Google that has determined the company needs tighter controls on several major products, the people said. In its announcement Monday, the company said it is curtailing the access it gives outside developers to user data on Android smartphones and Gmail.

The episode involving Google+, which hasn't been previously reported, shows the company's concerted efforts to avoid public scrutiny of how it handles user information, particularly at a time when regulators and consumer privacy groups are leading a charge to hold tech giants accountable for the vast power they wield over the personal data of billions of people.

The snafu threatens to give Google a black eye on privacy after public assurances that it was less susceptible to data gaffes like those that have befallen Facebook. It may also complicate Google's attempts to stave off unfavorable regulation in Washington. Mr. Pichai recently agreed to testify before Congress in the coming weeks.

"Whenever user data may have been affected, we go beyond our legal requirements and apply several criteria focused on our users in determining whether to provide notice," a Google spokesman said in a statement.

In weighing whether to disclose the incident, the company considered "whether we could accurately identify the users to inform, whether there was any evidence of misuse, and whether there were any actions a developer or user could take in response," he said. "None of these thresholds were met here."

The internal memo from legal and policy staff says the company has no evidence that any outside developers misused the data but acknowledges it has no way of knowing for sure. The profile data that was exposed included full names, email addresses, birth dates, gender, profile photos, places lived, occupation and relationship status; it didn't include phone numbers, email messages, timeline posts, direct messages or any other type of communication data, one of the people said.

Google makes user data available to outside developers through more than 130 different public channels known as application programming interfaces, or APIs. These tools usually require a user's permission to access any information, but they can be misused by unscrupulous actors posing as app developers to gain access to sensitive personal data.

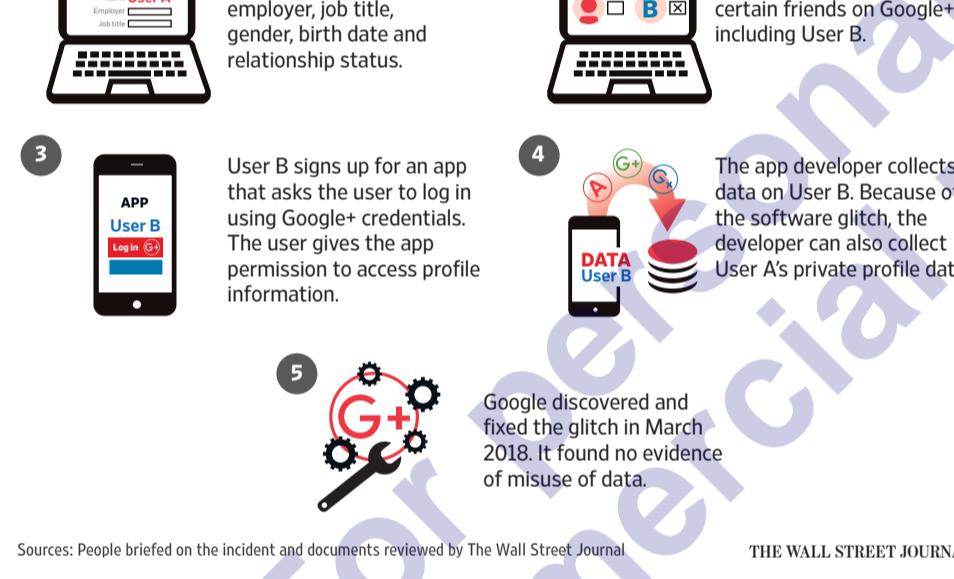


The Alphabet unit has announced a sweeping set of data privacy measures that include permanently shutting down all consumer functionality of Google+.

DREW ANGERER/GETTY IMAGES

Social Bug

How a software glitch allowed app developers to potentially access Google+ user data



Sources: People briefed on the incident and documents reviewed by The Wall Street Journal.

THE WALL STREET JOURNAL.

A privacy task force formed inside Google, code named Project Strobe, has in recent months conducted a company-wide audit of the company's APIs, according to the people briefed on the process. The group is made up of more than 100 engineers, product managers and lawyers, the people said.

In a blog post on Monday, Google said it plans to clamp down on the data it provides outside developers through APIs. The company will stop letting most outside developers gain access to SMS messaging data, call log data and some forms of contact data on Android phones, and Gmail will only permit a small number of developers to continue building add-ons for the email

service, the company said.

Google faced pressure to rein in developer access to Gmail earlier this year, after a Wall Street Journal examination found that developers commonly use free email apps to hook users into giving up access to their inboxes without clearly stating what data they collect. In some cases, employees at these app companies have read people's actual emails to improve their software algorithms.

The coming changes are evidence of a larger rethinking of data privacy at Google, which has in the past placed relatively few restrictions on how external apps access users' data, provided those users give permission. Restricting access to APIs will hurt some

developers who have been helping Google build a universe of useful apps.

The Google+ data problem, discovered as part of the Strobe audit, was the result of a flaw in an API Google created to help app developers access an array of profile and contact information about the people who sign up to use their apps, as well as the people they are connected to on Google+. When a user grants a developer permission, any of the data they entered into a Google+ profile can be collected by the developer.

In March of this year, Google discovered that Google+ also permitted developers to retrieve the data of some users who never intended to share it publicly, according to the

memo and two people briefed on the matter. Because of a bug in the API, developers could collect the profile data of their users' friends even if that data was explicitly marked nonpublic in Google's privacy settings, the people said.

During a two-week period in late March, Google ran tests to determine the impact of the bug, one of the people said. It found 496,951 users who had shared private profile data with a friend could have had that data accessed by an outside developer, the person said. Some of the individuals whose data was exposed to potential misuse included paying users of G Suite, a set of productivity tools including Google Docs and Drive, the person said. G Suite customers include businesses, schools and governments.

Because the company kept a limited set of activity logs, it was unable to determine which users were affected and what types of data may potentially have been improperly collected, the two people briefed on the matter said.

The bug existed since 2015, and it is unclear whether a larger number of users may have been affected over that time.

Google believes up to 438 applications had access to the unauthorized Google+ data, the people said. Strobe investigators, after testing some of the apps and checking to see if any of the developers had previous complaints against them, determined none of the developers looked suspicious, the people said.

The company's ability to determine what was done with the data was limited because the company doesn't have "audit rights" over its developers, the memo said. The

company didn't call or visit with any of the developers, the people said.

The question of whether to notify users went before Google's Privacy and Data Protection Office, a council of top product executives who oversee key decisions relating to privacy, the people said.

Internal lawyers advised that Google wasn't legally required to disclose the incident to the public, the people said. Because the company didn't know what data, the group also didn't believe notifying users would give any actionable

The episode shows concerted efforts to avoid scrutiny of how it handles user data.

benefit to the end users, the people said.

The memo from legal and policy staff wasn't a factor in the decision, said a person familiar with the process, but reflected internal disagreements over how to handle the matter.

The document shows Google officials felt that disclosure could have serious ramifications. Revealing the incident would likely result in us coming into the spotlight alongside or even instead of Facebook despite having stayed under the radar throughout the Cambridge Analytica scandal," the memo said. It "almost guarantees Sundar will testify before Congress."

—Newley Purnell contributed to this article.

Farewell, Google+. Deep Pockets Weren't Enough.

BY GEORGIA WELLS

Few tears were shed Monday over the death of Google+, the search giant's oft-derided effort at challenging Facebook Inc. in social media.

It is easy to forget now that there was a time when Google+ represented an exclusive club, with millions of internet users clamoring to get in. At its ballyhooed launch in 2011, Google doled out private invitations, leaving the masses eager to

gain access. But then Google, now a unit of Alphabet Inc., found that socializing online was harder than it looked.

Seven years and hundreds of millions of dollars of investment later, Google has decided to abandon the effort, saying on Monday that it will kill off Google+ for consumers. Earlier in the day, the Wall Street Journal reported that Google had exposed the private data of nearly 500,000 users of Google+ and in the spring opted against informing users.

"It was dead on arrival," said Youssef Squalli, lead internet analyst at SunTrust Robinson Humphrey.

The move to shut down Google+ formalizes Google's

failure to build a social network with staying power and highlights the challenge for other players to compete with Facebook, the world's most successful social platform. It is clear in hindsight, though, that the opportunity was there. Facebook rolled out Messenger in 2011. It bought Instagram in 2012 and WhatsApp in 2014, adding to its lineup of apps as Google+ languished.

"With these business models, it's really winner takes

all," Mr. Squalli said. "Unless you're trying to focus on a totally different niche, it's almost impossible to displace the incumbent."

For the social-media industry, Google's failure is particularly notable because Google had advantages other social-media aspirants can only dream of: deep pockets and billions of people who use its other products daily.

While the company boasted more than 300 million members of Google+

in 2013, a high percentage of what Google counted as "active users" were just people who clicked into the site by accident from another Google page, a person familiar with the matter said.

One bright spot is that many companies still use Google+ for their employees to communicate. Google said Monday that it plans to launch social features specifically built for businesses.

—Douglas MacMillan contributed to this article.

Fannie Mae Director Named Interim CEO

BY STEPHEN NAKROSIS

Fannie Mae has appointed board member Hugh R. Frater interim chief executive as the mortgage finance company's longtime leader prepares his exit.

The company, which has been under government conservatorship since the 2008 financial crisis, said Monday that Mr. Frater will take the helm effec-

tive Oct. 16, pending final approval from the Federal Housing Finance Agency. Fannie Mae, along with smaller sibling Freddie Mac, guarantee nearly half of the mortgages in the U.S.

Fannie's current CEO, Timothy J. Mayopoulos, is set to leave the company Oct. 15. Mr. Mayopoulos started as Fannie's general counsel in April 2009, months after federal regulators took it over. He became CEO in

June 2012. In July, Fannie Mae said Mr. Mayopoulos would depart by the end of the year.

Mr. Frater has served on Fannie Mae's board since 2016. He was a founding partner and managing director of BlackRock Inc. from 1988 to 2004. Mr. Frater is currently nonexecutive board chairman of real-estate investment trust Vereit Inc. and a director of ABR Reinsurance Capital Holdings Ltd.

A 1972 photograph of a child fleeing a South Vietnamese napalm strike was incorrectly described as an American napalm attack in a Review article Saturday about the Vietnam War.

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CORRECTIONS & AMPLIFICATIONS

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U.S. NEWS

Hurricane Michael Set to Hit Florida

BY ARIAN CAMPO-FLORES

MIAMI—Hurricane Michael formed off the coast of Cuba on Monday and gathered strength as it steamed north toward the Florida Panhandle, where it was expected to strike as a major storm by Wednesday.

"Michael is a monstrous storm, and the forecast keeps getting more dangerous," Florida Gov. Rick Scott said. He said it could be the most destructive storm to hit the Panhandle in decades, with torrential rain and storm surge.

Mr. Scott extended a state of emergency on Monday to 35 counties and requested that President Trump declare a pre-landfall emergency.

The state activated 1,250 National Guard troops to help with planning, logistics and storm response, and 4,000-plus more were available as needed, Mr. Scott said.

Officials ordered mandatory evacuations in the coastal counties of Bay, Gulf, Franklin, Wakulla and Citrus, Mr. Scott said. Voluntary evacuation orders came in the counties of Santa Rosa and Leon.

Michael grew to hurricane force Monday morning, with maximum sustained winds of 75 miles an hour, according to the National Hurricane Center. The storm was forecast to move into the Gulf of Mexico and continue strengthening before making landfall on Wednesday morning as a possible Category 3 storm.

Vehicle in Crash Failed Inspection

BY JIMMY VIELKIND

The limousine involved in the upstate New York crash that claimed 20 lives failed inspection in September and was driven by a man who didn't have the required license, Gov. Andrew Cuomo said Monday.

Investigators from the New York State Police and National Transportation Safety Board were continuing to review Saturday's crash, which took place near a farm stand and cafe in the town of Schoharie, outside Albany.

Mr. Cuomo, speaking to reporters before marching in the Columbus Day Parade in New York City, said the 2001 Ford Excursion limousine shouldn't have been operating on the road and the driver lacked the necessary license.

"We don't yet know the cause of the accident, if it was a vehicle malfunction, a driver malfunction, driver error," Mr. Cuomo said.

NTSB Chairman Robert Sumwalt said the converted 2001 Ford Excursion sport-utility-vehicle limo was capable of carrying a driver and 18 passengers. Mr. Sumwalt said, while there were "certainly indications of high-energy impact," investigators weren't sure how many passengers were wearing seat belts at the time of impact or how fast the limousine was traveling. There were no skid marks on the road near a stop sign, and investigators were examining the vehicle's braking systems, Mr. Sumwalt said.

Mr. Cuomo said the vehicle was rented from Prestige Limousine and the state would seek a "cease-and-desist or-



People gathered on Monday at the site of Saturday's limousine crash that claimed the lives of 20 people in upstate New York.

der" to stop the company from operating "until the investigation is concluded."

According to federal safety records posted online, Prestige vehicles were taken out of service four times after their last five inspections.

Phone calls to the company, which is based in Gansevoort, N.Y., weren't answered. Shahed Hussain, who is listed as the owner in the company's federal safety records, didn't respond to a request to comment.

Mr. Hussain acted as an informant for the Federal Bureau of Investigation in two

terrorism cases after he pleaded guilty in 2003 to illegally helping people obtain driver's licenses, according to a state official, a former federal prosecutor involved in the case and court documents.

In a 2010 terrorism case, he served as a key witness, helping investigators thwart a plot to blow up two synagogues in the Bronx and fire missiles at planes at Stewart International Airport in Newburgh, N.Y., the official and the prosecutor both said.

New York State Police Maj. Robert Patnaude said on Mon-

day that Mr. Hussain had been located in Pakistan.

The driver of the limousine as well as all 17 of its passengers were killed when the vehicle crashed into a car parked near the Apple Barrel Country Store and Cafe. Two pedestrians were also killed.

Officials haven't released the names of the passengers, but a law-enforcement official identified the limousine driver as Scott Lisinicchia. Many of the passengers were family and friends said to be taking the limousine to celebrate a birthday.

Valerie Abeling, of Amster-

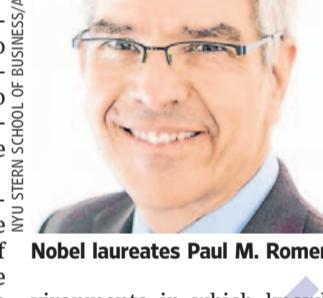
dam, N.Y., said in an interview that her niece, Erin McGowan, and her niece's husband, Shane McGowan, were killed in the crash. They were traveling with a group to Cooperstown to celebrate the 30th birthday of Amy Steenburg, Ms. Abeling said.

Ms. Steenburg's three sisters were also in the limousine, according to Ms. Abeling.

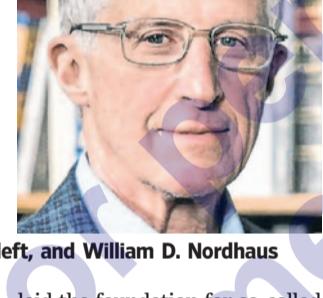
Ms. Abeling and Maj. Patnaude said the group had tried to hire a different vehicle for their excursion, but it fell through, and the limo rented from Prestige was a last-minute substitution.

U.S. Economists Win Nobel for Work on Climate, Growth

BY PAUL KIERNAN AND JOANNA SUGDEN



Nobel laureates Paul M. Romer, left, and William D. Nordhaus



asked was, why was progress—measured in, say, the rate of growth of GDP, but measured in lots of other ways—why was progress speeding up over time?" Dr. Romer said. "It arises because of this special characteristic of an idea, which is if you've got, like, a million people trying to discover something, if any one person finds it, everybody can use the idea."

Dr. Nordhaus's work began in the 1970s when scientists were growing concerned about global warming. His methods, now called integrated assessment models, have become widely used to examine the consequences of different policy interventions targeting climate change, the Nobel committee said.

Each laureate advocates for public policies to overcome a "market failure," the Nobel committee said. Dr. Romer's work recommends government

support for knowledge creation, while Dr. Nordhaus argues for the implementation of global carbon taxes to reduce long-term greenhouse-gas emissions.

"There are billions of individuals, millions of firms, thousands of governments, hundreds of nations, and for them to take action, they're going to have to have incentives," Dr. Nordhaus said in a news conference. "We can raise the prices of goods and services that are carbon intensive and lower the ones that are less carbon intensive."

Dr. Romer said his work on the compounding effects of technological change suggests that the solutions proposed by Dr. Nordhaus will be effective.

"I think people are grossly underestimating how rapidly we'll start to decarbonize once we put our minds to it," he said. "But the problem is, it's going to take the government to create the incentives and

the framework to get that to happen. We need governments to step up and seize this as an opportunity."

Dr. Romer, 62 years old, the son of former Colorado Gov. Roy Romer, earned a bachelor's degree in mathematics from the University of Chicago, where he completed his doctorate in economics in 1983. More recently, he served as chief economist of the World Bank.

Dr. Nordhaus, 77, was born in Albuquerque, N.M. He graduated from Yale in 1963 and received his Ph.D. in economics in 1967 from the Massachusetts Institute of Technology.

At his news conference, which at his request was held only after he had finished teaching a class on intermediate macroeconomics, colleagues at Yale lauded his commitment to teaching.

—Paul Hannon contributed to this article.

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DE BEERS COLLECTOR

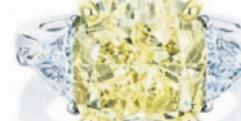
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U.S. NEWS

The Significance of Pence's China Broadside

**CAPITAL JOURNAL**

By Gerald F. Seib

Last Thursday, while the Capitol was consumed with the Brett Kavanaugh Supreme Court nomination debate, a few blocks away an event with at least as much

long-term significance was unfolding, to relatively little notice.

Vice President Mike

Pence walked to a podium at the Hudson Institute and delivered a remarkable, 40-minute broadside against China. The speech is worth a deeper look, because there was nothing casual about it. Rather, it was the product of extensive behind-the-scenes work, and may come to be

seen as an inflection point in the complex trajectory of relations between Washington and Beijing.

In surprisingly blunt terms, Mr. Pence accused China of abusing its economic power, stealing American technology, bullying the very American companies that have helped in its economic rise, intimidating its neighbors, militarizing the South China Sea and persecuting religious believers at home.

"America had hoped that economic liberalization would bring China into a greater partnership with us and with the world," Mr. Pence said. "Instead, China has chosen economic aggression, which has in turn emboldened its growing military."

In his most headline-grabbing assertion, he also charged that China is attempting to interfere in the 2018 midterm elections and laying the groundwork to try to defeat President Trump's quest for re-election.

That assertion is sufficiently self-serving—the president is so tough on China that its leaders now want him out—that it is easy to dismiss. Besides, Mr. Trump also brags about what a great relationship he has with Chinese leader Xi Jinping.

What's more important, though, is that this charge of election high jinks was merely the tip of what Mr. Pence charged on this front.

He asserted that the Chinese have embarked on a governmentwide effort to "interfere in the domestic policies of this country." In this concerted program, he charged, China seems to expand its influence by "rewarding or coercing American businesses, movie studios, universities, think tanks, scholars, journalists, and local, state, and federal officials."

This isn't a casual accusation. For months, a team of national security officials has been compiling a study on the many ways China uses money, power and rewards to

affect the way it is viewed in the U.S. The study was intended in part, say those familiar with it, to shame American institutions that the administration believes are being used by China.

In a key passage, Mr. Pence declared: "Beijing provides generous funding to universities, think tanks, and scholars, with the under-

The speech may be seen as an inflection point in the course of U.S.-China relations.

standing that they will avoid ideas that the Communist Party finds dangerous or offensive. China experts in particular know that their visas will be delayed or denied if their research contradicts Beijing's talking points."

This portrayal of China's tactics puts the mushrooming trade disputes between Washington and Beijing in

much broader and more ominous context. The Trump administration sees Chinese practices not merely as an attempt to gain an economic upper hand, but as a part of a kind of broad struggle over global dominance, in which the Chinese are pulling every lever in a quest to prevail.

This portrayal, of course, glosses over some of China's own, considerable internal problems. Its debt load is soaring, and its economic growth may be faltering. Chinese stocks and bonds have declined, as has the Chinese currency. Meanwhile, the cult of personality that has been built up about Mr. Xi is a sign of his power, but also may reflect deeper insecurity about his regime's relations with its people.

It's possible to exaggerate Chinese omnipresence, much as Americans exaggerated the rise of Japan as an economic threat in the 1980s.

Demonizing China also can become a self-fulfilling prophecy, pushing Beijing

deeper into the kinds of hostile actions the U.S. is decrying.

Still, the tension reflected in Mr. Pence's speech is very real and playing out on multiple fronts. Just last week, China canceled a long-planned U.S.-China security dialogue, and Defense Secretary Jim Mattis canceled a visit to Beijing. Those moves came as a Chinese warship harassed a U.S. Navy vessel in international waters near disputed islands claimed by Beijing in the South China Sea.

The Trump administration and China still find plenty of ways to communicate. Secretary of State Mike Pompeo was in Beijing on Monday for talks—though that conversation also was marked by outward signs of friction. Unlike during the Cold War, when the U.S. and the Soviet Union had few economic ties to bind them together, the U.S. and China still are in an economic embrace.

Still, Mr. Pence has signaled that the coexistence is, and may remain, a tense one.

Trump Vouches For Rosenstein As the Two Meet

BY SADIE GURMAN

WASHINGTON—President Trump said he had no plans to fire Deputy Attorney General Rod Rosenstein, giving a vote of confidence to the No. 2 Justice Department official after reports he had discussed secretly recording the president and mounting an effort to remove him from office.

Mr. Trump said the two men had a "great" conversation while flying together aboard Air Force One to Orlando, Fla., for a law-enforcement conference. The pair spoke for 45 minutes, a White House official said. Asked after returning to the White House if he planned to fire Mr. Rosenstein, the president replied, "I'm not making any changes."

The trip comes after a tense period in which officials said Mr. Rosenstein offered to resign and expected to be fired following a New York Times report that he discussed secretly recording the president and recruiting cabinet members to remove him from office in 2017.

The pair spoke for 45 minutes, a White House official said. Asked after returning to the White House if he planned to fire Mr. Rosenstein, the president replied, "I'm not making any changes."

At a public-radio debate last week, Mr. Paulsen said high-income households now pay a greater share of federal taxes. Mr. Phillips said about 80% of the tax cuts go to the top 1% of households. Both data claims are accurate but misleading.

Mr. Paulsen is correct that richer filers pay a greater share of a smaller pie of federal taxes, but high-income households got larger tax cuts in dollars and as a share of income compared with the middle class. Mr. Phillips' numbers are from 2017, after individual tax cuts are slated to expire.

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turn in the sometimes fraught relationship between Mr. Trump and Mr. Rosenstein, who oversees special counsel Robert Mueller's investigation into Russian interference in the 2016 presidential election, which Mr. Trump decries as a "witch hunt." The probe has resulted in criminal convictions of several Trump associates, and Mr. Rosenstein has been a frequent target of the president's ire.

But people familiar with their relationship said it had improved before the latest turbulence.

Mr. Rosenstein had sought to speak directly with Mr. Trump to discuss his fate, but they twice postponed the meeting. Other details of the Air Force One conversation weren't available, but a White House official said it covered issues beyond Mr. Rosenstein's future, including policing and immigration.

The president's comments signaled Mr. Rosenstein will likely remain in place at least until after the midterms.

Mr. Rosenstein was spotted departing the plane accompanied by Ed O'Callaghan, a senior aide, and White House chief of staff John Kelly. An official later said the aides were present during the president's conversation with Mr. Rosenstein.

—Michael C. Bender contributed to this article.



Rod Rosenstein stepping off Air Force One Monday in Maryland.

Funds Close Amid Skepticism

Continued from Page One

funds have lowered their fees. The industry controls about \$3.2 trillion in assets, according to data provider HFR. Some hedge funds have blamed low interest rates for their problems. As rates have stayed low and stocks have rallied, so-called passive funds have come to dominate inflows as everyone from pension funds and endowments to middle-class Americans have pushed into these low-cost funds. Still, hedge funds abound. In the first half of this year, more hedge funds launched

than closed, with 270 closures compared with 306 startups, according to HFR. There were 8,413 hedge funds as of the end of the second quarter, down slightly from a peak of 8,474 in 2015, according to the research firm. More recent figures aren't available.

At Tourbillon, the closure stems largely from performance. The firm's flagship fund launched with gains of about 21% in 2013, and for the next two years posted gains. But since 2016 the flagship fund has lost money, with a 13.8% loss last year, according to a person familiar with the fund's returns.

"We have recently not delivered the results that you expect of us and what we know we are capable of," founder Jason Karp told clients Monday in a letter reviewed by the Journal.

Mr. Karp said in the letter he

planned to return more than \$1 billion from the firm's main fund at year-end. Mr. Karp didn't comment beyond the letter.

Mr. Karp previously was the co-chief investment officer at hedge fund Carlson Capital and a portfolio manager at Steve Cohen's SAC Capital Advisors LP. A founding partner who served as Tourbillon's chief operating officer and president left the firm earlier this year. In the letter, Mr. Karp said he and senior members of Tourbillon would continue to invest in stocks "in a radically different unconstrained manner that I believe will allow us to focus only on our highest conviction ideas."

Mr. Karp added that he plans to focus on private and public companies within the health and wellness space, an area he called "deeply personal."

Tourbillon is known for its

health awareness. Clients who

visited the New York office were told the firm didn't serve soda or other unhealthy foods, said people close to the firm.

Mr. Karp said his family-based Hu Kitchen, a food company and restaurant, in 2012. The closure of Tourbillon's main fund follows last week's decisions by Criterion and Highfields to shut.

San Francisco-based Criterion managed about \$2 billion and focused on picking stocks in the technology, media and telecommunications industries.

Boston hedge fund Highfields is returning billions in client money to convert into a family office. Founder Jonathon Jacobson cited multiple reasons in his unusual decision to return money from the \$12 billion firm, including the "all-consuming" nature of running a fund.

It is unusual for such a large hedge fund to close. At that

size, managers could continue to collect handsome fees even with weak relative performance or try to hand the business to a successor. Redemptions at Highfields remained within the range of what the fund had experienced in the past, according to a person familiar with the matter.

In an industry rife with big personalities, Mr. Jacobson and co-founder Richard Grubman, who retired in 2010, kept relatively low profiles. But they received notice for profiting off a bet against Enron Corp., which ultimately filed for one of the largest bankruptcies in U.S. history.

The latest hedge-fund closures add to a string of notable shutdowns over recent years.

Among them, investor Eric Mindich moved to close his \$7 billion hedge-fund firm Eton Park Capital Management LP in 2017 and billionaire Richard

Perry announced his decision to shutter his hedge-fund firm in 2016.

In discussing the personal nature of his new investment focus, Mr. Karp said in Monday's letter that in his early 20s he became "very ill with several autoimmune diseases and was told repeatedly by doctors that, while there was no cure, I should take myriad pharmaceuticals to mitigate my various symptoms. I was also diagnosed with an incurable, degenerative eye disease which impaired my vision and told I would be blind by the age of 30."

He added that he later found his diseases were linked to food, and that "within nine months of dramatically improving my nutrition and lifestyle, all of my ailments reversed, including my 'incurable' eye disease."

—Juliet Chung contributed to this article.

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³Fidelity beats Vanguard on expenses on 18 of 18 comparable stock and bond index funds, across all Vanguard share classes with a minimum investment of less than \$3 billion. Total expense ratios as of August 1, 2018. Please consider other important factors including that each fund's investment objectives, strategy, and index tracked to achieve its goals may differ, as well as each fund's features and risks.

⁴Vanguard offers other share classes of these funds with different investment minimums and expense ratios.

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U.S. NEWS

Georgia Sees a Surge of New Voters

By CAMERON McWHIRTER

ATLANTA—Since Georgians went to the polls in 2016, more than half a million voters have been registered, including an increase in the voting ranks of women and minorities—groups that tend to lean Democratic.

Much of that increase is the result of a change to driver's-license forms enacted two years ago under departing Gov. Nathan Deal, a Republican. With the change, new applicants and renewals are automatically registered to vote unless they expressly opt out.

That automatic voter registration helped fuel a 15% increase in Georgia's active voter rolls to about 6.3 million in September from about 5.5 million in November 2016. Black registered voters rose 15%, Hispanic voters 40%, and Asian and Pacific Islander voters rose 36%. The number of women who are registered to vote increased 13% in the period, and white registered voters went up by about 10%.

The increase in potential voters comes during a hotly contested governor's race between Democratic candidate Stacey Abrams, former minority leader in the state House, and Republican Secretary of State Brian Kemp.

Mr. Kemp led Ms. Abrams, 48% to 46.3% in a poll of 964 voters released Oct. 1 by Landmark Communications Inc., a polling and political consulting firm based in Georgia. The margin of error was plus or minus 3.2 percentage points.

While Ms. Abrams is running a well-financed campaign with backing from former President Obama and other national Democrats, Republicans have dominated state politics in Georgia and now hold all statewide offices. If she wins, she would become the first black woman governor in the U.S.

"Any Republican who doesn't see this as competitive is living in denial," said Brian Robinson, a GOP strategist. "Georgia is a changing state."



Georgia Democratic gubernatorial candidate Stacey Abrams, center, campaigns in Hinesville, Ga.

We have seen this coming."

Georgia's population, while growing, is also shifting. The state's black, Asian-American and Hispanic populations have grown at a faster rate than whites since 2010, according to census estimates. In its May primaries, about 339,000 African-Americans cast ballots in the Democratic primary, and about 8,500 in the GOP one, according to secretary of state data.

Democratic political consul-

voter-type laws similar to Georgia's driver's-license change, according to the National Conference of State Legislatures. The laws are the subject of debate, with some Republicans saying they open the door for abuses, such as noncitizens accessing ballots. Democrats have generally pushed for the laws, hoping for increased registrations among poor and minority groups.

In Oregon, which enacted automatic registration in 2016, voter registration has gone up about 5%. Paul Gronke, a political-science professor at Reed College who has tracked the measure, said "the turnout effects were relatively modest" in the 2016 election, with about 30% of new registrants voting.

Mr. Deal declined to comment about Georgia's change with the driver's-license forms and its possible ramifications on elections, but his spokesman called the change small.

Mr. Kemp, whose office oversees elections, supports the switch. "With robust statutory safeguards in place to check the citizenship, age and overall eligibility of applicants, this policy change...balances the benefits of accessibility

with the importance of security," he said in a statement.

Mr. Kemp, in his role as secretary of state, was sued several times in recent years by groups promoting voting rights and increased minority voting. In February, his office settled a lawsuit brought by the American Civil Liberties Union of Georgia, agreeing to automatically update voters' addresses if they move within a county.

"All Georgians must be deeply committed to ensuring every eligible citizen has the ability to register and easily cast a ballot," Ms. Abrams said in statement.

Ms. Abrams, who started the New Georgia Project in 2014 to register minority voters, has proposed expanding automatic voter registration to when people interact with various state agencies, as well as public colleges and universities.

Mr. Kemp's campaign says he has expanded registration, including adding online registration, under his tenure. "The numbers don't lie," said spokesman Ryan Mahoney. "Voter registration in Georgia, it's never been easier."

—Jon Kamp contributed to this article.

Law enacted by GOP governor lifts ranks of groups that tend to lean Democratic.

Tant Howard Franklin, who worked for Ms. Abrams when she was a state representative, said the increase of minorities is a good sign, but it doesn't guarantee turnout. "Knocking down the barriers to registration is not the same as getting people to show up at a midterm election," he said.

Thirteen states and the District of Columbia have motor-

MONTANA

Mining Claims Near Yellowstone Banned

U.S. Interior Secretary Ryan Zinke approved a 20-year ban on new mining claims in the towering mountains north of Yellowstone National Park, after two proposed gold mines raised concerns that an area drawing tourists from around the globe could be spoiled.

As Mr. Zinke signed the mineral ban at an outdoor ceremony in Montana's Paradise Valley, a bank of clouds behind him broke apart to reveal the snow-covered sides of Emigrant Peak. The picturesque, 10,915-foot mountain has been at the center of the debate over whether mining should be allowed. Local officials, business owners and others pushed for a ban after companies several years ago began drafting plans for new mines in an area frequented by wildlife.

—Associated Press

ECONOMY

Employment Index Eased in September

The Conference Board Employment Trends Index fell in September, even though the U.S. economy is growing robustly and demand for workers is strong.

The index slid to 110.77, down from the revised August figure of 111.18. Still, September's reading represents a 6.7%

gain compared with a year ago.

"Despite this month's decline—the result of just two components—the index remains on a solid upward trend, and has been growing rapidly in recent months," said Gad Levanon, chief economist, North America, at the Conference Board.

September's results were driven by negative contributions from two out of the eight labor-market measures that form the Conference Board's index, according to the report. Those two measures were the ratio of involuntarily part-time workers to all part-time workers, which the federal Bureau of Labor Statistics tracks, and the percentage of respondents who said in a Conference Board survey that jobs are "hard to find."

—Micah Maidenber

TEXAS

RVs Swept Away In West Texas Flooding

Emergency crews were searching for four men whose recreational vehicle was among those swept away by floodwaters in an RV park in a small West Texas city.

Heavy rains fell Sunday night and into Monday morning in Junction, about 140 miles west of Austin. Kimble County Sheriff Hilario Cantu said no fatalities have been confirmed but that "all the RVs, everything, got swept away."

—Associated Press

A Holiday in Los Angeles



CELEBRATION: A young girl participated in the inaugural Indigenous Peoples Day during a sunrise ceremony Monday after the Los Angeles City Council voted to establish the holiday.

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U.S. NEWS

Groups Vie For Trump's TV Attention

BY JULIE BYKOWICZ
AND ALEX LEARY

WASHINGTON—An ethanol group in a high-stakes battle with the oil industry devised its television advertising strategy with a single viewer in mind: President Trump.

Its 30-second commercial with an Iowa corn farmer arguing for a higher percentage of ethanol in gasoline has been in rotation on Fox News since July.

"We know he watches, so this is a good way for him to see it's something the heartland wants," said Leigh Claffey, spokeswoman for Growth Energy, which last week began running a new ad noting Mr. Trump's commitment to the issue.

The group's opponents have crowded onto Fox's airwaves, too: "President Trump," implores the narrator of an American Petroleum Institute ad, "don't risk harming consumers" by increasing the ethanol mixed into fuel.

The competing ads represent an effort to grab the attention of the world's most powerful TV viewer, and a belief by Washington's influence industry that Mr. Trump can be swayed by what he sees on TV.

The White House didn't respond to a request to comment.

On Tuesday, Mr. Trump is expected to make a policy announcement lifting a summer ban on sales of gasoline containing a higher percentage of ethanol.

Mr. Trump's frequent tweets about Fox News programs leave little doubt that he tunes in regularly to the station's morning show, "Fox & Friends," as well Sean Hannity's show at night. He is also a regular viewer of Lou Dobbs,

who hosts a show on Fox Business Network.

"It's absolutely true that a lot of people are focused on the audience of one and how to influence the audience of one," said Michael Steel, a managing director at Washington-based Hamilton Place Strategies and a longtime GOP communications adviser.

Two spokeswoman for Fox News didn't respond to requests to comment. 21st Century Fox Inc., parent of the Fox Networks Group, shares common ownership with The Wall Street Journal's owner, News Corp.

The efforts to get the president's TV attention go beyond ethanol. Creators of an ad supporting U.S. steelworkers were pleasantly surprised when Mr. Trump tweeted about the issue just minutes after the spot aired on "Fox & Friends" in early March. The ad—a mashup of footage of Mr. Trump speaking to the issue—ran for more than a week at a cost of \$250,000. Mr. Trump during that same time announced tariffs on steel and aluminum imports.

"It certainly helped that the president had a reminder of what he committed to do," said Scott Paul, president of the Alliance for American Manufacturing.

In a July memo to clients, lobbying firm CGCN Group noted the importance of television as a means to reach both the president and his base of "middle-class and blue-collar voters in middle America."

"It is widely rumored that Trump pays particularly close attention to programs like Hannity and Lou Dobbs Tonight to measure the pulse of this key demographic," the memo reads.



Competing ads from ethanol group Growth Energy, top, and the American Petroleum Institute, above, aim to sway President Trump. The groups are targeting TV programs the president is known to watch.

Trump Backs More Ethanol for Farmers

President Trump is moving to allow year-round sale of gasoline containing a higher percentage of ethanol, satisfying campaign promises he made to the Farm Belt, while likely provoking a battle with the oil industry.

Mr. Trump has endorsed pushing the maximum to 15% and views it as a way to expand biofuels and help farmers, according to a senior White House official. The directive wouldn't require refineries to

increase their blends, but could spur sales of ethanol and give the ethanol industry more of a grip on the market.

Mr. Trump is to make the policy announcement Tuesday, the White House official said. Afterward, Mr. Trump will travel to Iowa, the leading corn- and ethanol-producing state, for a political rally alongside Republican candidates eager to campaign on the issue.

As a concession, Mr. Trump also is proposing changes to a credit program that allow oil refiners to buy and sell credits for using ethanol, the White House official said. But those

moves are unlikely to win the oil industry's support.

"We're going to be aggressive in evaluating all of our potential legal remedies surrounding this announcement," said Frank Macchiarola, an official at the American Petroleum Institute, which argues the Renewable Fuel Standard is anti-competitive and needs a comprehensive overhaul through Congress, not the administration.

Refineries are required to blend fuels with about 10% plant-based ethanol or purchase credits from rivals to satisfy obligations.

—Alex Leary

President Apologizes For 'Pain' Kavanaugh Endured

BY REBECCA BALLHAUS

WASHINGTON—President Trump on Monday held a ceremonial swearing-in for Supreme Court Justice Brett Kavanaugh, where the president apologized to him for a fraught confirmation process in which he faced multiple allegations of sexual assault and misconduct.

"I want to apologize to Brett and the entire Kavanaugh family for the pain and suffering you have been forced to endure," Mr. Trump said. "You, sir, under historic scrutiny, were proven innocent."

Mr. Trump ordered an FBI investigation last month after some Republican lawmakers said they were hesitant to confirm Justice Kavanaugh without further examination into the allegations. The investigation, which interviewed one of three women who accused Justice Kavanaugh of sexual misconduct, finished two days earlier than its deadline and faced broad criticism from Democrats that it wasn't appropriately comprehensive.

After the investigation concluded, the White House and Republican lawmakers said it didn't corroborate the allegations. Justice Kavanaugh has denied the allegations.

Justice Kavanaugh, in remarks after taking the judicial oath, thanked Mr. Trump for his "steadfast" and "unwavering" support during the confirmation process.

"Mr. President, thank you for everything," he said.

He called the Senate confirmation process "contentious and emotional" but said he takes the office "with gratitude, and no bitterness."

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WORLD NEWS

Under Pressure, Pakistan Turns to IMF

New government inherited low foreign-exchange reserves and a growing trade deficit

By SAEED SHAH

ISLAMABAD, Pakistan—Pakistan, the flagship country for China's global infrastructure building initiative, said Monday that it needed a bailout from the International Monetary Fund, amid growing concerns that Beijing's program is pushing recipient countries into financial crisis.

The fiscal constraints of an IMF program would undercut the promises made by Prime Minister Imran Khan's new government, which include millions of new jobs and the establishment of a welfare state.

But a ballooning trade deficit and fast-depleting foreign exchange reserves left the new government no other choice, officials said, after markets were spooked by the government's recent suggestions that it might try to make do without the fund.

"Uncertainty was growing and the stock market was falling," said Chaudhry Fawad Hussain, the information minister. "We decided to end the uncertainty."

The Pakistani request for an

IMF loan could further test already-strained U.S.-China relations. In July, U.S. Secretary of State Mike Pompeo warned that the U.S. didn't want to see any IMF lending to Pakistan "go to bail out Chinese bondholders or China itself."

The IMF as part of its bailout financing will need to know the full extent of Pakistan's financial obligations under the Chinese initiative, experts said, details that have been shrouded in secrecy.

Islamabad and Beijing insist the \$62 billion, three-year-old Chinese program in Pakistan, which is building roads, power plants and a port, is unrelated to the country's current woes. However, the Chinese program required large-scale imports of machinery and materials, while the debt accrued will eventually have to be repaid.

Washington has accused Beijing of "debt-trap diplomacy" by lending countries money for Chinese companies to build infrastructure that the recipients can't afford.

China rejects the charge. But there has been pushback against the Chinese program, known as the Belt and Road Initiative, in a range of countries. Malaysia plans to defer or cancel some \$22 billion worth of Chinese-backed infrastructure projects. In Sri Lanka, unsustainable debt to



Finance Minister Asad Umar will begin talks with the IMF this week.

Beijing meant that it had to sell to Beijing an 80% stake in a port built there by China.

The seven-week-old Pakistani administration led by Mr. Khan is working to scale back the Chinese program without upsetting Beijing. But the prospect of China's showcase partner for its infrastructure program seeking IMF aid is embarrassing for Beijing, experts said.

Pakistani businesses have also complained of being swamped by Chinese competition in trade of goods, especially under a free-trade agree-

ment they say favors Beijing. The runaway trade imbalance that sent Pakistan to the IMF is partly down to China, with the bulk of Pakistan's nonfuel imports coming from there.

Finance Minister Asad Umar will begin bailout negotiations at the annual meeting of the multilateral lending agency in Bali, Indonesia, this week, Pakistan's Finance Ministry said Monday.

Experts say the country needs about \$12 billion to meet upcoming debt payments and cover imports. With the reassurance of an IMF pro-

gram in place, Pakistan can more easily tap other sources, such as bond markets.

Pakistan's foreign-exchange reserves were \$8.4 billion last week, according to the central bank, covering less than two months' worth of imports.

Before becoming prime minister, Mr. Khan, a nationalist who promised to make Pakistan stand on its own two feet, had said that he would "rather commit suicide" than go round the world begging for money. But Pakistan asked Saudi Arabia and the United Arab Emirates for an immediate cash injection on a trip there by Mr. Khan last month, Pakistani officials said.

Islamabad has also asked for cash from China. Beijing has provided some additional lending in recent weeks, according to Pakistani officials, on top of several billion dollars in short-term credit over the past couple of years. That has kept Pakistan afloat, but is separate from the billions more in project financing.

Mr. Khan as recently as Sunday said his government would first seek cash from allies, and only then consider whether to go to the IMF. Mr. Umar, the finance minister, has also said the IMF wasn't his preferred option.

But in a meeting Monday with economic advisers, it was made plain that there was

no alternative, officials said.

Pakistan said it was still seeking money from allies, so it may not ask the IMF to cover all of the shortfall.

An IMF program will lead to rising taxes, increased utility bills, higher interest rates, a cut in government expenditure, a further depreciation in the rupee and a slowdown in economic growth, experts said.

"Recent policy measures are steps in the right direction, but not yet sufficient," the IMF said last week, following a visit by its officials to Pakistan. "Decisive policy action and significant external financing will be needed to stabilize the economy."

Yet the fund's economic prescription runs at odds with many of the promises Mr. Khan made, including creating 10 million new jobs and building five million new homes. Mr. Umar said he hopes to protect the poorest from the impact of the IMF program.

"What is important is to stabilize the economy," said Hafeez Pasha, an economist and former finance minister. "We'll have to sacrifice growth for a couple of years and do the right structural reforms."

—Waqar Gilani contributed to this article.

◆ Emerging markets trying to limit pain B10

Trump Voices Concern for Missing Saudi Journalist

By REBECCA BALLHAUS

President Trump said he is concerned about the disappearance of a prominent Saudi journalist in Istanbul, the latest sign of the White House's frustration with a key Middle Eastern ally.

Jamal Khashoggi, a vocal government critic, was last seen entering the Saudi consulate in the Turkish city on Oct. 2. His fiancée, who first raised the alarm, said he never came out.

Turkish authorities concluded he was likely killed in the consulate, an allegation the Saudi government has strongly denied, dispatching its own team of investigators to assist the Turkish probe.

His disappearance is the latest diplomatic crisis to roil the kingdom, complicating efforts by the monarchy to promote the image of a new Saudi Arabia that is more open to the world and eager for foreign investment.

It also spells complications for the Trump administration, whose interest in developing close ties with Saudi Arabia was underscored by the president's decision to make it his first foreign visit in office.

"I don't like hearing about it," Mr. Trump said in Washington on Monday. "Hopefully that will sort itself out. Right now, nobody knows anything about it, but there's some pretty bad stories going around. I do not like it."



Demonstrators in front of the Saudi consulate in Istanbul held pictures of missing journalist Jamal Khashoggi on Monday.

Should Saudi authorities' involvement in Mr. Khashoggi's disappearance be confirmed, it would represent a dramatic escalation of the kingdom's crackdown on dissent, even as it has pushed through far-reaching social overhauls.

U.S. lawmakers, including Sens. Marco Rubio (R., Fla.), Tim Kaine (D., Va.) and Lindsey Graham (R., S.C.) have said the U.S. should respond strongly should the allegation be corroborated.

The once-strong support on Capitol Hill for Saudi Arabia has wavered in recent years, partly because of the war in Yemen.

Some State Department officials have urged Secretary of State Mike Pompeo to be more outspoken on the issue. Others argue that public criticism of Riyadh, a close U.S. ally, might backfire.

David Kaye, the United Nations' special rapporteur on freedom of opinion and expression, called for an independent international investigation into Mr. Khashoggi's disappearance.

"If all the resolutions in the UN about safety of journalists mean anything, they must mean, here, investigation and accountability," Mr. Kaye said in a tweet, adding that accountability meant prosecution and diplomatic consequences.

—Michael C. Bender contributed to this article.

U.S. and China Ties Grow Tense

Continued from Page One

served as the top State Department official on Asia during the Obama administration.

"The confrontational approach that the Trump administration has taken is far more likely to cause China to dig in than to give in," said Mr. Russel, who is now vice president of the Asia Society Policy Institute, a nonpartisan research center.

"It will reduce the likelihood that the Chinese will make common cause over North Korea policy," he said.

China and the U.S. have overlapping interests in maintaining peace in northeast Asia and in an agreement that would denuclearize the Korean Peninsula. But there have also been differences between the two sides about how to go about it.

China has long favored a more drawn-out and phased approach toward denuclearization than the Trump ad-

ministration, which has argued in favor of a speedy denuclearization that might even be accomplished by January 2021, which would mark the end of Mr. Trump's current term.

There are some aspects of the administration's policy that the Chinese welcome, such as the suspension of U.S. military exercises in South Korea. But the Chinese are also worried that the U.S. use a denuclearization accord to expand its influence into North Korea or that rapid change might destabilize Mr. Kim's regime.

Even before the tough exchange of words, the U.S. was complaining that the Chinese were not enforcing United Nations economic sanctions against Pyongyang with sufficient rigor.

Monday's frosty talks in Beijing came after South Korea's president said earlier in the day that he expected Mr. Kim to soon meet the Chinese and Russian leaders, as Pyongyang courts support from its traditional partners.

During the meeting, Mr. Wang said that Beijing and Washington needed a healthy and stable bilateral relationship to discuss sensitive matters like North Korea. His comments appeared to suggest

that the U.S. shouldn't take Beijing's cooperation on North Korea for granted.

Mr. Pompeo said he wanted to share details of his weekend visit to Pyongyang and to make sure that Beijing and Washington were working together to denuclearize the Korean Peninsula.

He added, however, that he regretted that China chose not to hold the diplomatic and security dialogue—a supposedly annual meeting between Chinese and U.S. diplomats and military officials that had been

due to take place in mid-October.

As reporters were ushered out of the room, Mr. Wang said it wasn't China's decision to cancel the dialogue.

In another sign of friction between the two sides, Mr. Pompeo didn't hold a joint news conference with Mr. Wang.

A senior State Department official asserted Mr. Wang's remarks didn't come as a surprise, and that North Korea was a "big part of the conversation."

Asked if the U.S. was still expecting Chinese cooperation in enforcing sanctions on North Korea, the official said:

"Sanctions remain an important part of the overall campaign to bring North Korea to the negotiating table."

But in July, the U.S. complained publicly that Chinese and Russian firms were continuing to help North Korea import oil in excess of U.N. stipulated caps.

Later, Chinese foreign ministry spokesman Lu Kang told a regular news briefing that he

didn't think tensions between Washington and Beijing would affect cooperation on North Korea.

Moon Jae-in, the South Korean president, said on Monday that he expected Mr. Kim to travel to Russia to meet President Vladimir Putin and for Mr. Xi to visit North Korea in the near future. Mr. Moon added that a summit between Mr. Kim and Japanese Prime Minister Shinzo Abe is also "open."

"A new order is being created on the Korean Peninsula," Mr. Moon told a cabinet meeting, according to a transcript provided by the presidential office.

North Korean state media has reported that a meeting among officials from China, Russia, and North Korea would be held. North Korean Vice Foreign Minister Choe Son Hui, who has participated in recent nuclear negotiations with the U.S., was in Beijing in recent days and was expected in Moscow to set up the meeting, North Korean media said.

Russia confirmed that plans were being made through diplomatic channels for Mr. Kim to visit Moscow.

—Andrew Jeong in Seoul and Ann M. Simmons in Moscow contributed to this article.



Secretary of State Mike Pompeo received a chilly reception from China's Foreign Minister Wang Yi.

ANDY WONG/POOL

WORLD NEWS

China's New Antigraft Body Asserts Power

By EVA DOU

BEIJING—The Chinese police official who led Interpol until his sudden disappearance and resignation from the international police organization is being investigated in China by a new, powerful antigraft agency.

Meng Hongwei has been handed over to China's National Supervisory Commission, the most high-profile case to reach the body since its creation seven months ago. The Public Security Ministry, where Mr. Meng also served as vice minister, said Monday that he is suspected of "bribe taking and alleged violations of law" without elaborating.

Mr. Meng's disappearance became public last week after his wife reported to authorities in France, where Interpol is based, that he had gone missing after returning to China. His role leading an international bureaucracy combined with his unknown whereabouts drew attention to China's tendency to detain people without charge in investigations—whether government officials, critics of the leadership or, recently, movie star Fan Bingbing.

"It shows no one is immune from enforced disappearance whether you are talking about the world's police chief or hu-



Meng Hongwei resigned as chief of international police organization Interpol after China detained him.

Arrest Spotlights Global Police Agency

Interpol, the 192-country umbrella organization of the world's police forces, helps members pursue wanted persons globally. For decades, it has assisted states in detaining thousands of suspects.

But human-rights advocates say authoritarian regimes, including China, Russia, Turkey and Uzbekistan, have used Interpol to target political adversaries. The organization was thrust into the news in recent days after Beijing detained Interpol's top official.

Interpol has no authority to make arrests or force extraditions. Through Interpol, mem-

bers send thousands of alerts a year of wanted persons, so-called red notices, which act as a request that other countries locate and provisionally arrest an individual. The organization also keeps databases of information vital to crime fighting.

Human-rights advocates, including members of the European Parliament, have advocated a review of the red-notice system "to avoid nondemocratic regimes using it to persecute political opponents abroad."

Interpol officials have denied abuse, saying the organization reviews every red-notice request to ensure compliance with its rules. Notices can be challenged through an independent body, the Commission for the Control of Interpol's Files.

—Daniel Michaels

man-rights lawyers," said Maya Wang, a researcher for Human Rights Watch.

While China said Mr. Meng was under investigation, questions remain about what he had done and why he is in the hands of the new state anti-graft commission.

Communist Party members suspected of wrongdoing, such as Mr. Meng, have typically been handled by the party's feared internal watchdog

agency, the Central Commission for Discipline Inspection. They are often detained in extreme secrecy, and then sometimes transferred to prosecutors.

Mr. Meng couldn't be reached to comment, and suspects typically aren't allowed access to a lawyer until formal charges have been filed.

The party's watchdog agency and the National Supervisory Commission haven't commented beyond a one-sen-

tence statement announcing Mr. Meng's investigation late Sunday.

The new commission, which was set up in March, is charged with stamping out graft broadly in the party, government agencies, state-owned enterprises and all other parts of the public sector.

It functions outside the judicial system and is able to detain and investigate people outside the Communist Party,

as well as party members.

Its first cases included a former Bank of China executive who was charged with embezzlement after being forced to return from the U.S.

"They've dug out a significant part of the judicial system and removed it to the executive branch," said Peter Dahlin, a human-rights campaigner who was detained by police in China on suspicion of endangering state security in

2016 and then expelled.

China Foreign Ministry spokesman Lu Kang said Monday that the commission's investigation showed Beijing's resolve to uphold rule of law.

President Xi Jinping has pressed a wide-ranging crackdown on corruption since taking office six years ago, trying to root out a source of public dissatisfaction with party rule and eliminate opposition to his authority.

Brazil Voters Buck Status Quo With Firebrand's Rise

By SAMANTHA PEARSON
AND LUCIANA MAGALHÃES

SÃO PAULO—For years Jair Bolsonaro was a bizarre sideshow in Brazilian politics—an outlandish ex-army captain who waxed nostalgic about the dictatorship he served and only got one bill enacted in nearly three decades as a congressman.

Now, the 63-year-old stands on the verge of winning Brazil's presidency, after taking 46% of Sunday's first-round vote in a crowded field, some 17 percentage points ahead of the second-place finisher and his rival in an Oct. 28 runoff, leftist Fernando Haddad.

The rise of the right-wing firebrand is the latest shock in global politics as voters turn against the status quo, starting in 2016 with the Brexit vote in the U.K. and Donald Trump's election in the U.S. It also likely shifts politics in the world's fourth-largest democracy sharply to the right.

The anger among voters in Latin America crosses party ideology. Voters in Mexico in July elected leftist nationalist Andrés Manuel López Obrador largely for the same reasons the right-wing Mr. Bolsonaro did well in Brazil: They are fed up with corruption and rising crime.

Political scientists point to Mr. Bolsonaro's first-round victory as the "coming out" of

Brazil's growing right-wing movement. Since the end of military rule in 1985, "conservative" has been a dirty word here, absent from the names of all Brazil's 35 political parties.

But a flurry of corruption allegations against the leftist Workers' Party, which ruled here from 2003 to 2016, and the recent implosion of the socialist regime in neighboring Venezuela have emboldened Brazil's right. So has a growing number of evangelical Christians.

"Brazilians are now openly expressing conservative views, on social media, at home, in their workplaces...it's an extraordinary change that has happened in a relatively short period of time," said Bruno Garschagen, one of a generation of new conservative authors filling bookshelves and blogs.

The revolt in Brazil didn't stop at the presidential palace. Mr. Bolsonaro's conservative PSL party won 52 seats in the lower house of Congress, transforming it into the second-biggest political party in Brazil's next government.

Meanwhile, the traditional titans of Brazilian politics that have largely ruled the country since it returned to democracy in 1985 suffered a string of humiliating defeats.

While the leftist Workers' Party managed to stay in the presidential race, it lost key

seats around the country and even failed to elect former President Dilma Rousseff as a senator. Brazil's other political behemoth, the centrist PSDB party, also suffered crushing defeats, with its presidential candidate Geraldo Alckmin getting just 4.8% of the vote.

"We will seal our victory in the second round, even with the whole system against us," said Mr. Bolsonaro, writing on Twitter from his home, where he is recovering after being stabbed last month by an opposition supporter.

Over the past five years,

Brazil has suffered its deepest recession in its history, along-

side a corruption scandal that implicated every major political party. That allowed Mr. Bolsonaro, who hasn't been caught in a corruption scandal in his long political career, to promote himself as the only option for change.

Yet Mr. Bolsonaro's rapid ascent came as a shock to Brazilian pollsters, analysts, columnists and many politicians themselves. Less than two weeks ago, pollster Datafolha put Mr. Bolsonaro's support at just 28%.

Many analysts here long argued that Mr. Bolsonaro could never win the presidency,

partly because of his deroga-

tory comments against gay people, women and minorities. But his antiestablishment stance appealed to voters.

"It was always ridiculous to think that Brazil, the Western democracy that has probably suffered most in recent years from recession, crime and scandal, was going to buck this global trend and elect an establishment figure," said Brian Winter, vice president for policy at New York-based Americas Society/Council of the Americas.

Many Brazilians who voted

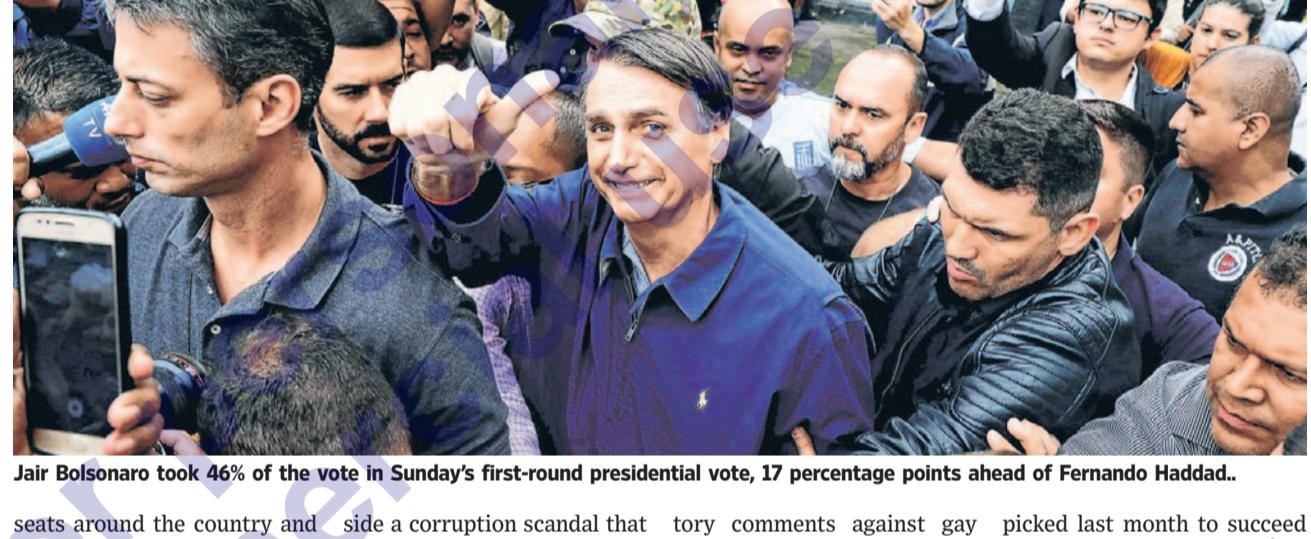
for Mr. Bolsonaro on Sunday said it was the only way to defeat Mr. Haddad, who was

picked last month to succeed former President Luiz Inácio Lula da Silva, the popular party founder who is in jail for corruption.

Many Brazilians were so disgusted with the choices that 40 million people refused to pick any candidate at all, either casting blank votes or abstaining, some flouting the country's compulsory voting rules.

Mr. Bolsonaro campaigned on nostalgia for the country's 21-year long military dictatorship that ended with the return to democracy in 1985.

—Jeffrey T. Lewis and Paulo Trevisani contributed to this article.



Jair Bolsonaro took 46% of the vote in Sunday's first-round presidential vote, 17 percentage points ahead of Fernando Haddad.

LEO CORREA/PLAAR OLIVARES/REUTERS

WORLD WATCH

BULGARIA

Hundreds Mourn Slain TV Journalist

Hundreds of mourners turned out for a vigil to honor a television journalist who was raped and killed in the Danube River town of Ruse after reporting on corruption in Bulgaria.

Authorities discovered the body of 30-year-old Viktoria Marinova on Saturday near the river in the northern Bulgarian town. Police said she had been strangled.

She was a director of TVN, a small television station in Ruse, and a TV presenter for two investigative programs. Her last program examined possible corruption involving European Union funds.

—Associated Press

EGYPT

Libyan Forces Detain Ex-Army Commander

Libyan forces captured a former Egyptian army commander wanted for a series of deadly attacks in Egypt, a boost for Cairo as it struggles to put down an Islamist insurgency.

Hisham Ashmawy, a former special-forces officer who defected to join Islamist insurgents, was detained in the eastern Libyan city of Derna.

He is believed to have joined



fine and that his driver's license was suspended for six months.

Col. Schnelle was succeeded by Lt. Col. Jeremy Brady for the remainder of the six-month rotation, due to end in weeks. Col. Schnelle commanded the largest Marine force since the U.S. announced in 2011 plans to rotate forces through northern Australia.

—Rob Taylor

MEXICO

Central Bank Head Stresses Discipline

Bank of Mexico Gov. Alejandro Díaz de León called on President-elect Andrés Manuel López Obrador to maintain fiscal discipline as part of a "shared responsibility" to ensure economic stability.

Coordination between the central bank and the government has been useful in meeting past challenges, Mr. Díaz de León said.

"We've stressed this in recent years, and it illustrates the importance of having solid macroeconomic foundations, and that involves monetary policy, fiscal policy, exchange-rate policy and stability in the financial system," he said. Mr. Díaz de León took over the helm of the central bank in December 2017, when his predecessor, Agustín Carstens, cut short his second term to head the Bank for International Settlements in Switzerland.

—Anthony Harrup

Mourners attended a vigil in Ruse, Bulgaria, on Monday in memory of journalist Viktoria Marinova, who was found strangled on Saturday.

DIMITAR DILKOFF/AGENCE FRANCE PRESSE/GETTY IMAGES

a local insurgency in Sinai following Egypt's 2011 uprising, allying with a group that has waged war on the Egyptian state for years. He broke with the group after it pledged allegiance to Islamic State in 2014, taking refuge in Libya and putting him out of reach of Egyptian authorities.

—Jared Malsin

AUSTRALIA

U.S. Marines Official Relieved of His Post

The head of U.S. Marines' forces in Australia was relieved of his command after being charged with drunken driving after leaving a nightclub.

Col. James Schnelle, commander of almost 1,600 Marines based in the strategic port city of Darwin, was stopped by police and given a breathalyzer test on the morning of Sept. 30, U.S. Marines' headquarters in Japan confirmed. Col. Schnelle declined to comment.

The northern city of Darwin has taken on a new importance for the U.S. It is 1,700 miles from the flashpoint South China Sea, providing a springboard for U.S. forces in the region.

Police said no conviction was recorded against Col. Schnelle but that he received a \$350

—Anthony Harrup

FROM PAGE ONE

Codes Let A Shipper Duck Tariff

Continued from Page One
with transhipment—the rerouting of goods through third countries—as a way to duck tariffs.

Data on misclassification are scarce. One indication it is growing can be seen in a surging number of U.S. Customs rulings on questionable export classifications originating from China. There were 146 rulings in July, nearly triple the number six months earlier.

U.S. Commerce Department investigations of possible dumping—selling abroad at below the cost of production at home—also are rising, up 60% last year.

"What comes along with dumping orders is often a significant increase in the duty rate, and anytime you have that, there is much more incentive to change classification," said Brenda Smith, executive assistant commissioner for U.S. Customs and Border Protection. The number of U.S. tariff orders has grown 38% in the past two years, on products ranging from rubber bands to aluminum sheets.

After President Trump in March ordered 25% levies on steel, Chinese steel plates were being imported coded as turbine parts, said Timothy Brightbill, a trade partner at law firm Wiley Rein LLP, which often works on misclassification and trade-remedy cases. In the first six months of 2018, imports of steel plates fell 11%, year-over-year, while imports of "electric-generating sets," a turbine classification, soared 121%.

Diamond saw blades imported from China are subject to 82% tariffs because of a past dumping ruling by the Commerce Department. In July, according to U.S. Customs, two California importers controlled by a Chinese manufacturer tried to dodge the tariff by coding diamond saw blades as grindstones.

The manufacturer, Danyang Like Tools Manufacturing Co., said it was independent of the California importers, Customs said, even though one of them told the agency Danyang was its owner. The California firms have disputed the charges. Danyang didn't respond to calls for comment.

Brokers in Penang

In the freight-heavy seas south of China, a belt of smaller nations has become the center of a lively trade supporting alleged Chinese tariff evasion.

Freight brokers abound in Penang, an island off Malaysia's west coast, nestled among metal-roofed shop-houses, high-rise offices and grimy industrial zones. One broker's phone number appeared on a redacted shipping invoice showcased online by a Chinese shipper as a successful example of its tariff evasion. The broker was situated in a small house near a church



Moving plywood at a southern China warehouse. Switching products' trade identification codes is a growing way to dodge tariffs, importers and customs officials say.

in a suburb of George Town, Penang's largest city.

In Malaysia, trade middlemen refer to tariff-dodging practices as "switching BL," meaning replacing shipping documents to disguise ports of origin, tariff codes or both. "BL" refers to the bill of lading, a cargo inventory provided by a carrier.

"I'm not going to say it doesn't happen," said Jalaluddin Harun, director-general of the Malaysian Timber Industry Board. "It may happen. But in Malaysia, that is one thing we try to regulate, and customs is quite sharp on this."

Malaysia would like to check all shipments but can't, said Paddy Halim, deputy director-general of the Royal Malaysian Customs Department. "You're not going to disturb the trade that way, no way. For a few guys, you stop 99% or even 95%? That's not how it works."

In China, exporters swap information about tariff codes on websites such as Yishanghuigu—"Friends Through Commerce"—an offshoot of the wholesale platform 1688.com owned by Alibaba Group Holding Ltd.

"We want to export a batch of plywood trays," wrote someone using the name Zhang Liang on a Yishanghuigu forum in January. "What's the tariff code for plywood that can make it avoid inspections?"

"Our company can help," replied another user, suggesting they get in touch. Neither user responded to requests for comment.

Misclassification of trade goods has a long pedigree. In 1879, trade attorneys say U.S. tariff collectors said an importer was coloring sugar with molasses to pass it off as a lower-tariff product.

Holes in the Wall

When products face U.S. tariffs, China exports more of similar products with no or low tariffs; in some cases, this reflects miscoding of the original product, say customs officials and trade attorneys.

Chinese exports to U.S. in first half of year

PLYWOOD

- Hardwood-faced plywood (183.4% tariff imposed Nov. 2017)
- Softwood-faced plywood (tariffs of 0% to 8%)

\$800 million



Source: U.S. Commerce Department

Which code to apply to a shipment is often a matter of discussion between a shipper and a U.S. import broker. Asian middlemen say they develop code workarounds with U.S. import brokers, who help

'Don't worry...we'll ship it under some other code,' a supplier told an importer.

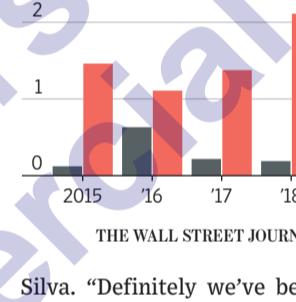
with the documentation and regulations.

Consultations with shippers about how to code products have tripled in recent months at Quicksilver Customs Brokers LLC in San Diego, said the import broker's owner, Alcides

BLADES AND GRINDSTONES

- Diamond saw blades (82% tariff imposed June 2015)
- Grindstones (0% tariff)

\$4 million



THE WALL STREET JOURNAL.

Silva. "Definitely we've been getting more misclassification inquiries," Mr. Silva said, adding that he doesn't cooperate with them.

"I've got a family to raise, so I'm not going to risk it if some Chinese shipper wants to bypass the rules," he said.

American officials estimate the U.S. loses at least \$550 million in customs revenue each year to tariff evasion. Customs says less than 5% of U.S. imports are physically opened for checks. And classification cases, when they develop, can be a minefield.

The U.S. coding system called HTS—for Harmonized Tariff Schedule—contains 88 separate plywood codes, differentiating by types of wood and thickness variations down to the millimeter.

An industry group called

the Decorative Hardwoods Association has long said Chinese plywood imports crowd out thousands of American jobs and put mills out of business. The U.S. Commerce Department opened a dumping investigation in November 2016 relating to the most common type of plywood, called hardwood-faced.

Almost immediately, Chinese producers began to ship plywood under four other codes, from 4412.39.10.00 through 4412.39.50.00, attorneys say. These codes apply to softwood-faced plywood, which is slightly different and drew low tariffs ranging from zero to 8%.

U.S. imports of Chinese hardwood-faced plywood fell 20% in 2017. Imports coded as softwood-faced plywood soared 549%.

In November 2017, the U.S. imposed a 183.4% antidumping tariff on hardwood-faced plywood. Chinese shipments under the four softwood-faced plywood codes rocketed higher. They were up 983% in the first half of 2018 from a year earlier.

The Chinese government forbids false customs declarations. "China is closely monitoring the U.S. probe on Chinese plywood, and hopes the American side can carry out its investigation fairly," the Chinese Ministry of Commerce said in an email. It didn't comment on misclassification but has generally responded to U.S. trade criticisms by accusing the U.S. of protectionism.

U.S. customs authorities say they haven't always received full cooperation from China. "The Chinese legal system and the ability to go after specific business entities in China are a challenge for us," said Ms. Smith, the official at U.S. Customs and Border Protection.

The trade lawyer Mr. Brightbill, who represents American plywood producers, said some Chinese exporters had taken to coding hardwood-faced plywood sheets as parts of ready-to-assemble kitchen cabinets. Imports of such cabinet parts rose 18% in the first six months in 2018, customs data show. The Commerce Department in September moved to subject such parts to its antidumping order and agreed to a probe of Chinese softwood-faced plywood.

Tariff-free plywood

Mr. Visse, the Oregon importer, says he received the call offering him tariff-free Chinese plywood as the U.S. was intensifying its tariff threats and U.S. producers were asking for an expansion of the kinds of Chinese plywood subject to anti-dumping tariffs.

Plywood was included in \$200 billion of Chinese products on which the Trump administration levied additional 10% tariffs effective in September. That move came on top of tariffs the administration imposed in June on \$50 billion of Chinese imports.

These weren't anti-dumping tariffs—the administration justified them based on a law allowing retaliation for alleged foreign discrimination against U.S. commerce.

Mr. Visse said he turned down the tariff-free-plywood offer, uncomfortable with the ethics of the proposition. His stance isn't necessarily shared by his competitors, he added.

"With this whole global trade war bubbling, I just don't think people understand how common it is to jerk with the system," Mr. Visse said. "It's quite the growing cottage industry."

Is Alexa Really Possessed?

Continued from Page One
out?

Ms. Mooradian eventually took the Echo Dot out of the drawer: "I let her sit in there a while, for a couple days, and then I was like, OK, that's enough and brought her back." She said there was no record of a command in the Alexa history, so what happened remains a mystery.

Amazon said it could offer tech support. Ms. Mooradian declined.

She has taken to leaving the device unplugged unless she's using it. "I'm just a little bit more cautious," she said.

Amazon's Echo and Alphabet Inc.'s Google Home products are only getting more popular. In the second quarter of 2018, 24% of U.S. homes had a smart speaker, up from 22% in the first quarter, according to Nielsen's MediaTech Trender Survey.

Wanda McDaniel, 63, received a Google Home Mini for



Kristen Harris, left, heard music on and off; Wanda McDaniel, right, with her daughter Erin Spinks.



ERIN SPINKS

Ms. Harris.

"I had to give her credit for it."

Wendy Crocker, 55, who lives near Bath in the U.K., initially didn't like the Google Home her husband bought because it wouldn't respond to her voice; she liked it less after waking up one night to voices downstairs.

"It was quite alarming," said Mrs. Crocker. "I pondered it a bit. Is this some intruder?" She decided people burgling a house wouldn't talk so loud, so she went to investigate. She found the lights and TV on.

Mrs. Crocker says she had turned everything off and was the last one to bed, so she blamed the Google Home.

"I thought, well, if it's going to have a mind of its own and do what it wants when it wants, I'm going to get rid of it," she said. Mrs. Crocker told her husband the next morning the device better behave.

A Google spokesman said Google Home can be accessed by other people on an account or Wi-Fi network, and smart-home products might be triggered by their own apps.

Alan Crocker, 55, an IT support manager, was unfazed. "Things happen with IT," he said. His wife, too, has moved on. "I'm kind of warming to it," she said. "It's becoming quite useful."

Christmas from her daughter. She used it without incident until August, when she was watching TV and the machine said it had set a 1 p.m. alarm—for "cocaine and reefers."

My thought was, somebody in the neighborhood is setting up a drug deal and for some reason this information is coming to my Google," said Mrs. McDaniel, who works as a cashier. "I was a little bit afraid."

McDaniel's husband, Calvin McDaniel, heard the same thing: "I jumped up. What's this, a dope deal?"

The family's Google Home ac-

tivity revealed a pastor on television had said, "They lose their love for cocaine and reefers" while speaking about spirituality and addiction. The words "They lose" may have sounded enough like the words "Hey Google" to wake the device up.

"In very rare instances, the Google Home may experience what we call a 'false accept.' This means that there was some noise or words in the background that our software interpreted to be the hotword ('OK Google' or 'Hey Google')," a Google spokesman said. "We work very hard to help to pre-

vent against this, and have a number of protections in place."

Neva and Rick Sprung of St. Louis were visiting family last winter when a man's voice suddenly came from the Echo speaker, spewing expletives.

"It was very strange but it was f—, f—, f—, f—," said Mrs. Sprung, 65. "There might have been some F-yous in there. It was just a straight effing rant."

Alexa's history showed the Echo heard instructions to "play another person." It chose a track called "Another Person," which indeed features the F-word multiple times.

The couple doesn't own a smart speaker. "We'll probably never get one," Mrs. Sprung said.

"The device detects the wake word by identifying acoustic patterns that match the wake word, and will only respond after it is detected," an Amazon spokesman said. "In rare cases, Echo devices will wake up due to a word in background conversation sounding like 'Alexa' or the chosen wake word."

Kristen Harris, 22, a student at Sam Houston State University in Huntsville, Texas, was in bed one night when she heard music from her bathroom, where she keeps her Google Home Mini.

"I get up and open the door and 'Chandelier' by Sia is just playing so loudly and I'm like, uh, I didn't tell you to do this, Google," she said. The music stopped, so Ms. Harris went back to bed. Ten minutes later, the song started again. She went into the bathroom, and the music stopped.

"This continues on for two more nights and I think I'm going crazy, or this thing is actually possessed," she said.

Ms. Harris relayed the issue to her roommate—who confessed to pranking her by controlling the music from her phone through the Wi-Fi network. "It was a good joke," said

GREATER NEW YORK

Young Lives Are Cut Short in Limo Crash

Among the 20 killed in upstate accident were an athlete, a caregiver and newlywed couples

By ZOLAN KANNO-YOUNGS

Some were newlyweds. One was a dodgeball athlete who competed in events at Madison Square Garden. Another was a caregiver devoted to helping the disabled.

They were among the victims whose promising lives were cut short in the horrifying limousine crash in upstate New York on Saturday.

In all 20 people were killed—18 in the vehicle and two pedestrians—in what was the most deadly U.S. transportation accident in nine years. The cause of the crash is still unknown, officials said.

Erin and Shane McGowan were among the 17 passengers in the 2001 Ford Excursion limousine, according to Valerie Abeling, Ms. McGowan's aunt.

The McGowans had only married in June, Ms. Abeling said. "They were just starting their life together," she said.

The limousine driver, iden-



Victims from left: Patrick Cushing and Amanda Halse; Amanda Rivenburg; and Erin and Shane McGowan in a Facebook photo.

tified by a law-enforcement official as Scott Lisiinicchia, also died in the crash.

The passengers in the limousine were on their way to Cooperstown, N.Y., to celebrate the 30th birthday of Amy Steenburg, who also got married in June. Ms. Steenburg, her husband, Axel Steenburg, and her three sisters died in the limousine.

"They're very loving and nurturing," said Rep. Paul Tonko, a Democrat, who attended the same church as Ms. Steenburg's relatives. "It's difficult to absorb all the impact that they're facing."

The limousine crashed in the town of Schoharie, outside of Albany. Gov. Andrew Cuomo said on Monday the limousine failed inspection in September,

and Mr. Lisiinicchia didn't have a required license. The state police and the National Transportation Safety Board are investigating the incident.

"They were doing the right thing, hiring a limo company to celebrate," Ms. Abeling said.

Another victim, Amanda Rivenburg, 29 years old, worked as the assistant director of day community at the

nonprofit Living Resources, where she helped the group's developmentally disabled clients live independently. Ms. Rivenburg had worked for the group since 2011 and was remembered as a tireless colleague.

"She was always very calm, very positive thinking," said her supervisor, Frank Prevratil. "If I were to think of things

she could do, she would always give it her time. It didn't matter how much workload she had."

Ms. Rivenburg worked with most of the organization's 2,000 clients and hosted annual presentations for them to celebrate their milestones, Mr. Prevratil said.

"If you can picture thousands of people, when she walked into a room they would stand up and give her a standing ovation," he said.

Victim Patrick Cushing, 31, was described by his family as an athlete who played dodgeball in tournaments in England and at Madison Square Garden in Manhattan. The Amsterdam, N.Y., resident worked in the state Senate's technology services unit in Albany.

"Patrick was a pure soul," his family said in a statement. "He loved his family, friends and his girlfriend in a completely unconditional manner. Patrick could walk into a crowded room and walk out later with three new friendships. Not acquaintances, friendships. A special soul in every way."

—Jimmy Vielkind contributed to this article.

Governor Has Hefty War Chest

By JIMMY VIELKIND

New York Gov. Andrew Cuomo holds a large cash lead over his challengers in the gubernatorial race, with a month to go before the election, according to officials and campaign-finance filings.

Mr. Cuomo, a Democrat seeking a third term, reported \$9.2 million on hand, according to campaign spokeswoman Abbey Collins. Dutchess County Executive Marc Molinaro, the Republican candidate, reported \$211,000 on hand. Mr. Molinaro has raised \$448,603 since July and spent \$1.1 million, including nearly \$550,000 to produce and air TV ads since July, a filing posted Monday showed.

Green Party candidate Howie Hawkins reported \$31,218 on hand. Libertarian Larry Sharpe reported \$24,423 and former Syracuse Mayor Stephanie Miner, the candidate of the Serve America Movement party, reported \$55,082, filings show.

Ms. Collins said the governor has spent \$2.6 million since Sept. 25. The governor's filing hasn't yet posted to the State Board of Elections website.

The cash disparity is smaller in the race for attorney general, where New York City Public Advocate Letitia James, a Democrat, reported \$383,768 on hand, and Keith Wofford, the Republican candidate, reported \$400,977.

In the contest to control the New York state Senate, Republicans continued to have a cash advantage over Democrats in their centralized campaign committees. The 31 Republicans control the 63-seat Senate through an alliance with Sen. Simcha Felder, a Democrat from Brooklyn.

The Senate Republican Campaign Committee reported \$2.31 million on hand.

Democratic Senate Campaign Committee Chairman Michael Gianaris said his committee had nearly \$900,000 on hand.

Danny Meyer Bets on E-Commerce Firm

By CHARLES PASSY

New York restaurateur and Shake Shack founder Danny Meyer is moving into the e-commerce business.

Enlightened Hospitality Investments LP, the \$220 million private-equity fund that Mr. Meyer helped start, has invested \$15 million in Goldbelly, a New York-based company that specializes in shipping favorite food items from restaurants, bakeries and other purveyors.

It is the largest initial investment that the fund has made to date, said Mr. Meyer, who is 60 years old. Other companies the fund has invested in include Resy Network, a restaurant-booking app, and the chains Joe Coffee and Salt & Straw Ice Cream.

Launched in 2013, Goldbelly (formerly called Goldbely) has offerings from more than 350 establishments across the country, including Los Angeles' Langer's Deli, Pittsburgh's Primanti Bros. and Baltimore's Faidley Seafood. Such New York institutions as Russ & Daughters and Magnolia Bakery also are part of the Goldbelly mix.

The investment from Enlightened Hospitality is part of a recently completed \$20 million funding round for the e-commerce company, according to Goldbelly founder and CEO Joe Ariel. Previously, Goldbelly raised \$13 million through two other rounds.

Mr. Ariel declined to provide the company's annual sales, but said it was in the tens of millions of dollars. He said sales have at least doubled every year to date, although he indicated the company isn't currently profitable because it is putting money into infrastructure that would enable its growth.

Mr. Meyer said he first became aware of Goldbelly when someone sent him a gift of Ted Drewes frozen custard from his hometown of St. Louis via the company. The online store tapped into an "an idea I always loved," he said. "Which is, how do you give people the taste memory and emotional memory for what they discovered somewhere else and



Goldbelly CEO Joe Ariel recently prepared food for an in-house taste test in New York City for the e-commerce food company.

make it easy for them to have it wherever they may be?"

Mr. Meyer also said he saw a synergy between Goldbelly and Union Square Hospitality Group, his New York-based restaurant company that runs the Enlightened Hospitality fund and is one of the fund's investors. He said Goldbelly would soon feature a selection of pies from USHG restaurants.

While there are dozens of companies that offer mail-order gourmet treats, just a handful specialize in shipping items from restaurants. Among those, Goldbelly has emerged as the clear front-runner, said USHG Chief Investment Officer Mark Leavitt, who cited it as another factor behind the investment decision. It is "really the only game in town," he said.

Aside from the cash infusion that his fund is providing, Mr. Meyer's name will give Goldbelly added cachet in the gourmet and e-commerce marketplace, said Stephen Zagor, an instructor and former dean at the Insti-



The New York monster sandwich is among Goldbelly's offerings.

tute of Culinary Education who teaches at the Columbia Business School. "He has a wonderful credibility," Mr. Zagor said.

At the same time, Mr. Zagor and others point to challenges that Goldbelly could face as it looks to grow. Chief among

them: The fact that the site's offerings aren't cheap, largely because of the packaging and rush-shipping costs involved.

In turn, that could make Goldbelly a tough sell for some consumers. For example, six potato knishes from Yonah

Schimmel's Knish Bakery, a famed Lower East Side shop in Manhattan, run \$79—or more than \$12 each. At the shop, the knishes sell for \$4.25 each.

Goldbelly works to lower shipping costs a variety of ways, Mr. Ariel said, adding that "as economies of scale kick in, the price can come down more." He also noted that the company's offerings aren't necessarily intended for the everyday customer. "This is not commodity food. This is premium," Mr. Ariel said.

At least one Goldbelly fan said he doesn't mind paying the high prices. Tony Bernheim, a San Diego resident, said he orders sandwiches through the site from a restaurant he frequented in New Jersey, where he once lived. Items ranging from Louisiana crawfish to Montana-made pies also are on his Goldbelly list. Mr. Bernheim considers Goldbelly a place for foodies that is run by foodies. "That feeling comes through on their site," he said.

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SHANNON STAPLETON/REUTERS

Italian and U.S. flags were on display at the Columbus Day Parade on Fifth Avenue in Manhattan.

Cuomo Moves to Protect Monument to Columbus

By KATIE HONAN

New York Gov. Andrew Cuomo said Monday that he will nominate the controversial statue of Christopher Columbus in Manhattan to the National Register of Historic Places to protect it.

The announcement came as the governor marched in the Columbus Day Parade, where hundreds of people lined Manhattan's Fifth Avenue, cheering and waving Italian flags.

Mr. Cuomo, who also added the statue to the state's register of historic places last month, said placing it on the national registry would signal its importance throughout New York. The registry recognizes historical sites around the U.S. and is run by the National Park Service.

Inclusion on the National Register would protect the Columbus statue from continued threats of removal, according to a Cuomo spokesman.

"The Columbus Monument is a powerful symbol of the Italian-American community and a testament to New York's role in assimilating immigrants from all over the world in our state," Mr. Cuomo said in a statement.

The 76-foot tall monument, which holds up the 12-foot-9-inch high marble Columbus statue, was erected in 1892 by Italian-Americans in New York City.

The monument, located in the middle of Columbus Circle, became the center of controversy last year after Mayor Bill de Blasio called for a commission to review whether to keep

displaying city statues of historical figures whose legacies have been challenged. He appointed the commission after some Southern cities discussed removing Confederate monuments.

The Columbus statue was included in the city's review after critics of the explorer raised questions about his treatment of Native Americans. Its inclusion in the review caused an uproar among Italian-Americans throughout New York City. Ultimately, the commission decided to keep the statue.

New York City officials are working to add historical markers to statues around the city that add more context. They are also working to create an Indigenous Peoples monument.

Despite Primary Defeat, Lawmaker Stays in Race

By KATIE HONAN

New York state Sen. Tony Avella, a former member of a now-defunct group of breakaway Democrats who lost to John Liu in his district's Democratic primary in September, announced Monday that he will still run for his seat in the general election.

The Queens senator said in a video that he will run as a candidate for the Independence Party and the Women's Equality Party.

Mr. Liu, a former New York City comptroller, beat Mr. Avella in the primary after announcing his own last-minute run. However, Mr. Avella said that he will have strong support in the Nov. 6 general election from voters who couldn't

vote in the primary.

"Although I was disappointed in the results of the Democratic primary, I have been astounded by the level of support I have received since

Mr. Avella now faces Democrat John Liu and Republican Vickie Paladino.

then from all aspects of our community," he said.

Mr. Avella was a member of the Independent Democratic Conference, a group formed in 2011 by Sen. Jeff Klein that aligned with Republicans to

gain control of the Senate. The conference disbanded in April, but a half-dozen progressive insurgents challenged former IDC members in September's primary. Mr. Avella was among six New York City incumbent senators who lost their primary elections, including five former IDC members.

A spokeswoman for Mr. Liu said he was ready to take on Mr. Avella again. "Democrats fired him on September 13th, and voters will fire him again on Nov. 6th," Heather Stewart, the spokeswoman, wrote in an emailed statement.

Vickie Paladino, the Republican candidate, said Mr. Avella didn't have a chance running as a third-party candidate.

"A vote for Avella is now a vote for Liu," Ms. Paladino said.

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NEW JERSEY

Scaled Down Bear Hunt is Under Way

The annual bear hunt in New Jersey began Monday but is expected to be greatly diminished following an order by the governor barring black bear hunting on state-owned lands.

Democratic Gov. Phil Murphy has said that New Jersey would pursue more nonlethal methods to manage the state's black bear population. His order removes from the hunt roughly 40% of the lands where bears were hunted during the past eight years.

—Associated Press

NEW YORK

Fallen Firefighters Honored at Memorial

The names of more than two dozen firefighters are being added to the New York State Fallen Firefighters Memorial in downtown Albany.

Of the 28 names being added in a ceremony Tuesday, 22 were members of the Fire Department of New York. Last year, officials began adding the names of FDNY members who died of illnesses after working in the rubble of the World Trade Center following the Sept. 11, 2001, terrorist attacks. State officials say out of the 22 FDNY members being added 19 worked at Ground Zero.

—Associated Press

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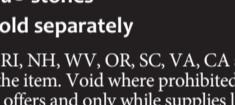
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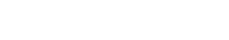
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—Associated Press

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—Associated Press

LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

An Uphill Fight Against Fake Medication

Tosh Ackerman took part of what he thought was a Xanax pill to help him sleep one night three years ago. His girlfriend found the 29-year-old dead the next day.

The Xanax he obtained from an acquaintance was counterfeit, says his mother, Carrie Luther, who lives in Mount Hermon, Calif. Toxicology reports found it contained a fatal dose of fentanyl, a synthetic opioid often produced illicitly for the black market.

"It looked like Xanax to the untrained eye," says Ms. Luther, who now regularly speaks about the dangers of counterfeit drugs.

The issue of counterfeit prescription medications like Xanax is a growing problem, attracting the attention of law enforcement organizations and pharmaceutical companies like Pfizer, which manufactures Xanax.

In June the U.S. Food and Drug Administration convened a meeting around the problem of illegal opioids sold online and through social media.

"Millennials and those younger rely heavily on social media," says Alex Khu, assistant director of the U.S. Immigration and Customs Enforcement's Global Trade Investigations division. "Criminal organizations recognize that trend and we're starting to see advertisements and sales of counterfeit or substandard prescription drugs on social media sites."

In a survey conducted last year by the Alliance for Safe Online Pharmacies (ASOP Global) 55% of U.S. consumers said they have or would consider purchasing medications online, notes Libby Baney, a senior adviser to the Washington, D.C.-based nonprofit.

At best, counterfeit medications aren't what they are supposed to be, like sugar pills. At worst, they're dangerous and even deadly, particularly when fentanyl is involved.

"The biggest danger is that these sites do not require a medical examination or a prescription, and the sites do not impose limitations on how much or how often the consumer purchases drugs," Mr. Khu says.

The National Association of Boards of Pharmacy reviewed nearly 12,000 internet drug outlets selling prescription medications to U.S. patients. Of these, about 95% were found noncompliant with state and federal laws and NABP standards, according to a report published in September, which highlighted the role social media sites play.

Pfizer manufactures Xanax, an antianxiety medication also known as alprazolam, but its patent has expired. That means the vast majority of the medication is made and sold by other companies and available in a generic form.



Clockwise from left: Joe Shymanski; Pfizer; David L. Ryan/The Boston Globe/Getty Images
Carrie Luther holds a picture of her son, Tosh Ackerman, who died after taking a fake Xanax pill with fentanyl in it. Fentanyl, a synthetic opioid often produced illicitly, is increasingly showing up in counterfeit medications in fatal doses.

Pfizer's global security team provides counterfeit-awareness training to law enforcement and customs agencies around the world, in addition to helping with investigations. Recently they spoke with a group of psychiatrists and separately, state attorneys general.

Over the past three years Pfizer has reported more than 10,000 Facebook accounts or profiles selling counterfeit Pfizer medications to the social media company, says Neil Campbell, director of strategic intelligence at Pfizer. They've referred more than 1,000 Instagram accounts selling counterfeit Pfizer products over the past six months to Facebook, Instagram's parent company.

A spokeswoman for Facebook says the company's regulated goods policy prohibits anyone from purchasing, selling or trading non-medical drugs, pharmaceutical drugs or marijuana.

"We have zero tolerance for any attempts to sell, trade or purchase any of those substances on Facebook or Instagram," she says. "We take a very comprehensive approach to this, because bad actors are constantly trying to change their tactics."

The company says it works hard to find and remove drug sales by blocking and filtering terms associated with them, and says it works quickly to shut down suspicious accounts that people report to them. It is also working on developing new technology to identify when someone is trying to sell drugs.

Lev Kubiak, vice president and deputy chief security officer at Pfizer, says in 2017 authorities from 49 countries seized more than 12 million counterfeit doses of Pfizer products.

More than 5,000 vendors were advertising Xanax for sale on the dark web—websites on an en-

Try to tell the difference



On the left is fake Xanax. On the right is the authentic prescription drug. Even when magnified, the rougher edges of the fake are hard to notice. Fakes vary widely, and can often go undetected without chemical analysis.



cripted network that can't be found through most search engines or browsers—without requiring a prescription.

Last year Pfizer global security conducted a pilot program with law enforcement and bought 138 Xanax samples on the dark web. They tested them and found only seven, or 5%, were authentic.

Products included pills that looked exactly like Xanax but were counterfeit, as well as gummies. A red version of the pill purported to be 2 milligrams actually contained 5.5 milligrams of the active ingredient.

Ms. Baney of ASOP Global says consumers face multiple risks from buying medications from an unverified source online. The drugs can have too much or too little of an active ingredient, be substandard or expired, or contain poisons and contaminants such as floor wax, mercury, boric acid, paint or antifreeze.

The ASOP Global survey also found that more than 80% of doctors don't talk to patients about where they get their drugs. If a patient tells her doctor her medication isn't working, a doctor unaware that she bought the drugs from a questionable source could mistakenly prescribe a higher dose or different product.

ASOP Global advises consumers buying prescription medications online to only buy from sites that end with ".pharmacy." These sites are verified and approved by the NABP. They also suggest checking URLs for websites through NABP or at the website LegitScript. And

they suggest avoiding websites that claim to sell products from Canada. Many have no connection to Canada.

Thomas Kubic, president and CEO of the Pharmaceutical Security Institute, a Virginia-based nonprofit, says there are roughly 15,000 to 17,000 annual cases of counterfeit drugs reported globally to his organization from its members, who include security directors from 33 pharmaceutical companies.

The number of new reported cases was 1,178 from 134 countries in 2017, up 7% from 2016, he says. Cases ranged from small quantities to millions of units.

The bulk of counterfeits appear to be found in China, India and the U.S., he says.

The latest and most dangerous ingredient authorities are finding in counterfeit medications is fentanyl, says Shabbir Safdar, executive director of Partnerships for Safe Medicines, a San Francisco-based nonprofit.

He says officials found counterfeit drugs made with fentanyl in 44 states and confirmed it to be a cause of death in 26 states.

Drug companies and law enforcement struggle to stop online sales of counterfeit pills.

"Right now you're seeing Xanax and opioids like oxycodone and hydrocodone made both overseas and domestically with fentanyl, which is super cheap and easy to get," Mr. Safdar says.

Oct. 27 will mark the third anniversary marking the death of Ms. Luther's son. She plans to get together with family and friends to celebrate his life.

"You don't have to be an addict to die from counterfeit medication," Ms. Luther says. "It's just rampant now and it's all about greed. There's no way to tell if what you're getting is the real thing unless you get it from your local brick and mortar store."

BOOKS

A WRITER FINDS HIS 'ROAD'

BY RICHARD TURNER

LOU BERNEY'S mother used to say he was conceived on the day John F. Kennedy was shot in Dallas, but he is wary of the claim. "It's plausible," says the writer, "though the math is a stretch, and my mother always did like a good story."

The death of the president resonated for his family, which lived 200 miles to the north in Oklahoma City. Every summer, when they went down to see the Texas Rangers play in Arlington, his dad would drive through Dealey Plaza and point out the sixth-floor window of the Texas School Book Depository building.

Today, the assassination provides the backdrop to Mr. Berney's new crime novel. "November Road" arrives Oct. 9 with glowing early reviews and extra support from publisher William Morrow.

It's welcome validation for Mr. Berney, whose lurching writing career didn't take off until his 50s. "November Road" follows his successful 2015 novel, "The Long and Faraway Gone," a tale of memory and murder in Oklahoma City, which won an Edgar award for best mystery.

His latest follows two strangers whose paths cross—a street-smart operator who works for a New Orleans mob boss, and an Oklahoma City mother fleeing her husband. For

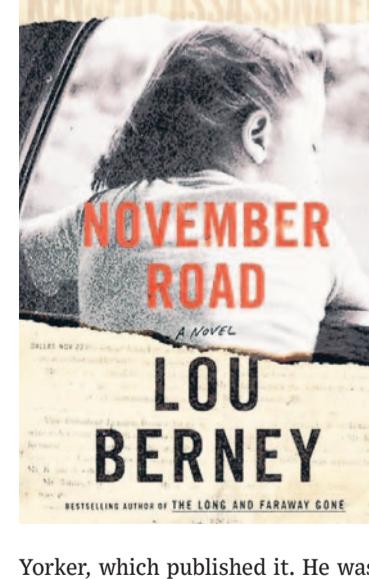
different reasons, Kennedy's assassination has set them both on the run.

The premise came from a small prairie town he'd heard about, a "cool-off" spot where soldiers for crime organizations went to lay low. Mr. Berney originally set his story in 1968: A brutal hit man goes to this out-of-the-way redoubt and falls for a local woman with two precocious daughters, a drunken husband and an epileptic dog. The character was inspired by his late mother, a secretary with talent and ambition who never broke through the barriers of the time.

Something wasn't firing early on, though. His new agent, Shane Salerno, suggested relocating to the days following Nov. 22, 1963. The presidential assassination itself wouldn't be the focus, but it would ignite the story and its aftermath would provide a backdrop: "a seismic change in our country that can be reflected in the characters who are forced into motion by this event," Mr. Berney says.

He doesn't romanticize the landscape. As a teenager, he couldn't wait to get out of Oklahoma City. "When I was 17, I kind of walked off the high school graduation stage and got in my car."

He went to Loyola University in New Orleans for college, then the University of Massachusetts Amherst for grad school. His career then took a too-heady turn. He sent a short story to the New



Yorker, which published it. He was 24. Celebrated New York editor Corlies "Cork" Smith signed him to a book contract for a collection of stories called "The Road to Bobby Joe," which came out before he finished his MFA. Well-reviewed by some, it was full of quirky twists and absurdist humor with stories like "Jesus in the 'D,'" about an image reflected in a woman's hairdo. "Please don't read it," he says. "If I had a story with a plotline it was accidental. I was trying to do too much."

He didn't see another book published for 19 years. The novels he

agonized over met only rejection letters. He gave up writing books and taught creative writing in San Francisco. "There's nothing worse than teaching people to write when you know you can't do it yourself," he says.

He and his wife Christine, whom he'd met in grad school, moved to Oklahoma City in 2001 to help care for his father who had Alzheimer's. It was then, comfortable back home but stressed out after a bleak winter as his dad's health declined, that he started a crime novel. "I decided to write something that would help me escape, the way a reader reads to escape," he says. Set in Las Vegas and Panama, "Gutshot Straight," about a poker-playing getaway driver named Shake Bouchon, was fol-



JFK's assassination is the backdrop to a novel by Lou Berney, here in Oklahoma.

lowed by a sequel, "Whiplash River." Tough and wisecracking, the books drew comparisons to Elmore Leonard and Carl Hiaasen, if not a huge audience. But they gave him incentive to reach further.

The warm reception for "The Long and Faraway Gone" encouraged him. It was more ambitious than his previous two books, although still grisly, gritty and funny, and he thought he'd found a balance between genre fiction and his earlier aspirations.

"It took me those two books to find out what kind of writer I am," he says. "I was never sure if I was a literary writer or a crime writer, and with 'Long and Faraway Gone' and this one, it's finally like I could do both. It just took me 30 years to find out."

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

A Team That Digs Deeper To Have Fun

Nebraska volleyball's co-captain tries to keep spirits up while focusing on an NCAA title

HOW DO YOU climb to the top of a crowded college sports landscape? Locker room dance parties and Ultimate Frisbee games are part of the winning formula for the University of Nebraska's women's volleyball team.

"In the off-season, building camaraderie is just as important as building strength," says Mikaela Foecke, a senior and co-captain. "Because you rely heavily on your teammates, it's important to get along on and off the court."

The Cornhuskers have more wins than any other NCAA Division I college program and five national championships. Ms. Foecke, 21, has been a dominant force on the team. She was twice named most outstanding player of the final four, including last fall, when she helped lead the Huskers to their second national crown in three years.

Ms. Foecke means business on

Laugh Together, Win Together

Mary Fry, director of the University of Kansas Sport and Exercise Psychology Lab in Lawrence, Kan., says Mikaela Foecke and her teammates are wise to make off-season activities fun.

Academic research backs it up, she says, adding, "When athletes are having fun, it follows that they try harder, enjoy social interactions with their teammates and have greater commitment to their sport." Exercisers who make their workouts more fun might have similar success. "Making physical activity fun is key to sustaining workout motivation over time," says Dr. Fry.

Upping the fun factor can be as simple as putting on music to lighten the mood, or for individuals, asking a friend to join, says Warrick Wood, a lecturer of sport psychology at Massey University in Auckland, New Zealand. Mr. Wood says by turning basic drills, particularly warm-ups, into some type of game, you get the added bonus of working on spatial awareness and communication.

"It's likely that games will use different muscles, so athletes also get a chance to rest the muscles they use all season while still getting a workout in," Dr. Fry says.

the court. When the team needs a score, her teammates jokingly say, "Feed the beast." That means getting the ball to Ms. Foecke, who is known for her kills—unturnable spikes or attacks that lead to a point. But she also values fun at practice.

With three to four freshmen in this season's starting rotation, it was crucial to use the off-season to bond. The team uses unconventional workouts as a way to tune up their skills and get to know each other. Games like Ultimate Frisbee and flag football, Ms. Foecke says, help improve team communication, while also working hand-eye coordination and cardio.

"Throwing a football spiral is actually quite similar to hitting a volleyball," she says. "Plus, it's more fun to throw to your teammates and it helps with our speed and reaction time."

Players also take a DiSC personality assessment test ahead of the season. They use the results to help improve team communication. "The test helps us understand how different players approach conflict or deal with stress and pressure," Ms. Foecke says. "If someone is having a rough day, you need to know how to handle it."

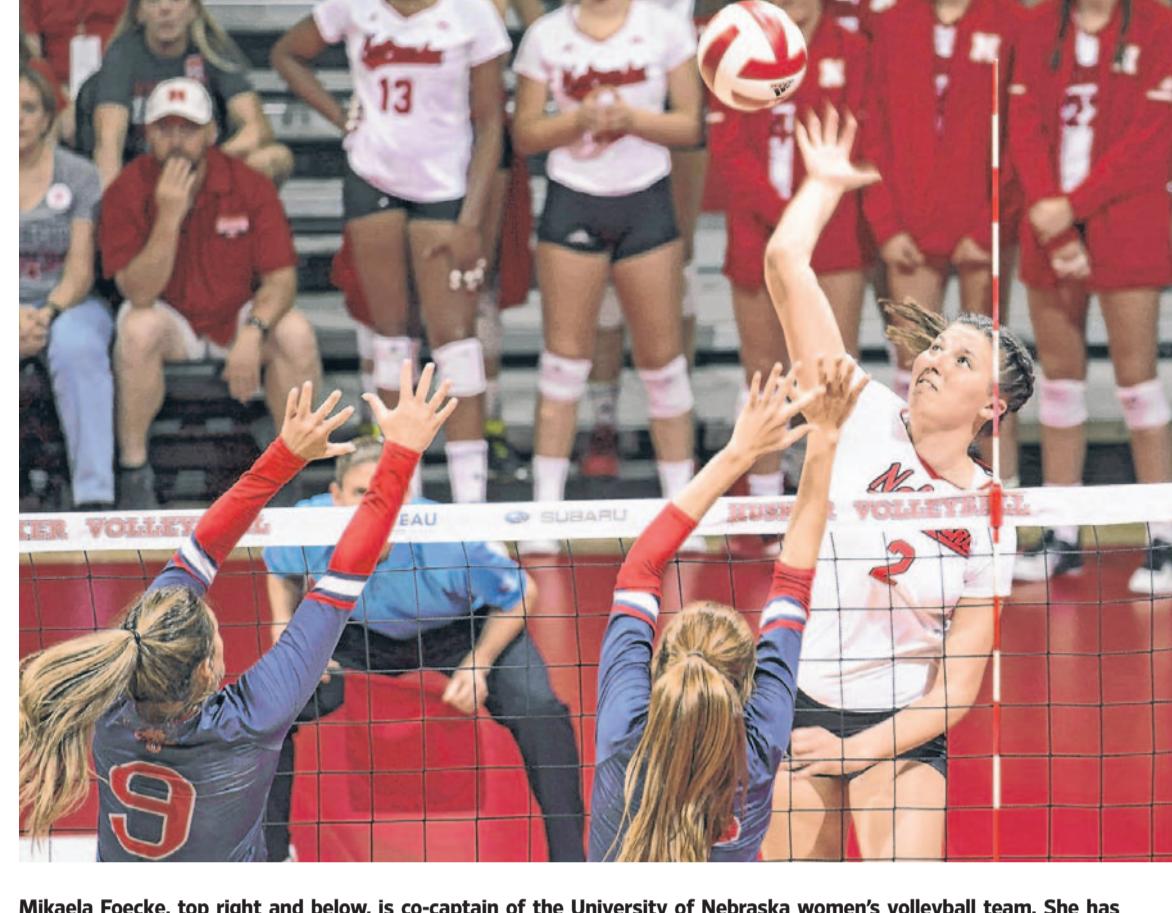
Ms. Foecke played middle blocker in high school in Fort Madison, Iowa, where she earned the 2014-15 Gatorade National Volleyball Player of the Year honors. She played outside blocker her first two seasons with the Huskers. Last year head coach John Cook asked her to become a six-rotation player, responsible for duties in both the front and back rows.

Few players have the versatility to attack, defend and pass, says Huskers strength coach Brian Kmitta: "Mikaela is that rare athlete who can do a little of everything really well."

Ms. Foecke, an animal science major, says she would like to play volleyball professionally after graduation, but first plans to attend veterinary school. The Huskers rank fifth nationally.

The Workout

Two mornings a week the team hits the weight room for an hour, focusing on the low back, quads, calves, glutes, shoulders and abs. Muscle-activation exercises help ensure the players use their core rather than their back when hitting



Mikaela Foecke, top right and below, is co-captain of the University of Nebraska women's volleyball team. She has helped the Cornhuskers win two national titles in the past three years.



the ball.

"There can be a lot of wear and tear on the body if you aren't engaging the right muscles," she says.

When she does crunches or holds plank pose, she focuses on firing her abdominal muscles. To activate her hamstrings and quads, she'll do deep walking lunges backward.

The team practices for three hours, five afternoons a week. Basic skills drills cover blocking, serving and hitting. Ms. Foecke says agility is especially key when playing the back row. Rather than just have them do wind sprints or ladder drills, Mr. Kmitta might ask the women to play tag or a game called rabbit and hound. "The rabbits can choose what cones to run to and in what order, and the hounds have to follow them," he says.

As the season progresses, practices focus on fundamentals and six-on-six scrimmages. Recovery is essential to stay injury-free.

When she does crunches or holds plank pose, she focuses on firing her abdominal muscles. To activate her hamstrings and quads, she'll do deep walking lunges backward.

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"A good, soft chocolate chip

cookie is my favorite splurge," she says.

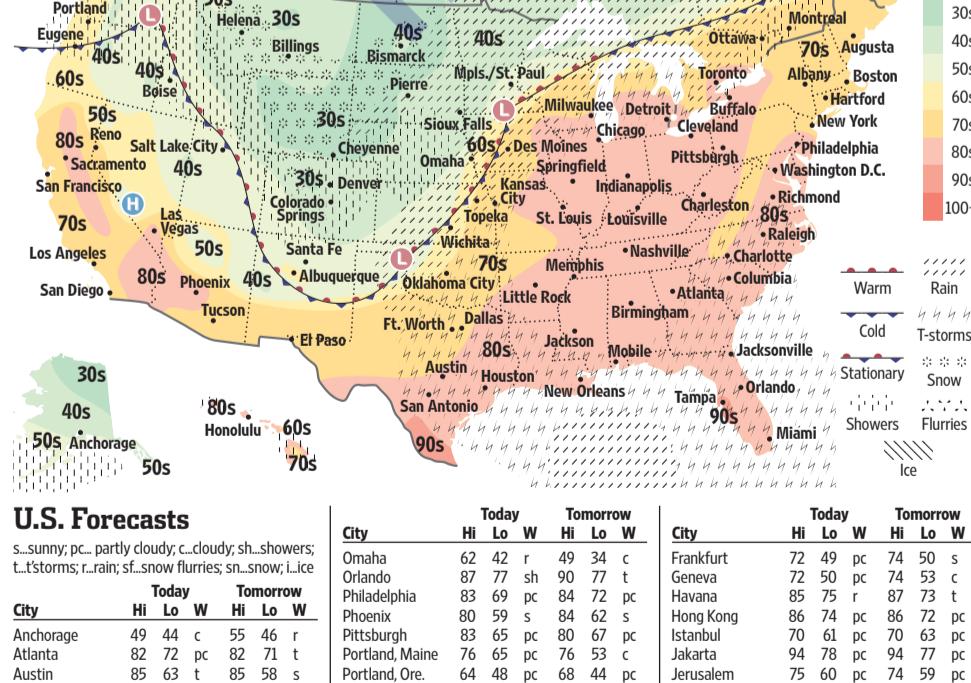
The Gear

"Knee pads and elbow guards are essential," Ms. Foecke says. Adidas is the official supplier of the Huskers athletics program. When it comes to apparel, she loves her Apple Watch. "I don't wear it when I play, because I'm afraid I'll crack the screen," she says. "But during workouts, it's super interesting to see my heart rate change and calories burned."

The Playlist

The team is known for its locker room dance parties. Favorite songs include "Party in the U.S.A." by Miley Cyrus and "Cupid Shuffle" by R&B singer Cupid.

Weather



U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

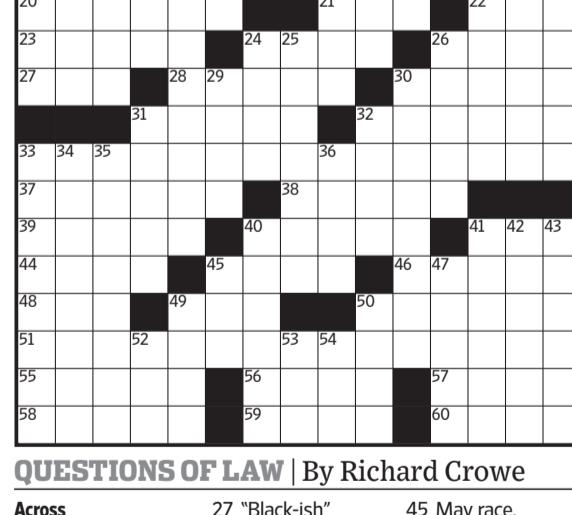
City	Hi	Lo	W	Hi	Lo	W
Anchorage	49	44	c	55	46	r
Atlanta	82	72	pc	82	71	t
Austin	85	63	t	85	58	s
Baltimore	83	69	pc	80	70	pc
Boise	53	40	sh	56	38	pc
Boston	78	69	pc	81	64	s
Burlington	79	66	pc	77	60	pc
Charlotte	81	71	c	79	71	t
Chicago	83	67	pc	72	42	r
Cleveland	85	68	pc	82	65	pc
Dallas	78	58	t	74	54	s
Denver	40	28	sh	45	30	sf
Detroit	83	65	pc	81	55	t
Honolulu	87	74	pc	85	74	pc
Houston	88	72	t	87	62	t
Indiansapolis	85	67	pc	79	49	t
Kansas City	75	47	r	55	35	c
Las Vegas	81	62	s	81	62	s
Little Rock	83	69	c	79	52	t
Los Angeles	76	58	pc	74	59	t
Miami	88	80	sh	89	79	t
Milwaukee	80	66	pc	71	40	sh
Minneapolis	55	45	r	50	34	sh
Nashville	86	71	pc	82	60	t
New Orleans	85	75	r	78	73	r
New York City	77	69	pc	80	71	pc
Oklahoma City	71	46	r	64	45	s

International

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Amsterdam	65	48	pc	72	53	s
Athens	75	62	s	73	62	s
Baghdad	102	73	pc	101	74	pc
Bangkok	93	78	pc	93	78	t
Beijing	62	38	s	65	40	pc
Berlin	66	47	pc	72	54	pc
Buenos Aires	71	47	pc	67	48	pc
Dubai	103	84	s	103	83	s
Dublin	64	53	c	66	55	s
Edinburgh	61	52	c	67	53	s

The WSJ Daily Crossword | Edited by Mike Shenk



QUESTIONS OF LAW | By Richard Crowe

- | | | |
|----------------------------|---|--|
| Across | 27 "Black-ish" father | 45 May race, familiarly |
| 1 Big commotions | 28 It's available in spools and picks | 46 Kidney-related |
| 5 Like bulls and bucks | 30 "Eureka" for California, e.g. | 48 Abby's twin sister |
| 9 Really enjoy | 14 Ticked off | 49 Get some exercise in the park |
| 15 TV's Trebek | 32 Epic poem divisions | 50 Compact Nissan |
| 16 Nonsense | 17 Apt description for a credit card thief? | 51 Apt defense for a heretic on trial? |
| 20 Kitchen emanations | 37 Genesis follower | 55 Listless feeling |
| 21 "Dig in!" | 38 University of Maine town | 56 Gorilla |
| 22 Reactor-monitoring org. | 39 Caught sight of | 57 Merry tune |
| 23 "Calm down!" | 40 Remove from a drive | 58 Where many countdowns start |
| 24 Shaker sprinkle | 41 Roguish rascal | 59 Practical eternity |
| 26 Raise | 44 Get-up | 60 Suit to ___ |

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

- | | |
|---|--|
| Down | 30 Written in an affected way |
| 1 Home of Odin and Thor | 31 Gives up |
| 2 More ill-humored | 32 Biz bigwigs |
| 3 Camden Yards player | 33 Sign on the interstate |
| 4 Alabama city famous in civil rights history | 34 What a logarithm is, essentially |
| 5 Giants great Willie | 35 Touching |
| 6 In the style of | 36 Come apart at the seams |
| 7 French article | 40 Book |
| 8 Shines | 41 Feel in one's bones |
| 9 "Now, nurse!" | 42 Flooring with veins |
| 10 JFK column | 43 It flows into the Missouri south of Omaha |
| 11 Short sketch | 45 It can be + or - in chemistry |
| 12 + or -, in math | 47 ___ Gay (famed bomber) |
| 13 Three-time winner of the Nobel Peace Prize | 49 Connect |
| 14 Claiming Fido as a dependent, e.g. | 50 D.C. VIPs |
| 15 One might be tipped | 52 Boy in a Johnny Cash song |
| 16 Just adequate | 53 Scary shout |
| 17 Simpson's musical partner | 54 Oklahoma Sooners basketball coach Kruger |
| 18 Permit | 55 Marvin's Alab. |
| 19 Cited | 56 Akira Naka |
| 20 Steal | 57 Oohed |
| 21 Oil | 58 Hinged |
| 22 Line | 59 Limbo |
| 23 Star | 60 Incurred |
| 24 Star | 61 Cited |
| 25 Star | 62 Deets |
| 26 Star | 63 Soney |



LIFE & ARTS

BY PETER COWIE

FIFTY YEARS AGO this month, "Bullitt" opened in the U.S. and became one of the most financially successful thrillers of all time, costing a mere \$5.5 million and reaping a gross of \$42.3 million—more than \$300 million today—at the domestic box office. This story of a San Francisco detective on the trail of ruthless hit men marked the apotheosis of Steve McQueen as an action star. In celebration of the anniversary, "Bullitt" is running in selected theaters across the U.S. today.

Still relishing his one and only Oscar nomination, for his role in "The Sand Pebbles," and just four months after appearing in "The Thomas Crown Affair," McQueen enjoyed a position of immense power. His company, Solar Productions, controlled "Bullitt" from start to finish, despite the film's being financed by Warner Brothers/Seven Arts. McQueen himself selected British director Peter Yates, given his skill at staging the car chase in "Robbery" the previous year. And it was McQueen who spent interminable preparatory sessions at a track north of San Francisco, racing alongside and against Bill Hickman, a brilliant stunt driver whose Magnum Dodge Charger 440 sought to outrun police lieutenant Frank Bullitt's Ford Mustang 390 GT in the now legendary pursuit through San Francisco. The 10-minute sequence took three weeks to record, with eight cameras involved (one operated by director Yates, hidden inside McQueen's Mustang).

What distinguished McQueen from other action stars before and since? His idol was Humphrey Bogart, but such major stars traditionally were forbidden from performing risky stunts. McQueen, however, almost relished putting himself in harm's way. Warners was appalled by the prospect of a live car chase in heavily populated San Francisco and by the scene when McQueen's detective throws himself beneath the wheels of a taxiing Boeing 747 at San Francisco International Airport. Only Jackie Chan and, more recently, Tom Cruise have inherited this flair and sangfroid.

His contemporary Clint Eastwood (both born in 1930) was as

CULTURAL COMMENTARY

High-Octane Cool

'Bullitt,' now 50, marked the height of Steve McQueen's action stardom



SILVER SCREEN COLLECTION/GETTY IMAGES

The film, directed by Peter Yates, still has wheels, thanks to its star's charisma and the snarling vigor of its car chase.

laconic as McQueen, without exuding quite the same charismatic appeal to young and old alike. Then came the generation of Arnold Schwarzenegger and Sylvester Stallone, each trumpeting the sex appeal of a muscular physique. Today actors like Tom Hardy and Dwayne Johnson seek to fill the

shoes of a McQueen, who had suffered a brutal death from cancer at just 50 years of age.

You always felt that McQueen was the real deal, a rebel of flesh and blood with the carefree courage of an auto racer and the rumpled tenderness of a loner who had survived reform school and

run away to join the merchant navy. "I'm not an actor, I'm a reactor," he told Yates during the filming of "Bullitt," and yet his early training at the Actors Studio nurtured some of his most beguiling traits—the defiant gaze that could change in an instant to a clown's split grin, or his habit of looking

down as he listens and then raising his blue-eyed glare like a searchlight to quell even such a suave adversary as Edward G. Robinson in "The Cincinnati Kid."

McQueen's talent as a driver onscreen also set him apart from all save perhaps the older Paul Newman. McQueen could outrun the Nazis on a motorcycle in "The Great Escape," and he could drive a Porsche 911 alongside Jacky Ickx and Jo Siffert for the 24-hour race in "Le Mans." He could ride a horse with aplomb and draw a six-gun as fast as any cowboy star (notably in "Nevada Smith" and "The Magnificent Seven").

"Bullitt" was made in 1968, yet far from Vietnam and even from the spirit of nearby Haight-Ashbury. It may seem no more than an above-average gangster movie, but its iconic status continues to resonate today due in part to the snarling vigor of that car chase and in even larger measure to the abiding sense of a Steve McQueen at the top of his game, committed to adding a razor-sharp realism to every sequence. The action features numerous city landmarks, from San Francisco General Hospital to Grace Cathedral and the Mark Hopkins Hotel. "Bullitt" remains a benchmark in the crime-movie genre, and influenced such future classics as "The French Connection," "Heat," and especially the Jason Bourne franchise.

In "Bullitt" McQueen found himself on the side of justice for once, but not quite of the law, refusing to kowtow to ruthless superiors like Robert Vaughn's district attorney. He remained, until the very end of his career, the outsider, as exemplified by "Junior Bonner," "Tom Horn" and "The Hunter." He appeared casual, even shy, but never self-effacing; and when the chips were, literally, down in a film like "The Cincinnati Kid," McQueen's nerve never faltered. He lived, like the characters he often played, with a ferocious desire for liberty that no other action star could match and to which even today's Bond, Daniel Craig, can only aspire. And in "Bullitt" he was the quintessence of cool.

Mr. Cowie has written numerous books on filmmakers, including Orson Welles, Ingmar Bergman, Akira Kurosawa and Francis Ford Coppola.

FILM REVIEW | By Joe Morgenstern

A COUPLE IN CREATIVE CRISIS

AT ONE POINT in "Private Life" the soundtrack is graced by a Billie Holiday classic, "Getting Some Fun Out of Life." Seldom has a song been used to more ironic effect. The middle-aged wife and husband at the center of the story aren't having any fun at all. This difficult, formidably tough-minded black comedy by Tamara Jenkins is autobiographical, at least in its clinical details; you might guess as much early on from the intensity of the pain. It's about trying to conceive through in vitro fertilization, while pursuing adoption as a fallback. The euphemism for the medical process is assisted reproduction, though that hardly hints at what the couple must endure. They find themselves trapped in a high-tech hell on earth until an unexpected source of life enters the picture.

The stars are Kathryn Hahn and Paul Giamatti. She is Rachel, a writer; he is Richard, a director of minor-league theater. Like many professionals of their gener-

ation, they've postponed having children for the sake of their careers. Now, in their 40s, they've been hit with a double whammy—infertility that promises to be unyielding, at least in the normal course of events, and careers that have failed to thrive.

In other words, two people pursuing what may be a fantasy, and an expensive one, with ever more obsessive fervor. In Rachel the filmmaker has written—and directed—what seems to be an unsparing version of herself. Ms. Hahn is an exceptional comedian, yet there's only so much she can do to soften the edges of her stridently neurotic character. In Richard Ms. Jenkins has created a role that fits Mr. Giamatti, who has always been great at comic gloom, like a glove that should have been one size larger. Richard, along with the movie as a whole, suffers from a surfeit of gloom until the plot takes its surprising turn and the tone, which has wavered between grimly and glibly funny, lightens quite delight-

fully under the influence of a young woman named Sadie, who is played by an endearing young actress named Kayli Carter.

Sadie is Richard's step-niece. Having dropped out of college, she comes to crash in his and Rachel's apartment. She may temporarily be adrift, but she's vital and sweet and spontaneous. (The sound track comments on Sadie with the Steve Miller Band song "Quicksilver Girl," which isn't meant for a moment to be ironic.) No need to get clinical about the plot turn, which seems at once intriguing and contrived. What Sadie brings most importantly to "Private Life" is the lovely, sometimes loopy and always infectious joy she takes in living. She's a bright, welcome presence in a film that can be startlingly dark, even polemic, and she represents another side of Ms. Jenkins, whose previous films, "Slums of Beverly Hills" and "The Savages," were overflowing with life. Sadie embodies hope, which, needing no assistance, emerges of its own accord.

NETFLIX
Kayli Carter, Kathryn Hahn and Paul Giamatti in Tamara Jenkins's 'Private Life'

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SPORTS

NBA

Stephen Curry Wants to Be a Better Shooter

The Warriors star is the most efficient scorer in history. He's convinced that he can improve.

BY BEN COHEN

Oakland, Calif.

THERE IS AT LEAST one person on this planet who thinks Stephen Curry can improve his shooting. His name happens to be Stephen Curry.

"I might be delusional," he said, "but I feel like I can get better at putting the ball in the basket."

Stephen Curry is pretty good at putting the ball in the basket. To be more specific, he is the single best shooter ever to play basketball, someone whose shooting ability birthed an NBA dynasty and changed a sport forever. But it's not impossible for him to become a better shooter. In fact he's done it before.

One of the many records that Curry established in his magical 2016 season was the highest true-shooting percentage of all time. And then he shattered it last year.

Now the most efficient scorer in the history of the sport is trying to be more efficient.

He was the back-to-back NBA most valuable player, the engine of a team that has won three of the last four titles, the guy with such a compelling game that for a brief period of time it wasn't entirely blasphemous to believe he was superior to LeBron James.

The problem is that the arc of a player's career follows the same

parabola as Curry's shots. He's now 30 years old and entering his 10th season in the NBA, and everything we know about the aging curve suggests he's already peaked.

But what if he's not delusional? And what if he really is still getting better?

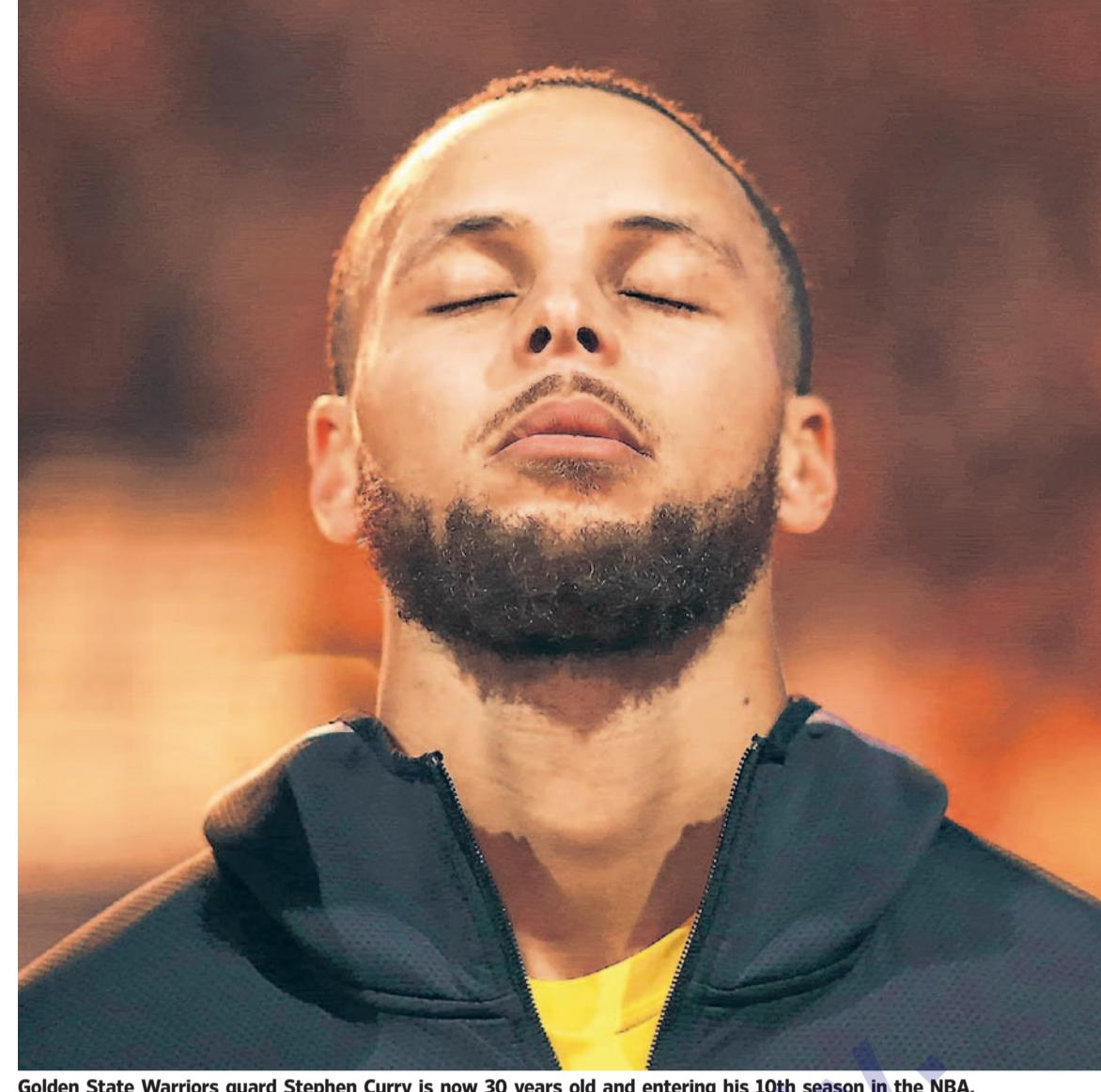
That's a fantastical notion for anyone who remembers 2016. When asked last year if Curry was peaking, Draymond Green scrunched his face and might as well have rolled his eyes into the San Francisco Bay. "I've seen him do way more," he said. "Peaking? That's just ridiculous."

Except maybe it's not. Brandon Payne, his trusted personal trainer, also believes it's ridiculous to believe Curry has peaked.

"He's not even close," Payne said. "That talk for him is very, very premature. It's not even in our thought process."

The thought they are processing is enough to make other NBA teams whimper. "Everything that I do great right now," Curry said, "I want to do even better." After one recent Warriors practice, he rattled off skills that he can upgrade like they were groceries for dinner that night: his shooting, his passing, his overall decision-making.

"As I get older," Curry said, "the more efficient you can be with how you get your shots, how you create space, knowing where to be defensively, you prolong your career at



EZRA SHAW/GETTY IMAGES

Golden State Warriors guard Stephen Curry is now 30 years old and entering his 10th season in the NBA.

your peak."

He added: "If I'm not at my peak, I'm right there in terms of how much better I can get, and I want to stay there."

The idea of flattening a peak into a plateau is becoming popular as modern technology, scientific advances and insights from bigger and better data make it possible for today's athletes like Tom Brady in football, Roger Federer in tennis and Diana Taurasi in the WNBA to stretch their careers.

But no one is resisting his age

as defiantly as LeBron James. He's no longer the sheer force of nature that he was five years ago, but he may be a better overall player. He's more efficient.

Curry's peak was basketball's Mount Everest. He didn't break the existing records for 3-pointers so much as he smashed them to bits. He took 31% more threes than anyone before him in 2016, more threes by himself than entire teams had taken in recent memory, and he still managed to make enough of those low-percentage shots that he was the NBA leader in volume *and* efficiency.

Curry's true-shooting percentage, a statistic that weighs free throws, field goals and 3-pointers to calculate scoring efficiency, is one of the metrics that illuminates his unlikely improvement. His performance in 2016 was peerless:

There are thousands of scorers who have averaged 20 points in an NBA season, and Curry's true shooting of 66.9% ranked No. 1. At least until last year. That's when Curry's true shooting was 67.5%.

But the more amazing thing about his most recent shredding of the record books is that it went mostly overlooked. His team was about as exciting as porridge. Curry missed a huge chunk of the season with injuries, and even when he was on the court, he didn't score in very Curry ways. His numbers around the basket and behind the 3-point line were phenomenal for anyone else and pedestrian for him.

The only way he could increase his efficiency was to quietly tweak his style of play.

Curry is especially devastating off screens, for example, and now he's scoring like that more often. His share of isolation plays dropped over the past four years, and his proportion of plays off screens doubled.

The latest evolution in his game is how often Curry is guaranteeing himself open shots. They are otherwise known as free throws. Foul shots are less flashy but no less effective than layups and threes. There was an obvious incentive for Curry to shoot more of them. And so he did. Before last season, he took only 25% as many foul shots as field-goal attempts. Last year, it spiked to 35%.

That may not sound like much, but for a player who can only make tiny improvements on the margins, it was enormous. Curry trained for three hours a day and six days a week this summer. He began his workouts in a virtual-reality headset to sharpen his peripheral awareness. He proceeded to elaborate breathing exercises that stabilized his core muscles. When he finally bothered reaching for a basketball, Curry made between 600 and 700 shots in every session, Payne said. On heavy shooting days, he counted more than 1,000 makes.

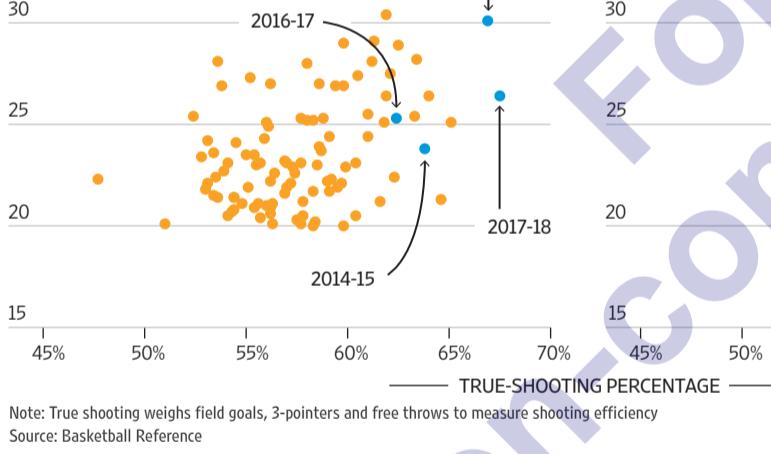
The whole point of his quest for peak efficiency, Curry explained, is to reach the next phase of a career that has already been revolutionary. "Where you really have total control of your game," he said. "You understand everything, how it's going to happen, one step ahead."

Improving on the Best

Stephen Curry's shooting efficiency stands out among players in the last four NBA seasons who averaged more than 20 points...

Curry vs. contemporaries

35 points



Note: True shooting weighs field goals, 3-pointers and free throws to measure shooting efficiency

Source: Basketball Reference

...and he's still an outlier in terms of true-shooting percentage compared to every player in NBA history who averaged 25 points.

Curry vs. all-time greats

35 points



THE WALL STREET JOURNAL.

WHEN THE BEST RELIEF PITCHER IS A STARTER

BY BRIAN COSTA

THREE DAYS BEFORE his scheduled start against the Yankees, Rick Porcello walked out to the Red Sox bullpen and took a seat. His presence evoked one of the unique aspects of a winner-take-all postseason game: a starting pitcher on standby to enter in relief.

Except this wasn't a Game 7, a Game 5 or even a Game 2. It was Friday night, moments before the opening game of the American League Division Series and a couple of hours before Porcello—to his surprise and most everyone else's—would be summoned to pitch.

"What am I going to say, 'No'?" Porcello said.

The strategic mindset previously reserved for teams facing elimination—win one game at any cost—has become the prevailing managerial tact for just about every postseason game. And nowhere is it more evident than in the casual use of starting pitchers as relievers.

In the 2017 playoffs, 12 pitchers appeared as both starters and relievers, a record high. Five of them came out of the bullpen in non-elimination games—which theoretically can be treated with less urgency—tied for the most since 1923. The tactic helped the Houston Astros win the World Series.

This year, managers are laying



The Red Sox used starter Rick Porcello in relief during Game 1 of the ALDS.

further waste to the idea that starters should be preserved for, you know, starts. On Sunday night, the Braves used starter Kevin Gausman as a reliever, no matter that he was in position to start Game 4 against the Dodgers.

Red Sox manager Alex Cora used

Porcello to get two outs in Boston's Game 1 win and said he was open to using him in Game 2 before the Yankees pulled away and won, 6-2. As a result, Porcello's start has been pushed back from Game 3 to Game 4 on Tuesday.

"It's a short series," Cora said.

"Whenever you have a chance to win a ballgame, you're all in, and you use all your weapons. After that, we'll make adjustments."

Managers have historically reserved that degree of short-termism for elimination games, for the simple reason that it requires more than one win to prevail in a series. To use a starting pitcher in an unfamiliar role and, in doing so, disrupt his routine and diminish his freshness for his actual start didn't seem to make much sense.

But a broader shift away from set pitching roles has led to an unwillingness to use an inferior reliever simply because a situation appears to call for one. Though managers rarely plan to use their starters in relief, they are increasingly quick to abandon those plans on the fly. The consequences for the rest of the series have become an afterthought.

"When they get ahead, they will do anything to win that game," said TBS analyst Ron Darling, a former major-league pitcher who is calling the Yankees-Red Sox series. "Whereas it used to be, 'OK, this is how it's scripted: we're ahead by two, we're going to pitch this guy in the seventh, this guy in the eighth, this guy in the ninth.' I think they are open-minded to Plan C right away."

Leaning more heavily on starters would appear contrary to the

growing importance of relievers in October. But the shift toward pulling starters from games earlier and using bullpens more aggressively than ever is dependent on having effective relievers.

For teams lacking in that department, effective starters have become the best relievers. The 2017 Astros used postseason relief appearances from starters Justin Verlander, Lance McCullers and Charlie Morton to mask a vulnerable bullpen.

Cora was the bench coach on that team. While he has a better closer at his disposal this year in Craig Kimbrel, his middle relief options are similarly suspect. He used Porcello in Game 1 only after two relievers, Ryan Brasier and Brandon Workman, each left with more walks and hits allowed than outs recorded.

"One thing I learned last year: to win a World Series is going to take 25, 27 guys to do it, regardless of their roles," Cora said. "In a perfect world the starter goes six. You have the seventh inning guy, eighth inning and ninth inning and you move on." But, he added, "To get 27 outs at this stage right now is very difficult."

Porcello said he is ready to pitch whenever he gets the call. "You don't ask any questions. You just do it," Porcello said. "It doesn't matter this time of year. You just pitch until your arm falls off."

OPINION

Mike Pence Announces Cold War II



Did Cold War II break out last week while no one was watching?

As the Kavanaugh confirmation battle raged, many Americans missed what looks like the biggest shift in U.S.-China relations since Henry Kissinger's 1971 visit to Beijing.

The Trump administration's China policy swam into view, and it's a humdinger. Vice President Mike Pence gave a guide to the approach in a speech last week at the Hudson Institute (where I am a fellow). Denouncing what he called China's "whole of government" approach to its rivalry with the U.S., Mr. Pence vowed the Trump administration will respond in kind. He denounced China's suppression of the Tibetans and Uighurs, its "Made in China 2025" plan for tech dominance, and its "debt diplomacy" through the Belt and Road initiative. The speech sounded like something Ronald Reagan could have delivered against the Soviet Union: Mr. Xi, tear down this wall! Mr. Pence also detailed an integrated, cross-government strategy to counter what the administration considers Chinese military, economic, political and ideological aggression.

In the same week as the vice president's speech, Navy plans for greatly intensified

patrols in and around Chinese-claimed waters in the South China Sea were leaked to the press. Moreover, the recently-entered trilateral U.S.-Mexico-Canada trade agreement was revealed to have a clause discouraging trade agreements between member countries and China. The administration indicated it would seek similar clauses in other trade agreements. Also last week, Congress approved the Build Act, a \$60 billion development-financing program designed to counter China's Belt and Road strategy in Africa and Asia. Finally, the White House issued a report highlighting the danger that foreign-based supply chains pose to U.S. military capabilities in the event they are cut off during a conflict.

Any one of these steps would have rated banner headlines in normal times; in the Age of Trump, all of them together barely registered. But this is a major shift in American foreign policy. As China responds, and as other countries formulate their approaches to the emerging U.S.-China rivalry, a new international reality will take shape. With many longtime U.S. allies opposed to the Trump administration on trade policy and other matters, and with Russia, North Korea and Iran all looking to frustrate U.S. goals, an indignant China looking for opportunities to make Washington pay may find help.

American businesses engaged directly or indirectly

with China could face difficulties as the U.S. strategy is implemented. American presidents have broad authority over trade and investment related to national security. Donald Trump has already used this to threaten and impose tariffs and Mr. Pence warned that even higher tariffs are on

The administration is orchestrating a far-reaching campaign against China.

the way. The White House report highlighting supply-chain vulnerabilities could provide the basis for new and more far-reaching restrictions.

Business and investors may still be underestimating both the Trump administration's determination to challenge China and the amount of economic disruption that greater U.S.-China tension can bring. To the mix of longtime China hawks and trade hawks now driving U.S. policy, national security matters more than economic friction, and many of the protestations from the U.S. business community may fall on deaf ears. Both China and the U.S. are likely to move quickly, unpredictably and disruptively as they struggle for advantage; Wall Street should brace itself for further shocks.

In terms of domestic politics, the new and more con-

frontational policy is likely to be broadly popular. Mr. Trump's populist base resents the "theft" of American jobs, and human-rights and religious-freedom advocates are increasingly troubled by China's severe repression at home and support for authoritarian regimes abroad. The foreign-policy establishment may oppose Mr. Trump's tactics, but it generally accepts the need for a stronger stance against China. Businesses will be split; while some are heavily exposed to a potential deterioration in U.S.-China relations, others are angry about stolen intellectual property, resent restrictions on their access to Chinese markets, or fear competition from subsidized Chinese firms.

Democrats who have relished attacking Mr. Trump for allegedly being soft on Vladimir Putin will have a hard time explaining why a hard line on Russia is a patriotic duty but a tough China policy is a mistake. Things could change if the economic and political costs of confrontation rise, but at least initially the new China policy has encountered little opposition.

Replacing the North American Free Trade Agreement, reshaping the Supreme Court, and launching a new Cold War in the same week is quite the trifecta. America may or may not be on the road to greatness under Mr. Trump, but it is certainly going somewhere, and at an accelerating pace.

Oscar Wilde's Catholicism



Rome What might Oscar Wilde have made of the new exhibit meant to honor him as "one of the earliest forebears of gay liberation"?

The Oscar Wilde Temple opened last week in a former Methodist chapel in South London, complete with an altar featuring a statue of the Irish playwright.

Wilde's own life and tastes, after all, were more complicated. When he arrived in Rome in 1900, he found himself attracted to both the Eternal City's pagan past and its Catholic present, extolling the beauty of the young men he paid for even as he haunted the Vatican for a blessing from the pope. Six months later in Paris, on his deathbed, he was welcomed into the Catholic church.

Wilde wasn't unusual for his time. To today's generations, Catholicism may be the Church of Intolerance. But in Wilde's day, the church was still the Scarlet Woman, home for the disreputable and deplorable. In his play "A Woman of No Importance" the title character, who has a secret past—an illegitimate son—explains why she spends so much time in church.

"Where else could I go?" she asks. "God's house is the only house where sinners are made welcome." Sin and grace

in a broken world. How many who shared Wilde's sexual attractions found similar refuge and equality at the altar rail of Rome?

Wilde was no stranger to sexual scandal. Nor, for anyone familiar with its history, is the Catholic church.

Today the face of scandal is Theodore McCarrick, the former cardinal accused of molesting an 11-year-old boy as well as regularly inviting seminarians to his bed.

Notwithstanding its unpopularity, church teaching on homosexuality hasn't fundamentally changed since St. Paul.

What has changed is that the orthodoxy dominating civilization is no longer set by even a residually Judeo-Christian ethos.

This new orthodoxy comes with a new enforcer, too. When it comes to rooting out heresy and dissent, what the Inquisition once accomplished with torture and dungeons today's media does far more efficiently with relentless promotion of voices and ideas it wants amplified, and equally relentless neglect of voices and ideas it wants ignored. Mockery and contempt are reserved for anyone who won't sign on.

It isn't without its contradictions. On the one hand, the keepers of the new sexual orthodoxy are rightly indignant at the lack of consent and exploitation inherent in the sexual abuses by priests, bishops and cardinals who preyed upon those to whom they

were supposed to be fathers and shepherds. On the other hand, this same orthodoxy continues to play down that most of the abuse has been committed by men against other men and boys.

Take former Cardinal McCarrick. We're told "everyone knew" what "Uncle Ted" was up to. Yet knowledge of his behavior didn't stop him from attaining the archbishopric of the nation's capital, a cardinal's hat and welcome in the highest and most fashionable circles.

The church has always been a place where sinners are welcomed and offered refuge.

Even now, it's illuminating to compare his treatment with the vitriol directed at John Nienstedt, who resigned in 2015 as archbishop of Minneapolis after prosecutors charged the archdiocese with failing to protect children from a sexually abusive priest. Archbishop Nienstedt has also been investigated for inappropriate sexual behavior, though nothing has been proved, no charges were ever filed, and he maintains his innocence.

Certainly no one could claim that Archbishop Nienstedt's handling of reports of sexual abuse in his diocese was anything but a disaster. And if credible proof emerges

he himself was an abuser, by all means let him answer for it. Still, it's hard not to notice that what really seems to distinguish Archbishop Nienstedt from former Cardinal McCarrick is that the former spoke out publicly for his church's teaching by supporting a Minnesota ballot measure to ban same-sex marriage.

In so doing, Archbishop Nienstedt challenged the prevailing secular orthodoxy in a way Cardinal McCarrick never did. Which may explain why until recently a media that otherwise delights in bringing down Catholic prelates was decidedly uninterested in investigating the many rumors that swirled around Cardinal McCarrick while he was still active in church life.

It should go without saying that not every gay priest is a predator, that many are holy men, and that the church doesn't need a witch hunt to root out anyone suspected of being gay. But when the main study on sex abuse by American clergy reports that 81% of victims were male—and largely postpubescent—how tenable is the proposition that homosexuality hasn't a thing to do with priestly sex abuse?

"I can resist everything but temptation," Wilde once quipped. What might he have made of the new orthodoxy trying to impose itself on the church he ultimately called his own—and of pope, cardinals and bishops so plainly embarrassed by their own teaching?

Write to mcgurn@wsj.com.

you, Jeff Bezos—have the power to create tens of thousands of jobs virtually wherever they want.

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Liberals are unlikely to invest the money and effort such a project would require, for a variety of reasons. But the most important one is that for all their insistence that today's conservatives represent an existential threat to the republic on the order of Southern white supremacists, in their hearts they know better.

Mr. Willick is an assistant editorial features editor at the Journal.

By Jason Willick

In the wake of Justice Brett Kavanaugh's confirmation, some of his opponents have taken to denouncing the U.S. Senate as undemocratic. "It may not happen in our lifetimes," NBC reporter Ken Dilanian tweeted, "but the idea that North Dakota and New York get the same representation in the Senate has to change."

Needless to say, the Founders gave significant thought to such concerns when they designed the U.S. Congress. They weren't concerned only with creating a popularly responsive government but also with designing a structure that could unite a vast and diverse republic of sovereign states. It's also peculiar that the left is now objecting to the Senate when it has been a significant obstacle to President Trump's agenda on many issues. If it were up to the House, the more democratic chamber, Justice Kavanaugh would have been confirmed more swiftly.

Still, countermajoritarian arguments carry less weight today than they did in the 18th century. And it's true that the Senate's structure dilutes the political power of populous states. It's understandable that this leads to grousing among liberals in places like New York and Los Angeles.

Think the Senate is too Republican? You can always move.

But this isn't the first time the nature of the Senate has come under contestation in a bitterly divided America. As the U.S. expanded westward in the early 19th century, Congress generally admitted a slave state and a free state at the same time to keep the Senate "balanced." In 1854 it passed the Kansas-Nebraska Act, which allowed those territories to determine for themselves whether slavery would be sanctioned. Kansas' status

became fiercely contested; its admission as a free state, and the seating of two new anti-slavery senators, would pose an existential threat to Southern slave power.

Abolitionists, who had an advantage in the House, didn't merely complain about the Senate. They launched an ideologically motivated effort to settle Kansas. The New England Emigrant Aid Company was founded in Massachusetts to promote settlement by free-staters. The city of Lawrence was named after an antislavery philanthropist who supported the effort. Pro-slavery emigrants also poured into the territory from Missouri.

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BOOKSHELF | By Burton G. Malkiel

The Dangers Of Optimism

Mastering the Market Cycle

By Howard Marks

(Houghton Mifflin Harcourt, 323 pages, \$30)

Amid so much purportedly expert investment advice, it is worth asking who the experts themselves listen to. One answer, undoubtedly, is Howard Marks, among the world's most successful investment managers as well as an intellectual leader of the profession. His client memos are widely distributed among investment professionals. "When I see memos from Howard Marks in my mail," Warren Buffett has said, "they're the first thing I open and read. I always learn something."

In 2011 Mr. Marks published "The Most Important Thing," which comprised 20 investment insights culled from these memos. In "Mastering the Market Cycle," he focuses on what he regards as one of his most important insights: "If we study past cycles, understand their origins and import, and keep alert for the next one, . . . we can master these recurring patterns for our betterment."

It is not surprising that Mr. Marks considers mastering the market cycle so important. While most investors avoid market timing, it is in fact timing that has accounted for Mr. Marks's success. During the 2007-09 market meltdown, he had the foresight to set up an \$11

billion distressed-debt fund—aimed at buying the financial instruments of companies near or currently in bankruptcy. It was the largest such fund in history. Following the collapse of Lehman Brothers in September 2008, he began putting the money to work. According to Bloomberg, his distressed-debt funds returned 19% per annum after fees, a record that far outdistanced his peers.

Looking back on this period in a podcast, Mr. Marks

described his thinking in this way: "All you had to do to make money in the crisis was have money to spend and the nerve to spend it. You didn't need caution, conservatism, risk control, patience, selectivity, discipline, any of those things. All you needed was money and nerve. But not all the time, because sometimes money and nerve will get you killed. One of the keys to investing is to know which is which."

Mr. Marks acknowledges that there are no real cycles in the market, and he has no illusions that he can make macroeconomic forecasts. He admits that he can never call market tops and bottoms or predict how far prices will fluctuate. But he believes that he can understand fluctuations in investors' attitudes toward risk. Price declines tend to increase risk aversion and send investors to the sidelines just as prices (and actual risk) are at their lowest. The opposite effects can be seen when prices rise. "The greatest source of investment risk" is not, he writes, "negative economic developments" but "when risk aversion and caution evaporate."

Just as prices fluctuate, so do attitudes toward risk. When prices are high, investors worry about it less—when they should be worrying more.

"Mastering the Market Cycle" comes down to the insights of behavioral finance. We know that investors tend to put money into the market at tops, when everyone is optimistic, and take the money out at bottoms, when panic is widespread. The key to investment success is to do the opposite and keep one's emotions—aggressiveness and defensiveness—in balance. Mr. Marks's recipe for success is much like that of Mr. Buffett, who has said that investors should be "fearful when others are greedy and greedy when others are fearful."

In his longest chapter, Mr. Marks explains how he was able to profit from the events leading up to the 2008 market meltdown. His analysis closely parallels the theories of the late economist Hyman Minsky. Good times lead to overly optimistic forecasts and a loosening of credit standards. Excessive debt leads to a wave of defaults at the first signs of economic turmoil and ultimately to a market meltdown. The Minsky theory is that stability breeds behavior that leads to instability. As he put it: "The longer things are stable, the more unstable they will be when the crisis hits."

Mr. Marks shows how good times from 2005 to 2008 caused investors to become so optimistic that they jettisoned caution and settled for skimpy premiums on risky investments. "The greatest source of investment risk," he says, "is the belief that there is no risk." When prices start to decline, investors panic and risk aversion goes from inadequate to excessive. Thus the reward for bearing risk is greatest just when people refuse to bear it. "The fluctuation—or inconstancy—in attitudes toward risk," Mr. Marks writes, is "the cause or exacerbator" of cycles. At the bottom of the market lenders refuse to offer credit even to credit-worthy borrowers.

The volatility in the credit markets is equally evident in the real-estate and stock markets. The dot-com bubble of the late 1990s, when high-tech stocks sold at unprecedented triple-digit earnings multiples, and the real-estate bubble of the early 2000s bear witness to similar patterns of euphoria and depression.

"Mastering the Market Cycle" is not a perfect book. It is overlong and tends to be repetitious. But it is wise. A careful reading can make us better investors and protect us from the all too frequent errors that ruin investment results. I do worry, however, that the book may encourage some readers to engage in market timing. Few investors have the insight and ability of Howard Marks, who has been unusually skilled in his analysis of where we are in the market "cycle." For many investors the takeaway should be: "Don't try this at home." Fortunately, Mr. Marks has included a chapter titled "Limits on Copping," which says that, however important it may be to understand the market cycle, "it's essential that you also understand the limitations, as well as the skills that are required and how difficult it is."

Perhaps the smartest thing an ordinary investor can do is to engage in periodic rebalancing of a diversified portfolio. If one asset becomes so richly valued that it comes to represent a disproportionately large share of the portfolio, then reduce its weighting and place the proceeds in underweighted assets. Such rebalancing may not be "mastery" in the fullest sense, but it will generally reduce risk and often enhance a portfolio's return.

Mr. Malkiel is the author of "A Random Walk Down Wall Street," whose 12th edition will appear in December.

What's the Matter With North Dakota?

By Jason Willick

In the wake of Justice Brett Kavanaugh's confirmation, some of his opponents have taken to denouncing the U.S. Senate as undemocratic. "It may not happen in our lifetimes," NBC reporter Ken Dilanian tweeted, "but the idea that North Dakota and New York get the same representation in the Senate has to change."

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Still, countermajoritarian arguments carry less weight today than they did in the 18th century. And it's true that the Senate's structure dilutes the political power of populous states. It's understandable that this leads to grousing among liberals in places like New York and Los Angeles.

What if instead of attacking an institution that's here to stay—equal representation in the Senate is the Constitution's lone unamendable provision—the resistance used some of its ample resources to create a new tech hub in Fargo? It could attract thousands of workers and improve the prospects for Democratic Senate candidates. Educated metropolitan areas tend to lean left.

Liberals are unlikely to invest the money and effort such a project would require, for a variety of reasons. But the most important one is that for all their insistence that today's conservatives represent an existential threat to the republic on the order of Southern white supremacists, in their hearts they know better.

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Liberals are unlikely to invest the money

OPINION

Democrats, Try Some Self-Restraint

By Bobby Jindal

The energized base of the Democratic Party can't seem to help itself. It may help President Trump win re-election.

It's not certain that Democrats will retake the House, but if they do they will likely ignore their leaders' preferences and push to impeach President Trump, or perhaps Justice Brett Kavanaugh. In a swap of Clinton-era positions, Democrats now lecture the nation that unseemly personal behavior makes the president unfit for office, while Republicans insist his private morality has

Will they keep pandering to their angry, radical base, or try to win over marginal Trump voters?

no impact on his public duties. This is more than an arresting irony: Impeachment would undoubtedly energize Mr. Trump's base and make these voters even more loyal to him—as it did with Bill Clinton.

Democrats have an alternative. They can set aside the precedent of the Obama years, when the party sought to enact the most extreme agenda it could pass, and instead search for common ground with marginal Trump voters. Democrats

won't win over his most ardent Tea Party members, evangelical Christians or other committed supporters. But a humbler, more open approach could attract some of his peripheral supporters and weaken the resolve of his base.

Democrats can support gay marriage without forcing small-business owners to violate their religious beliefs and participate in the wedding ceremonies; defend abortion without opposing the sorts of restrictions common in Europe, including waiting periods and bans on midterm abortions; fight global warming without making obsolete many Americans' livelihoods and lifestyles; expand access to health care without eliminating private insurance; protect minority rights without condemning law enforcement; promote immigration while protecting the borders; value multiculturalism without removing all mention of God or tradition from the public square; and enact modest gun-control measures without stopping Americans from hunting and defending themselves.

While none of these positions would satisfy the core of the Republican party, they would attract many voters who reluctantly supported Mr. Trump. Unfortunately, since these stances don't excite the Democrats' base, they are unlikely to emerge from the 2020 Democratic presidential primaries.

Both political parties have spent the past several elections prioritiz-



JOE RAEDLE/GETTY IMAGES

Anti-Trump protesters in Palm Beach, Fla., Jan. 20, 2018.

ing enthusiasm within their bases over persuasion of voters in the middle. One result, after Mr. Obama's eight White House years, was that many conservative voters felt alienated in their own country. Both party establishments ignored their concerns, only magnifying the sense of loss, vulnerability and anger.

Liberal disparagement of Mr. Trump, echoed by the mainstream media and cultural elite, exacerbates this feeling and binds many voters even more tightly to the president. Even voters who might otherwise condemn his personal behavior and some of his policies defend their guy reflexively as he is attacked by the same people who mock them.

Many evangelical leaders explain their support for Mr. Trump by citing King Cyrus, the pagan king from the sixth century B.C. who allowed the Jews to return to Jerusalem and begin to rebuild their temple. Mr. Trump's election, according to this view, would not be the first time God has used a nonbeliever to rescue his people and achieve his aims. One Trump supporter explains: "You don't care if you like the lifeguard while he is saving you. You can call him a jerk after he gets you back to shore." Many voters may not like Mr. Trump's tweets or angry outbursts, but they care more about his defense of their religious liberty and good-paying blue-collar jobs.

Whatever happens in November, Democrats will have to decide whether to respond to Mr. Trump by motivating their most ardent supporters or by winning back some of the persuadable working- and middle-class voters they ceded in the last election. These voters supported Trump, but aren't reliable Republicans.

So far Democratic tactics suggest they've given up on marginal Trump voters for good. Both parties like to take turns believing they represent a new permanent majority, until the voters remind them otherwise. Democrats prefer open borders, Medicare for all and abolishing Immigration and Customs Enforcement. These are fine opposition talking points, but they don't provide a practical road map.

Liberals may question why they should have to show self-restraint, especially when the pendulum seems to be swinging back their way. American politics increasingly resembles the Middle Eastern variety, where each side remembers how it was slighted yesterday and vows to exact its retribution tomorrow. To avoid a backlash that will help Mr. Trump—or to help the country—Democrats may want to consider how else this cycle of escalation could end.

Mr. Jindal served as governor of Louisiana, 2008-16, and was a candidate for the 2016 Republican presidential nomination.

A Nobel Economics Prize for the Long Run

By David R. Henderson

The winners of this year's Nobel Memorial Prize in Economics are U.S. economists William D. Nordhaus of Yale and Paul M. Romer of New York University. Mr. Nordhaus is acknowledged for "integrating climate change into long-run macroeconomic analysis," while Mr. Romer is credited with "integrating technological innovations into long-run macroeconomic analysis."

What is meant by "long-run macroeconomic analysis," the common element in both awards? Largely, the term refers to projections of economic growth. Growth isn't the only focus of macroeconomic analysis; short-term ups and downs in the economy, known as the "business cycle," are considered part of the same field. But growth is by far the more important factor in economic health. Consider that the anguish of the Great Depression was caused by a 30% drop in U.S. gross domestic product, but real GDP today is 14 times its level in 1929. Over periods of a decade or more, the effect of growth dominates the effect of even the most serious recessions.

For that reason, it makes sense for economists to focus on long-run growth, as Messrs. Romer and Nordhaus have done.

In the 1980s, Mr. Romer was the lead developer of endogenous

growth theory, which proposes that growth results from factors that exist within—or are "endogenous" to—a given economy. Before this breakthrough, researchers' preferred model of growth was one developed in the 1950s by Massachusetts Institute of Technology economist Robert Solow. Though Mr. Solow acknowledged that technological progress was a key driver of economic growth, he had no way to project the pace or impact of such progress: it was "exogenous" to his model. Mr. Romer made technology endogenous. In particular, he noted that there are incentives within an economic system to come up with new ideas, and he urged policy makers to think carefully about how to structure such incentives.

Patents are an old example of an effective economic incentive. Consider the pharmaceutical industry. A 2014 Tufts study estimated that it costs an average of \$2.6 billion to develop a new drug and market it successfully. Once the formula is discovered and tested, another company could copy the invention of the firm that did all the work. If that second company were allowed to sell the drug, the first one probably wouldn't do the work in the first place. A patent gives the inventor a monopoly for a fixed number of years during which it can charge a monopoly price and earn the returns necessary to motivate it to innovate.

In a 2006 article on economic growth, Mr. Romer noted the huge difference in long-run well being that would result from raising the growth rate by a few percentage points. He cites the "rule of 72," which holds that the length of time over which a magnitude doubles can be found by dividing the growth rate into 72. So, for example, an economy that grows 2% a year will take 36 years to double in size, while one that grows 4% a year will double in 18 years.

Americans Paul Romer and William Nordhaus study growth and how to sustain it.

Mr. Nordhaus also has made multiple contributions to economic literature on growth. In the citation for his award, the Nobel committee didn't mention his demonstration that the price of light has fallen by many orders of magnitude over the last 200 years. He showed that the price of light in 1992, adjusted for inflation, was less than 0.1% of its price in 1800. The failure of government analysts to account fully for this and similar price reductions, he argued, led them to underestimate the real growth rate of the economy and wages.

What earned Mr. Nordhaus his Nobel, though, was his work on the economics of global warming. Starting in the 1970s, he constructed increasingly comprehensive models of the interaction between the economy and additions of carbon dioxide to the atmosphere. Economists use these models, along with assumptions about the current and future magnitude of emissions, to compute the "social cost of carbon." Mr. Nordhaus has subsequently used this cost to recommend taxes on carbon. In 2017 he computed the optimal tax to be \$30 for each ton of carbon dioxide. Such a carbon tax would increase the price of gasoline by about 27 cents a gallon.

Mr. Nordhaus recently noted the large degree of uncertainty about the optimal tax. For the \$30 tax above, the actual optimal tax could be as little as \$6 a ton, or as much as \$93.

Robert P. Murphy, an economist at Texas Tech, used Mr. Nordhaus's work to show that setting too high a carbon tax can be worse than setting no carbon tax at all. Using Mr. Nordhaus's 2009 calibration, Mr. Murphy calculated the present value of damages caused by carbon dioxide and abatement costs at \$22.6 trillion. Mr. Nordhaus's optimal carbon tax would have reduced damages but increased abatement costs, decreasing the impact of emissions to a total of \$19.5 trillion—a rela-

tively minor net improvement of just over \$3 trillion.

Meanwhile, the Nordhaus model shows that the cost of a policy to limit the temperature increase to only 2.7 degrees Fahrenheit by 2100 would have been \$37.03 trillion—\$16.4 trillion more than the cost of doing nothing after accounting for the damage done by carbon emissions. Thus, Mr. Nordhaus's work doesn't support the recent announcement by the International Panel on Climate Change about the urgent need to limit warming to 2.7 degrees. Indeed, Paul Krugman castigated Mr. Nordhaus in 2013 for his belief that the optimal temperature increase is 4.1 degrees.

Interestingly, neither Mr. Nordhaus nor anyone else anticipated fracking, which has increased natural-gas usage at the expense of coal. The result is that the U.S. has cut its carbon-dioxide output year after year without the aid of a carbon tax.

It's refreshing to see the Nobel Prize awarded to economists who study growth. It makes sense to worry about short-term fluctuations in GDP, but it makes even more sense to keep our eyes on what matters much more: long-term growth and the policies that favor it.

Mr. Henderson, a research fellow with the Hoover Institution at Stanford University, is editor of the Concise Encyclopedia of Economics.

Japan's Tsunami Recovery Holds Lessons for the World

By Jonathan Kolatch

Natural disasters, such as Hurricane Florence or the Sulawesi earthquake-tsunami, grab the headlines for a few days or weeks, but vital lessons of reconstruction, which emerge over time, are often lost. Only on my fourth trip through Japan's tsunami zone, in 2015, did I sense that the country's intricate 10-year recovery plan was beginning to yield tangible results. I recently visited again, 7½ years after the March 11, 2011, catastrophe, which killed 22,000. A lot can be learned from the Japanese experience:

• *Plan transition housing well in advance.* With great dispatch after 3.11, the Japanese government moved tens of thousands of refugees from emergency shelters into flat-roofed,

metal-clad prefabricated homes, drawing on ready plans imported from the 1995 Kobe/Osaka earthquake. To provide convenient access, flexible bus routes quickly replaced trains where track damage was too extensive to repair.

• *Immediately set up temporary shopping centers, catering to daily needs, and speed the reopening of local businesses.* The heartwarming news came in a note Kenji Sano pasted on his shop door in the Green Leaf Temporary Shopping Park, in Kamaishi, one of the towns hardest hit by the tsunami. "This springtime," he wrote, "I reconstructed a ruined house and liquor shop. So I have stopped business at this temporary shop and moved back to the site of my former shop and house." Five years after 3.11, Mr. Sano was eager to reprise the family business—he

father started it in 1926—so that his son, 51, can support his family.

• *Prominent evacuation signage is essential.* Neighbors to Mr. Sano's left and right perished because they didn't know where to go. Throughout the tsunami zone, signs now point toward elevated areas that would have saved many lives had they been in place before the disaster.

• *Mental-health services are essential.* Many of the tsunami survivors in aging Japan suffer from dementia. But there weren't enough social workers to penetrate their walled-in misery. Mr. Sano, who recently turned 87, half-jokes about senility, pulling out dog-eared business cards from foreigners who visited his shop decades ago.

• *Not all towns should be restored to their prior state.* Two hours south of Kamaishi sits one of the most am-

bitious tsunami reconstruction projects. Rikuzentakata suffered the second-highest death total in the tsunami zone (1,800), when floodwaters from Hirota Bay obliterated the entire city center. To ensure that this never happens again, flooded areas are being raised 30 feet and more, us-

ing earth shaved off a nearby mountain and moved 2 miles by conveyor belt to the fill site. Unanswered is whether Rikuzentakata should have let nature prevail and the town rebuilt in the heights. Seven years after the tsunami, the town's final shape is still left to the imagination.

Four hours up the coast, in Taro, the entire tsunami dynamic plays out in miniature. Taro was protected by X-shaped inner and outer retaining walls towering 33 feet. The tsunami left Taro looking like a bald man's pate: surviving houses on the high-ground perimeter, total devastation on the low-lying plain. The population plunged from 4,434 to 3,019.

Yet Taro is determined to carry on. Breakwaters and sluice gates are being rebuilt. An on-site cement factory streamlines reconstruction. Private homes and town services ring the heights, out of flood range. An 8.5-acre solar-energy field will power 400 homes. In the center of town sits a new baseball field, home to the local semipro team, Kit Kat Dreams.

• *Don't generalize about tsunami survivors.* "Every refugee's tsunami is his own," says Sono Hayashimoto, 79,

a Toro grocer. "You can't see their suffering inside." Ms. Hayashimoto's private burden is visiting her husband, hospitalized with dementia, and her son, paralyzed last year in a motorcycle accident. Taro is known for the best salmon catch in Japan, and her son was set to open a line of dried salmon, destined for Japan's larger cities. "This rebuilding is for the next generation; not for me," Ms. Hayashimoto says with a sigh.

• *Never position a nuclear plant below maximum flood levels.* In Hirono, just a few miles south of the Fukushima nuclear plant, a man named Takeda took me to a pole marking the maximum tsunami wave height. Every structure above that point was scarcely touched; every point below was destroyed. The Fukushima plant sat smack in the path of the tsunami.

Japan's tsunami recovery is the largest engineering project ever undertaken, budgeted at \$315 billion over 10 years. But apartments have been completed and most refugees have moved into permanent housing. When work finishes in 2021, the Monday-morning quarterbacks will march in. In an undertaking of this magnitude, all the world's evils—inefficiency, waste, redundancy, graft, corruption—will surely surface. Major construction companies will be left with orphaned machinery. Many workers will be laid off.

But Japan will have rebuilt dozens of towns with parks, modern schools and stores, and state-of-the-art facilities—the best effort world-wide to date to create "smart communities." And the world will have disaster-recovery models to analyze and learn from for generations.

Mr. Kolatch is author of "China Mosaic."

THE WALL STREET JOURNAL.

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Our stock exchanges are letting us down. They are making billions, but investors often lose money in the first seconds after a trade, and while the number of public companies has dropped by 50%, their exchange fees keep rising. There's something wrong. It's time to reimagine, rethink, and rebuild.

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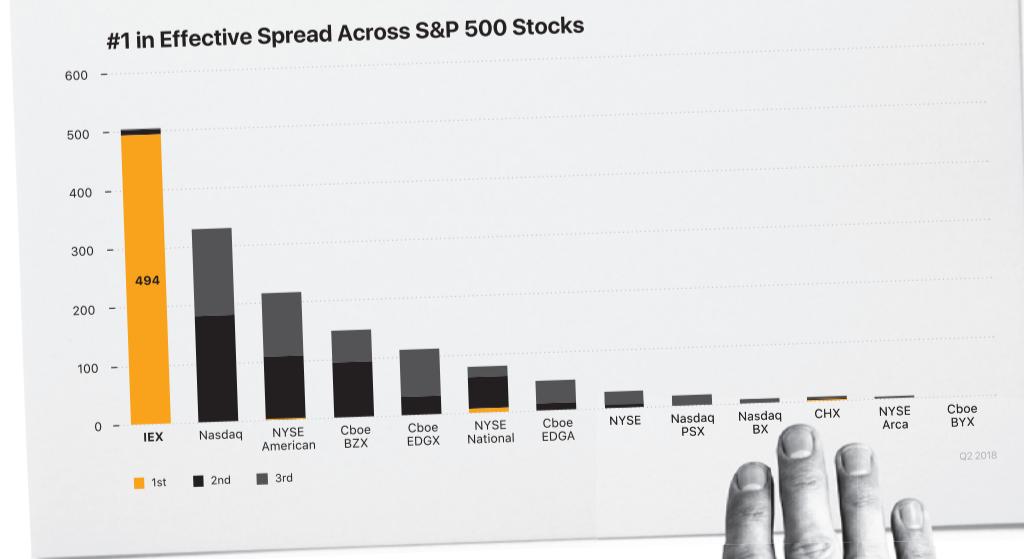
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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Airbus Picks CEO, Capping Change at Top

Promotion of No. 2 at the aerospace giant marks generational shift in management

BY ROBERT WALL

Airbus SE tapped the head of its plane-making unit and effective No. 2, Guillaume Faury, as its next chief executive, the centerpiece of a generational leadership overhaul at the European aerospace giant.

Mr. Faury is set to succeed Tom Enders in April, pending shareholder approval, Airbus said Monday. Mr. Enders, 59 years old, said late last year that he wouldn't seek a new mandate when his current term expires at the company's annual shareholder meeting in April.

Mr. Faury, 50, would take

the top job at Airbus, the world's second largest plane maker behind **Boeing Co.**, at a time of rising plane deliveries and with a backlog of more than 7,300 plane orders—equivalent to nine years of production. But the company has struggled to build some of the planes, causing delivery delays and angering airline customers.

Airbus has promised to produce around 800 airliners this year, a company record. But reaching that target remains a challenge after months of delayed deliveries because of supplier bottlenecks, particularly with the engines for its popular A320neo single-aisle plane. At the end of September, the company was still short about 300 plane deliveries to meet its full-year goal, which is critical to cash flow.

Chief rival Boeing also has suffered missteps. The U.S.



Guillaume Faury currently heads the company's plane-making unit.

including the U.S., France and the U.K., over the company's possible misuse of middlemen to secure overseas deals. The company has said it is cooperating with the investigations and warned it could face significant fines.

The management changes could help Airbus secure a settlement with regulators, legal experts have said.

Airbus has seen significant changes in its top ranks amid the generational shift capped by Mr. Enders's planned departure. Fabrice Brégier, who ran the plane-making unit before Mr. Faury, has departed and Chief Financial Officer Harald Wilhelm has announced plans to exit next year. The company also replaced its chief plane salesman twice this year.

Other senior executives at the plane-making division have announced plans to retire in coming months.

Boeing underwent a similar management makeover from 2015 to 2016.

In February, Mr. Faury took over the commercial plane unit, which delivers the bulk of Airbus sales and profit. He previously ran the European aerospace giant's helicopter business for about five years.

Mr. Faury, a Frenchman, had been seen as a top candidate to succeed Mr. Enders, a German. The French and German governments remain the largest shareholders at the company. The nationality of the chief executive has rotated between French and German after the company in 2007 abandoned a co-CEO structure representing both nationalities.

Airbus Chairman Denis Ranque, a Frenchman, said he wouldn't seek an extension of his term, which expires in 2020.

Tech Funds Carry On Without Big Names

BY ASJLYN LODER

Facebook Inc., **Twitter Inc.** and Google parent **Alphabet Inc.** officially left the S&P 500's technology sector last month, but investors appear to be in no hurry to follow them.

Investors have been slow to pull their money from popular technology exchange-traded funds even though those funds no longer invest in a handful of the companies that have been synonymous with the rise of tech in U.S. markets.

State Street's \$22.8 billion Technology Select Sector SPDR ETF liquidated its holdings of Facebook, Twitter and Alphabet two weeks ago, while the \$22.6 billion Vanguard Information Technology ETF sold off the shares gradually over several months. Yet the two ETFs combined have seen just \$4.3 billion in outflows, less than 10% of their combined assets, since the S&P 500 changes were implemented at the opening bell on Sept. 24.

The stocks' departure from the tech sector followed changes to a widely used system that organizes companies based on where they fit in the global economy. Computer giants like Apple Inc. and Microsoft Corp., along with chip maker Intel Corp. and networking giant Cisco Systems Inc., are among the biggest companies that still reside in the tech sector.

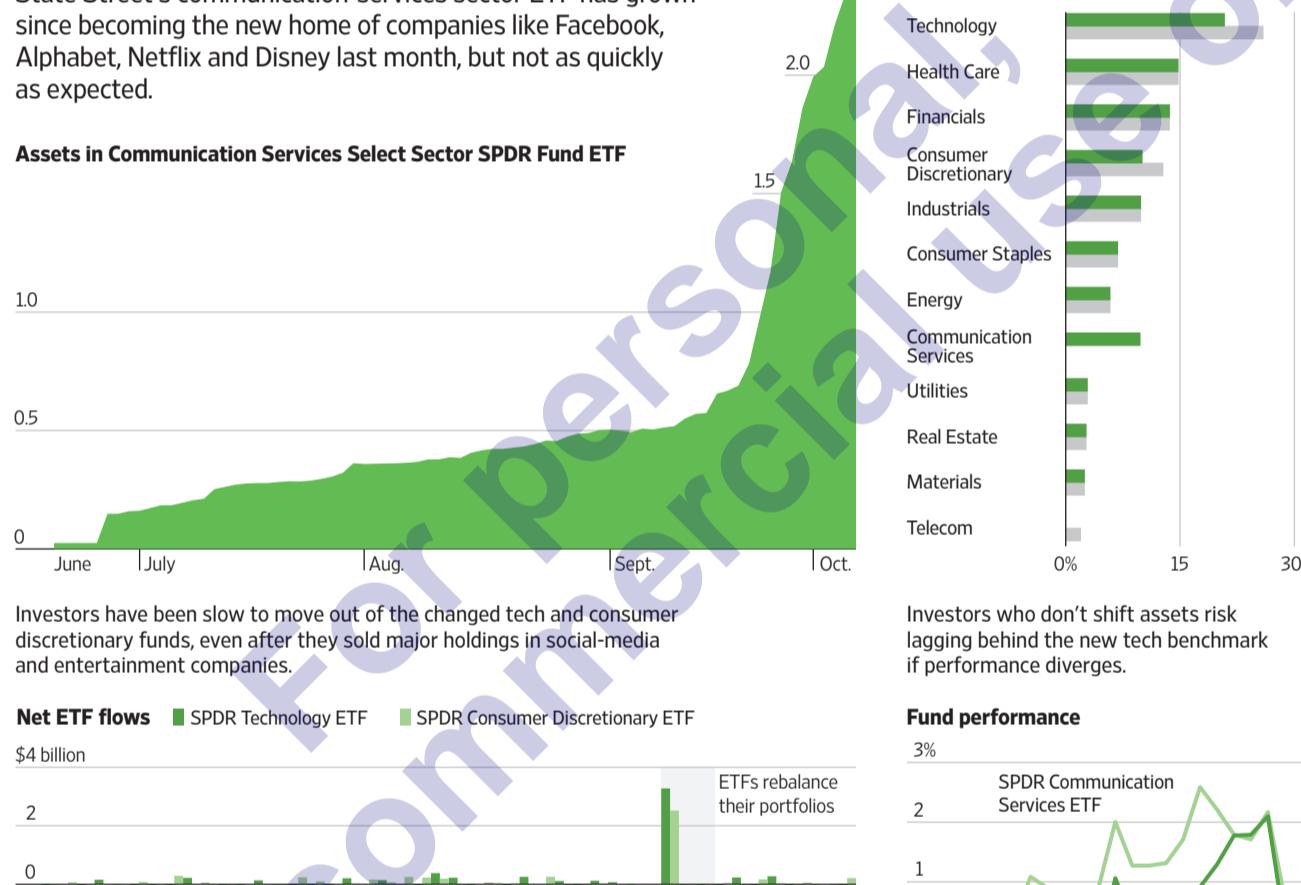
Removing Facebook and Alphabet is like trading away two of the best players on a basketball team, said Matthew Bartolini, head of SPDR Americas research at State Street Global Advisors.

So far, the remaining tech stocks have done well, but Mr. Bartolini said investors who

Sector Shuffle

State Street's communication-services sector ETF has grown since becoming the new home of companies like Facebook, Alphabet, Netflix and Disney last month, but not as quickly as expected.

Assets in Communication Services Select Sector SPDR Fund ETF



Investors have been slow to move out of the changed tech and consumer discretionary funds, even after they sold major holdings in social-media and entertainment companies.

Sources: FactSet (assets in communication services, ETF flows); Bloomberg Finance LP via State Street Global Advisors (sector weights); SIX (fund performance). THE WALL STREET JOURNAL.

don't rebalance their portfolios are taking a risk that their performance will veer widely from the new benchmark, especially if there is a big market move.

That could be a problem for advisers and institutional money managers who aim to

meet or beat the performance of the market.

The risk is even greater with the approach of earnings season, often a key catalyst for outsize gains and losses. Twitter's second-quarter results, for example, sent its stock price tumbling more than 20%

on July 27. Facebook, Twitter and Alphabet report results later this month.

"Given the size of the companies involved, and the potential impact of tracking error, I would've thought there'd be more action than there has been," Mr. Bartolini said.

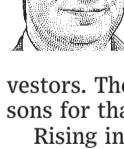
The changes were prompted by the most significant overhaul of the Global Industry Classification Standard, or GICS, since it was created in 1999 by index providers MSCI Inc. and S&P Dow Jones Indices.

The system sorts more

Please turn to page B2

HEARD ON THE STREET | By Aaron Back

Credit-Card Issuers Aren't the Bargain They Seem



A great environment for America's credit-card lenders isn't tempting investors. There are good reasons for that.

Rising interest rates mean credit-card companies will instantly earn more on their floating-rate loans. At the same time, the booming economy and tight labor market are keeping defaults low. This was underscored by Friday's jobs report, which showed the unemployment rate at its lowest level since 1969.

Yet shares of these companies are performing poorly. **Discover Financial Services** is basically unchanged so far this year, while **Capital One Financial** and private-label issuers **Alliance Data Systems** and **Synchrony Financial** are all lower. On average, the group of four companies is down

8% so far in 2018, compared with an 8% rise for the S&P 500.

Over the past couple of years, credit-card lenders already have been through something of a mini credit cycle. Delinquencies began rising from historic lows in 2016, prompting lenders to tighten standards and tap the brakes.

Growth of revolving consumer-credit balances slowed to 6.1% in 2017 from 6.8% in 2016, according to Federal Reserve data.

It slowed further in the first half of this year, contracting slightly in the first quarter and rising at a 2.9% annual rate in the second. But lending recently reaccelerated to a 5.6% annual rate in August, the data show, suggesting the period of retrenchment could be coming to an end.

Overall consumer indebtedness remains high. Total household debt rose for a

16th consecutive quarter in the second quarter of 2018 to \$13.29 trillion, according to Federal Reserve data.

Ultimately, it was the strong economy that bailed out the credit-card companies.

For most, delinquencies peaked in late 2017 and have since been declining. At Cap-

ital One, for instance, loans over 30 days delinquent reached 4% of total domestic credit-card loans at the end of last year but fell to 3.3% by the end of June.

Yet investors appear to be looking past this recent strength, anticipating that when a recession does eventually come, delinquencies

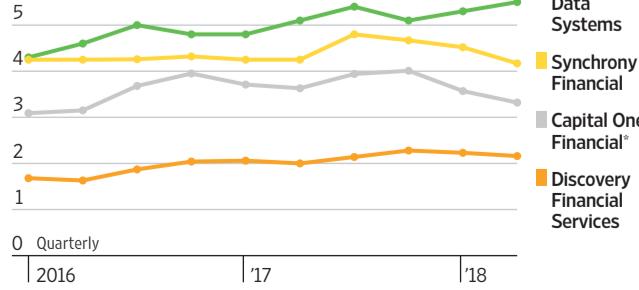
and defaults will climb again. The four lenders trade at an average of 8.7 times forward earnings, according to FactSet, compared with an average of 9.8 times over the past five years.

That discount is probably appropriate. These lenders' credit metrics are being flattened by an exceptionally strong economy. While no one can predict the timing of the next recession, a mere moderation would likely be enough to get delinquencies rising again. The unemployment rate can't stay near 50-year lows for very long and it makes little sense to price credit-card lenders as if it will.

Investors looking to reap near-term gains from higher rates and a strong economy can easily do so in less risky ways, like diversified commercial banks and life insurers. This late in the cycle, it is sensible to be cautious with credit cards.

Peaked for Now

Percentage of credit-card loans over 30 days delinquent



*Data for domestic credit cards only.

Source: the companies

THE WALL STREET JOURNAL.

Activist Investor Circles Papa John's

Trian Fund Management LP is evaluating a takeover bid for Papa John's International Inc., people familiar with the matter said.

By Julie Jargon,
Cara Lombardo
and Dana Mattioli

The activist hedge fund recently contacted the pizza chain to collect information as it explores a possible bid, the people said. Trian is one of several parties to express interest since Papa John's put itself up for sale amid an acrimonious fight with its founder, John Schnatter, who remains on the board and owns nearly 30% of the company's shares.

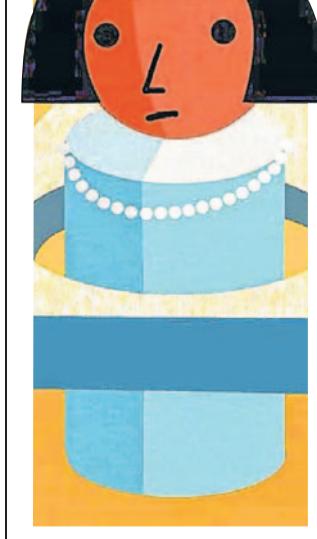
There is no guarantee that Trian will make an offer or that Papa John's will ultimately be sold. There are several other potential bidders, some people familiar with the situation added, including companies and private-equity firms.

Papa John's is the world's third-largest pizza delivery chain after **Domino's Pizza Inc.** and **Yum Brands Inc.'s Pizza Hut**. The Louisville, Ky., company that Mr. Schnatter founded in 1984 has more than 5,000 locations in 45 countries.

Trian, which owns a roughly 13% stake in Wendy's Co. and holds three seats on the burger chain's board, is known for working with the management of struggling companies. Nel-

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INSIDE



DIRECTORS FIT RIGHT IN AS CEOS

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New Suitor Circles Papa John's

Continued from page B1
son Peltz, Trian's co-founder and Wendy's chairman, invited Mr. Schnatter in June to meet the burger company's leaders to discuss a possible deal.

Mr. Schnatter brought Papa John's chief development officer, Tim O'Hern, with him to the June meeting rather than Chief Executive Steve Ritchie, with whom he was fighting, according to people familiar with the matter. Messrs. Schnatter and O'Hern flew by helicopter to meet Wendy's Chief Executive Todd Penegor at a private airport in Columbus, Ohio, where Wendy's is based. Mr. Schnatter, wearing a red shirt emblazoned with the Papa John's logo, wanted to know how many seats he would have on the board of a combined company, according to one person familiar with the meeting.

Mr. Schnatter stepped down as chairman in July after reports leaked that he had used a racial slur on a company marketing call.

Mr. Schnatter's relations with the board and management began to unravel last fall, when he drew criticism on social media for blaming Papa John's poor sales on the National Football League's handling of players' protests during the national anthem. He resigned as chief executive in



SERGEI BOBOLEV/TASS/ZUMA PRESS

December.

Mr. Schnatter and the company have since been engaged in a public battle over who is to blame for declining pizza sales. The company recently retained bankers to help it conduct a strategic review.

Should Trian proceed with a bid for Papa John's, it isn't clear whether Wendy's would acquire the pizza chain or whether Trian would purchase and operate the chain separately.

Analysts have said Papa John's, which has a market value of about \$1.6 billion, could be attractive to a company that can focus on building a strong brand, as Wendy's has done. Wendy's, the world's third-largest hamburger chain, is known for snarky social-media posts that take aim at ri-

vals and for emphasizing fresh ingredients.

Papa John's is trying to focus on the quality of its pizza and distance itself from Mr. Schnatter. For years the chain's marketing was tied closely to Mr. Schnatter, whose image was on its pizza boxes. The recent controversies have led the company to remove him from ads.

Trian has a history with pizza. The firm in 2011 became Domino's largest shareholder and met with management to make strategic suggestions. It sold its stake the following year after Domino's updated its menu and marketing materials and made other improvements, according to Trian's website.

Trian doesn't typically look to buy companies outright, but

it bought Wendy's in 2008 and combined it with Arby's, which it owned through holding company Triarc Cos.

Another activist investor drawn recently to Papa John's wants executives to improve the business before considering a sale. Legion Partners Asset Management LLC and the California State Teachers' Retirement System last week disclosed a 5.5% stake in Papa John's.

Ted White, a Legion managing director, said the chain should sell more U.S. stores to franchisees and cut costs while setting aside differences with Mr. Schnatter.

Papa John's board in July adopted a "poison pill" provision to prevent Mr. Schnatter from regaining control of the company.

panies in the S&P 500 alone. Facebook, Twitter and Alphabet were moved out of tech to a new "communications services" group that replaced the former telecom group. Netflix Inc., Walt Disney Co. and others were taken from "consumer discretionary" and likewise moved to the new communications sector.

As a result, State Street's tech ETF last month liquidated 9.2 million shares of Facebook worth \$1.5 billion and 2.3 million shares of Alphabet valued at \$2.7 billion. On the same day, the \$15.2 billion Consumer Discretionary Select

SPDR ETF sold 8.5 million shares of Disney and 2.5 million shares of Netflix, worth a combined \$1.8 billion.

Investors' delay in changing their portfolios may stem from reluctance by asset managers to sell the tech ETF at a profit, which could result in taxable gains for their clients. Others may want to avoid a stampede and instead rebalance gradually.

There are signs that investors are beginning to readjust. State Street's Consumer Discretionary Select Sector SPDR, which sold Netflix, Disney and others, saw \$582 million in

outflows in Monday through Thursday of last week. The new Communications Services Select Sector SPDR ETF, which State Street launched in June to give investors time to shift to the new sector, has picked up almost \$2 billion in new assets since the start of the month, making it one of the most successful fund launches of the year. Vanguard's competing ETFs are seeing similar patterns.

"The risk isn't huge just yet," Mr. Bartolini said. "But every day they wait, that tracking risk is going to get bigger and bigger."

BUSINESS & FINANCE

Blast Hits Canada's Largest Oil Refinery



SERGEI BOBOLEV/TASS/ZUMA PRESS

A large explosion and fire broke out Monday at Canada's largest oil refinery, but the company operating the plant in Saint John, New Brunswick, said all of its workers escaped without any life-threatening injuries.

Irving Oil Ltd., which owns and operates the 320,000-barrel-a-day refinery, reported the "major incident" Monday morning, while local media said witnesses reported a "bed-shaking explosion" followed by a large fire.

The company said several contractors were injured during the incident, but said the injuries were "non-life-threatening."

The mayor of the city of Saint John, Don Darling, said on a Facebook video that the entire refinery has been shut down, and said the flames seen were "basically burn-off." He added that no evacuations were ordered, but asked citizens to remain in their homes until an all-clear is given. "Thank God for no

one being killed in an event like this," Mayor Darling said.

Police in Saint John confirmed the explosion and fire, and took to Twitter asking residents to "please avoid the area," as the department closed off streets near the refinery. Some streets have since reopened, police said.

The Saint John refinery has a workforce of more than 1,400 people. The refinery produces petroleum-based products that include gasoline, diesel, heating

oil, jet fuel, propane and asphalt.

More than half of what the refinery produces is exported to the U.S. Northeast, and news reports of the fire sent gasoline prices in futures markets higher Monday morning as investors worried the plant may remain shut for several days or weeks.

The RBOB gasoline contract for November delivery closed 0.4% higher at \$2.0937 a gallon, reversing earlier losses.

—Dan Molinski

GE Sells Portfolio of Energy Investments

BY MICAH MAIDENBERG

General Electric Co. said Monday it is unloading a portfolio of energy investments to **Apollo Global Management** LLC, as the troubled conglomerate continues to sell off pieces of its business it views as ancillary.

A unit of **GE Capital** and private-equity firm Apollo

didn't disclose the financial terms of the deal, other than to say the approximately \$1 billion portfolio includes equity investments in renewable energy, natural-gas fired power and midstream energy infrastructure assets, mostly in the U.S.

The deal comes amid tumult at GE, which last week fired John Flannery as chief execu-

tive for slow progress on turning around the company. GE has said it won't meet profit and cash-flow goals for 2018, and plans to take an accounting charge worth up to \$23 billion in its power unit. Larry Culp, the former CEO of Danner Corp., has been appointed to take Mr. Flannery's place.

The sale "reflects ongoing progress executing GE Capital's

strategy, and enables us to continue to deliver on our commitments and provide value to GE," Alec Burger, president of GE Capital, said in a statement.

In a statement Monday, GE and Apollo said they would seek to invest in "select future new energy infrastructure" deals going forward. The sale is expected to be completed in the fourth quarter.

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BUSINESS NEWS

Omnicom Outduels WPP for Ford Ads

By NICK KOSTOV

Ford Motor Co. has appointed **Omnicom Group** Inc.'s BBDO as its lead creative agency, following one of the most closely watched reviews on Madison Avenue this year.

The automotive company announced the appointment Monday, casting it as part of a new marketing strategy it said would yield \$150 million in cost savings annually. Ford also plans to put a greater emphasis on emerging technologies to create more personalized brand marketing.

The news is a setback for **WPP PLC**, which counts Ford as a top client, and comes a few weeks after the ad-holding firm named a new chief executive. Ford began re-evaluating its marketing model months ago, including the company's relationship with WPP, which had worked with the car marketer for decades.

Following the review, **Wieden+Kennedy** has been named as a "creative and innovation partner" for specific projects, Ford said.

WPP will continue to work with Ford on duties including media planning, media buying, shopper and performance marketing, website development and customer-relationship marketing.

Although it remains unclear whether WPP sustained a fee cut on the business it kept, the loss of Ford's creative duties will cut between \$100 million and \$150 million from WPP's annual revenue, according to a person familiar with the company.

A spokeswoman for WPP declined to comment on fees.

Creative work for Ford accounted for 1% to 1.5% of revenue at WPP, while overall duties for Ford comprised 5% of revenue, analysts at Kepler Group LLC said in a note last month.

WPP reported revenue of \$19.7 billion for last year.

"We accept this difficult decision with our heads held high," Satish Korde, who leads WPP's work on the Ford account, said in an internal memo. "WPP is assessing the impact and implications of this decision, which cannot be fully determined until more detail is known."

—Mike Colias
contributed to this article

Funds Press for Change at Bunge

D.E. Shaw joins with Continental Grain in seeking board seats at the grain trading firm

By DANA MATTIOLI AND CARA LOMBARDO

D.E. Shaw & Co. has boosted its stake in **Bunge Ltd.** and is pushing the grain trader to make operational improvements and add board members, according to people familiar with the matter.

The hedge fund is working with **Continental Grain Co.**, an agricultural-investment firm. The firms, which together own less than 5%, have been speaking to Bunge's man-

agement in recent weeks and could reach a settlement with the company, the people said.

The investors are trying to convince the White Plains, N.Y., grain trader to make its operations more focused, improve margins and replace board members. They aren't pushing for a sale of the company, which in recent years has received takeover interest from **Archer Daniels Midland Co.** and Glencore PLC, but eventually could do so, the people said.

"We have been engaged in ongoing dialogue with D.E. Shaw and Continental Grain and value their combined input, as we do with all our shareholders, with the objective of enhancing shareholder

value," a Bunge spokeswoman said.

It isn't clear how much of Bunge D.E. Shaw owns, but the people said it is more than the 0.06% the hedge-fund firm disclosed as of the end of June.

Continental Grain owns more than 1% of Bunge's shares.

In March, The Wall Street Journal reported that Continental Grain was preparing to push Bunge to consider strategic options. Bunge, which has a market value of about \$10 billion, was then in talks to sell itself to ADM. At the time, the negotiations were progressing at a slow pace and they later fell apart.

Last year, Glencore, a Swiss commodity trader, made a

takeover approach to Bunge, but the two sides didn't come to a deal.

Based in White Plains, N.Y., Bunge is among the world's biggest dealers in basic food-stuffs such as soybeans, corn and wheat. Its shares have returned 6.9% over the past 10 years including dividends, much less than the S&P 500's 13.8% total return, according to FactSet.

Agricultural companies like Bunge and ADM have struggled with a growing glut of crops worldwide, brought on by consecutive bumper harvests in North and South America. Prospects this year have improved due partly to a drought in Argentina, which trimmed soybean stockpiles

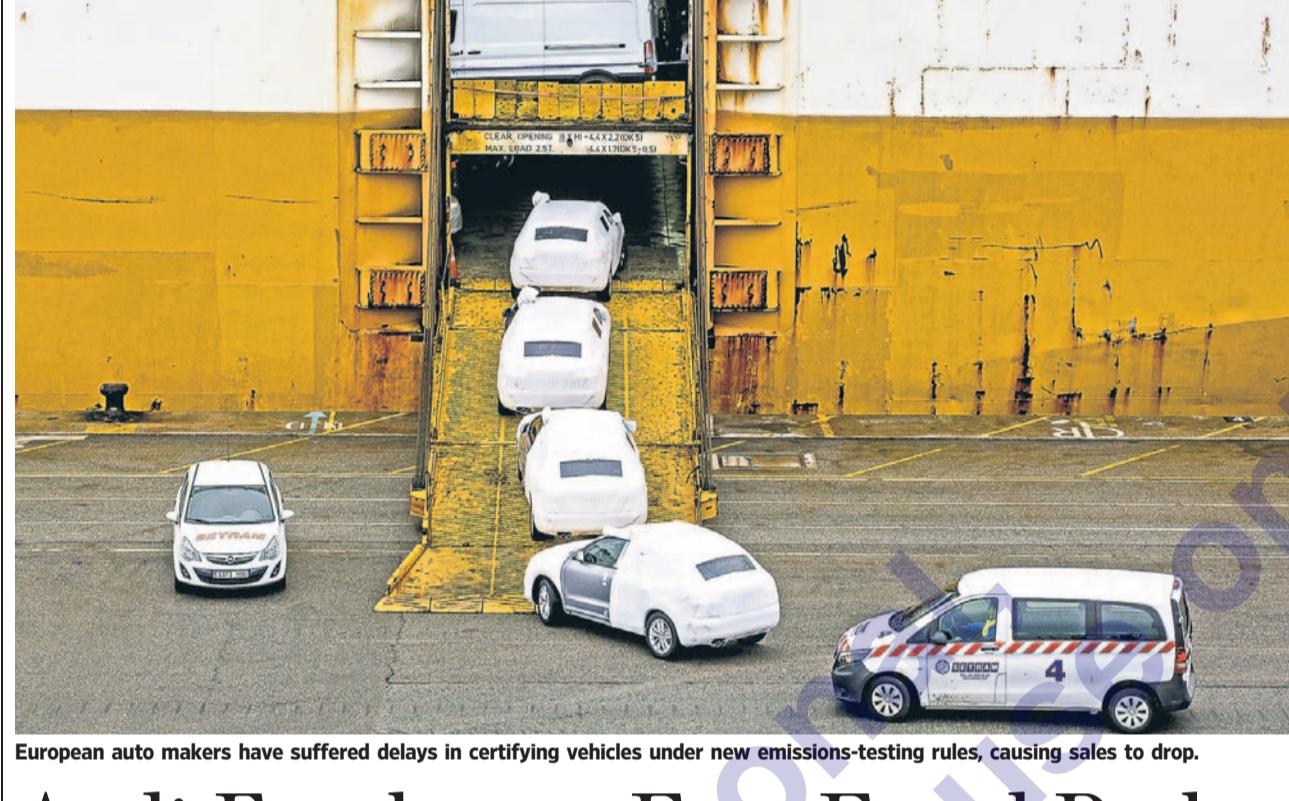
and helped lift prices.

Bunge in August surprised investors with a \$12 million second-quarter loss, driven by derivatives positions designed to protect the company's soybean-processing profits.

Bunge Chief Executive Soren Schroder said the company stood by its \$1.3 billion full-year profit forecast, assuring investors the company has locked in favorable profit margins over the remainder of the year. The company also is cutting costs and expects to eliminate \$150 million in expenses this year.

D.E. Shaw typically prefers to work with management behind the scenes.

—Jacob Bunge contributed to this article.



European auto makers have suffered delays in certifying vehicles under new emissions-testing rules, causing sales to drop.

Offshore Driller Ensco to Buy Rowan

By MICAH MAIDENBERG

Offshore driller **Ensco PLC** has agreed to buy **Rowan Cos.**, a deal the companies say will help them win business as the offshore oil market starts to grow again.

Under terms of the agreement, Rowan shareholders will receive 2.215 Ensco shares for each of their Rowan shares. The deal would offer Rowan shareholders roughly no premium based on Friday's closing price of \$18.78. Ensco stockholders will own 60.5% of the combined company, with Rowan shareholders owning the rest.

Ensco's market capitalization is currently \$3.7 billion, while Rowan's is \$2.4 billion, according to FactSet. The deal is expected to close in the first half of next year.

As oil prices increase and some analysts predict the per-barrel price could reach \$100, oil companies are anticipating a stronger environment for expensive offshore projects.

Ensco Chief Executive Carl Trowell will serve as executive chairman of the combined company.

Mr. Trowell said in prepared remarks that stakeholders in the combined company will share in "meaningful cost savings and even greater upside to improving market conditions as the industry recovery continues gaining momentum."

The combined company is expected to save around \$150 million in pretax expenses.

Ensco shareholders also will gain exposure to a joint venture involving offshore drilling rigs that Rowan has entered into with **Saudi Arabian Oil**, also known as Aramco, Mr. Trowell added.

Rowan's current CEO, Tom Burke, will serve in that role at the combined company, which will be based in the U.K.

◆ Heard on the Street: Hope floats for offshore drillers... B11

Audi Employees Face Fraud Probe

By WILLIAM BOSTON

BERLIN—German prosecutors have launched an investigation into three employees of **Volkswagen AG**'s luxury-car unit Audi suspected of falsifying documents to obtain road-worthiness certifications needed for vehicles to be exported to South Korea, a Munich prosecutor said Monday.

"We have three suspects, but there could be more," Karin Jung, a Munich prosecutor, said. The three are suspected of manipulating test results and mileage readings of the vehicles and falsifying the serial numbers, the prosecutor said.

This is one of several probes of Audi stemming from the 2015 admission by Volkswagen that it rigged millions of diesel-powered vehicles to cheat on emissions tests, although it isn't directly related to the emissions cheating.

Former Audi Chief Executive Rupert Stadler, ousted by Volkswagen last month, has been in jail since June on allegations he tried to tamper with witnesses in the diesel probe.

Audi, one of Volkswagen's main profit engines, also faces strong headwinds in its European business following a new emissions-testing regime.

Audi's European sales fell 56% in September and are down 7% so far this year.

Audi and some other European auto makers have suffered delays in certifying vehicles under the emissions-testing rules that took effect in September, causing a drop in sales.

German auto makers also have been hit by falling demand for diesel vehicles.

The company's sales worldwide are up 2% to 1.4 million so far this year, thanks to 15% growth in China and 4% growth in the U.S.

The new probe, reported earlier by German daily Süd-

deutsche Zeitung, is linked to a case that saw one Audi executive convicted of fraud in South Korea last year. The executive, a Korean national who wasn't identified by the courts, was sentenced to 18 months in prison for falsifying documents to achieve certification of the vehicles for export to South Korea.

When Munich authorities raided Audi's offices in connection with the diesel probe in March last year, they found an internal report related to South Korea. The report summarized findings of an internal investigation into the situation in South Korea.

By COSTAS PARIS

Norway's **BW LPG** has dropped a hostile \$1.1 billion takeover bid for U.S.-based **Dorian LPG Ltd.**, which would have created the world's biggest fleet of gas carriers for moving petroleum products like propane and butane.

"It is not normal practice nor in the best interest of our

shareholders to hold a proposal open indefinitely, especially when it is highly favorable to the counterparty," BW's chairman, Andreas Sohmen-Pao, said in a letter to Dorian's chief executive, John Hadjipateras on Monday. "Accordingly we hereby withdraw our proposal."

Dorian CEO John Hatzipateras said in a letter to BW on Monday that Dorian had re-

peatedly invited a higher offer but never got a response.

Liquefied-petroleum gas carriers are a rare bright spot in an otherwise depressed shipping market, beset by overcapacity and below-cost freight rates. But demand for liquefied-petroleum carriers is brisk, mainly to handle fast-growing U.S. propane exports to Asian markets such as Japan, China

and South Korea that use it for heating and cooking and as fuel for cars and buses.

Data from the U.S. Energy Information Administration show U.S. propane shipments tripled from 2013 to 900,000 barrels a day last year.

Oslo-listed BW launched its takeover attempt in May. If the merger had gone through, Dorian would have controlled

46% of the combined entity, with BW holding the remainder. Mr. Sohmen-Pao said BW is still open to the merger if Dorian's board decides to restart talks.

BW operates a fleet of 44 very large gas carriers and Dorian operates 22 ships.

Shares of Dorian, which is based in Stamford, Conn., fell 5.3% to \$7.56 on Monday.

LPG Fleet Operator Abandons Bid for U.S. Rival

By COSTAS PARIS

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TECHNOLOGY

WSJ.com/Tech

Facebook Makes Push Into Africa

Social-media giant helps provide link to internet in remote sections of Uganda

BY ALEXANDRA WEXLER

GULU, Uganda—A prominent red sign welcoming visitors to this remote and dusty agricultural city makes the announcement in capital letters: "This is now a 4G zone."

That is thanks in part to Facebook Inc., which, along with Indian telecom giant Bharti Airtel Ltd.'s Ugandan unit and Mauritius-based Bandwidth & Cloud Services Group, laid nearly 500 miles of fiber-optic cable across the isolated northwest of this East African nation. The project, begun in early 2017 and completed at the end of the year, has expanded the region's network capacity, providing faster internet access to an area with some three million people, many of whom live in towns still haunted by memories of the three-decade insurgency led by Joseph Kony's Lord's Resistance Army.

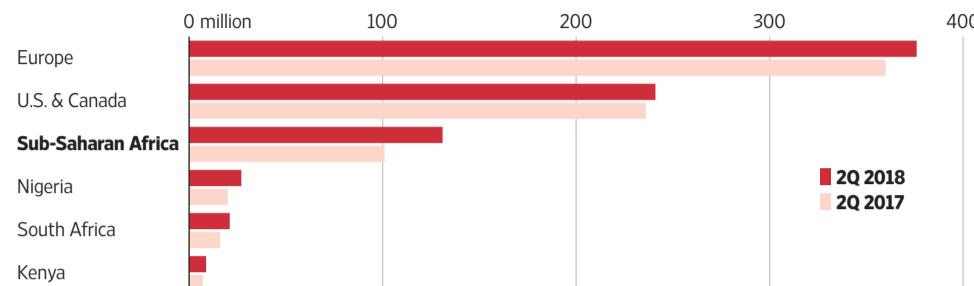
The Ugandan cable, the largest terrestrial network Facebook has helped construct in Africa, is part of what the social-media giant describes as a broader push to connect the approximately 3.8 billion people around the world who are still without internet service. The move comes as Facebook's user growth slows in developed markets such as the U.S. and Europe.

The Menlo Park, Calif.-based company's presence on the continent remains small compared with other regions. It has 131 million monthly active users from sub-Saharan Africa's approximately 1.06 billion population, nearly all of whom access the platform via a mobile phone. In Uganda alone, the potential for growth is substantial: just 42% of approximately 43 million Ugandans have a mobile phone, according to the Groupe Speciale Mobile Associ-

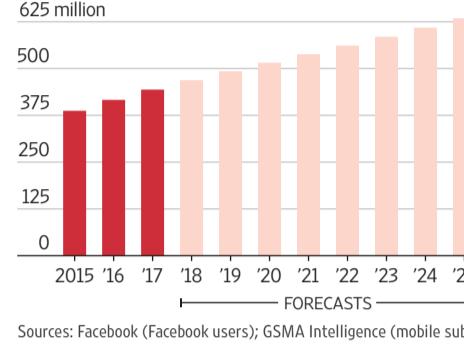
Requesting Friends

Facebook users in sub-Saharan Africa are growing quickly as more people buy mobile phones and internet connections speed up.

Monthly active Facebook users

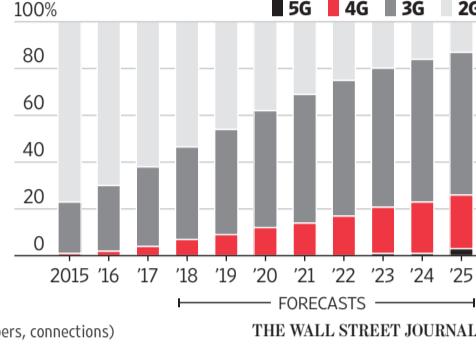


Unique mobile subscribers in sub-Saharan Africa



Sources: Facebook (Facebook users); GSMA Intelligence (mobile subscribers, connections)

Percentage of mobile connections in sub-Saharan Africa by broadband type



THE WALL STREET JOURNAL.



New internet cables in Uganda, where web access is now faster.

strategy takes a long view.

"It's not a philanthropic venture. It's a strategic investment with a long-term goal," said Ebele Okobi, Facebook's director of Africa public policy. "We see this as an enabler of our business, not as a way to gain advantages."

Dexter Thillien, a London-based analyst with Fitch Solutions, said Facebook, conscious of the risks, is still testing the waters in Africa. "It's where they can make the least money, at least right now," he said.

The word "Africa" appears just once in Facebook's 2017 annual report, to inform readers that the continent is included, along with the Middle East and Latin America, under its "Rest of World" designation.

Still, on the ground in northwestern Uganda, which hosts about a million refugees from conflicts in neighboring South Sudan and the Democratic Republic of Congo, the fiber effort has been cheered.

Dunyia Aslam Khan, public information officer for the United Nations Refugee Agency, said improved connectivity has made a big difference in running the sprawling camps in the region. Refugees are better able to connect with family members back home, take online courses and, of course, join Facebook.

"Connectivity was a huge problem," she said. "I'm speaking to you from my 3G mobile data, which was not possible a year ago."

Beyond logistical challenges, Facebook must also manage political risks, including those concerning its responsibility for the content on its platform. The company has come under fire for its handling of hate speech and misinformation in countries with few other sources of internet access, such as Myanmar. A U.N. report in August criticized Facebook for allowing leaders in the country to post content that investigators said inflamed ethnic violence against the Rohingya minority, a conflict the U.N. has deemed a genocide.

Video-Chat Devices Use Alexa, Social Ties

BY DEEPA SEETHARAMAN

Facebook Inc. is launching a pair of video-chat devices that will give it a deeper connection to what users do in their homes, even as the social-media company faces intense scrutiny of its privacy practices from U.S. and European regulators.

The devices, the \$199 Portal and the \$349 Portal+ with a larger, adjustable touch screen, allow customers to make video calls to their connections on Facebook or its chat app, Messenger.

The Portal camera detects how many people are in the room and automatically pans out and zooms in based on the crowd. A microphone array detects and amplifies the voice of the person speaking even if that person moves. These features run locally on each Portal device, not on Facebook servers, the company said.

Both devices come loaded with Amazon.com Inc.'s Alexa voice-assistant software—also found in Amazon's competing line of Echo speakers—allowing users to complete tasks like checking the weather and ordering groceries.

Company officials said in developing the Portal devices, Facebook took pains to show customers it will be responsible with their information.

Pressing the "mute" button on the device stops the circuit running to the Portal's camera and microphone so the features are cut off from power.

The Portal also comes with a physical shutter that goes over the camera. Facebook says it doesn't listen, view or retain the contents of video calls made over Portal.

Its camera doesn't use its facial-recognition software to identify people using the device.

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BUSINESS NEWS

Daimler Continues Shuffle

By WILLIAM BOSTON

BERLIN—Daimler AG's long-serving finance chief said Monday he wouldn't seek an extension of his contract that expires at the end of next year, adding to the management shuffle at the German car maker.

The decision by Chief Financial Officer Bodo Uebber comes after Daimler's board appointed Ola Källenius, the research and development chief, to succeed Chief Executive Dieter Zetsche.

Daimler declined to comment beyond stating that Mr. Uebber had informed the board chairman of his intention.

Mr. Uebber said in a statement issued by Daimler it was the "right time for the company to put his job into younger hands," but said the decision to leave "did not come easy."

The auto maker is reorganizing itself into three business units—trucks, passenger cars and mobility services, such as car-sharing and ride-hailing.

The three units will be independent companies under the umbrella of Daimler.

Mr. Uebber championed a



Finance chief Bodo Uebber isn't looking to extend his contract at the end of next year.

plan to turn Daimler into a holding company with a streamlined board responsible for strategy but without operational authority over the units. Mr. Zetsche, who also runs Mercedes-Benz cars, pushed to keep operational responsibility for the company's car business in the hands of Daimler's CEO. Also, Mr. Källenius was Mr. Zetsche's preferred candidate

to succeed him.

Arndt Ellinghorst, automotive analyst at Evercore ISI, wrote in a note last month that the appointment of Mr. Källenius was a "victory for Dieter Zetsche who managed to establish the continuation of one CEO for Daimler Group and Mercedes Cars."

On Monday, Mr. Ellinghorst said: "It's fair to say that Uebber was supporting a stronger

holding model with a separation of Daimler Group and operating business management functions."

Daimler didn't disclose who would succeed Mr. Uebber as chief finance officer.

Daimler's shares closed at €54.60 (\$62.65) in Frankfurt trading on Monday, down 1.8%, slightly underperforming the DAX index of German blue-chip stocks.

Starbucks Lures CFO From Hyatt

By TATYANA SHUMSKY
AND MICAH MAIDENBERG

Starbucks Corp. on Monday named Patrick Grismer its next chief financial officer, luring him away from the same position at Hyatt Hotels, as the coffee chain transitions from a period of rapid expansion to a more mature market position.

Mr. Grismer joins the company as its sales growth moderates and investors put greater emphasis on cost control, analysts said.

He will take over as CFO at Seattle-based Starbucks on Nov. 30, when the company's current finance chief, Scott Maw, retires.

Mr. Maw, a seven-year employee at Starbucks, has been finance chief since February 2014.

Mr. Grismer is currently CFO at Hyatt, a role he has held since March 2016. Before that he was finance chief at Yum! Brands Inc. and he worked for Walt Disney Co.

Mr. Grismer's acumen as a CFO at two global, consumer-facing businesses puts him on good footing to guide Starbucks through its metamor-

phosis from a rapidly expanding to a more stable business, analysts said.

"His extensive experience in leadership positions in scaled consumer businesses should help to bring fresh perspective to the [Starbucks] leadership team, complementing CEO Kevin Johnson's background in technology," David E. Tarantino, an analyst at Robert W. Baird & Co., wrote in a note to clients.

Starbucks has made several strategic moves to shore up its standing in recent quarters. The coffee chain in May agreed to sell the rights to offer its coffee and tea products in grocery and retail stores to Nestlé SA for more than \$7 billion.

The company also has invested in its digital footprint, with its rewards app accounting for 40% of tendered sales in the U.S. in the third quarter.

Still, the chain has been closing some stores in the U.S. and raising prices to help boost revenue.

In July, it lowered its forecast for global comparable sales growth during its fiscal year to less than 3%, down from 3% to 5%.

Fox Hires Former Trump Aide Hicks

By JOE FLINT
AND REBECCA BALLHAUS

Former White House Communications Director Hope Hicks will become chief communications officer of Fox, the company that will consist of **21st Century Fox Inc.'s** entertainment and news assets not being sold to **Walt Disney Co.**

The so-called new Fox will comprise Fox Broadcasting, Fox News and Fox Sports. Ms. Hicks will officially start as executive vice president and chief communications officer when the Disney deal closes, which is expected to occur during the first half of next year, a 21st Century Fox spokesman said.

The hiring of Ms. Hicks, who was a senior adviser to President Trump, will further contribute to a perception of closeness between Fox and the Trump administration. Mr. Trump earlier this year hired Bill Shine, a former top Fox News executive, to serve as White House deputy chief of staff for communications.

Fox Co-Chairman Rupert Murdoch also is executive chairman of Wall Street Journal parent **News Corp.**

In her role, Ms. Hicks will work closely with Chairman and Chief Executive Lachlan Murdoch and Viet Dinh, chief legal and policy officer, to whom she will report. She will be based in Los Angeles.

She was one of Mr. Trump's longest-serving aides before she resigned this spring.

A New CEO Might Be Lurking on the Board

By CHIP CUTTER

As the news broke on Oct. 1 that **General Electric Co.** had pushed out its chief executive and elevated a relatively new board member to run the conglomerate, Yale University management professor Jeffrey Sonnenfeld's phone lighted up.

The calls, texts and emails from the heads of Fortune 1000 companies, Mr. Sonnenfeld said, all essentially asked the same question: "Should I be worried about who we bring on boards now?"

Some of the chiefs wondered whether they would be better off seeking out long-retired executives as directors because they might represent less competition for CEOs' jobs, he said. "They worry about very young retirees with an unfulfilled career agenda."

It is more likely for a CEO to come from a company's internal executive ranks than from its board. Between 2013 and 2017, internal candidates made up about 75% of CEO appointments at S&P 500 companies, according to an analysis by Spencer Stuart, an executive search and leadership advisory firm.

GE's choice, in contrast, highlights the director-to-CEO route. The unusual trajectory works well for some companies because directors who become CEOs bring inside knowledge and relationships with fellow board members, said James Citrin, head of the North American CEO practice for Spencer Stuart.

Others say it can raise awkward dynamics and even some ethical questions, if a director eyes the CEO's job while simultaneously overseeing that executive, said James Tompkins, director of Kennesaw

State University's Corporate Governance Center. For instance, a board member hoping to nab the top job could set unreasonable goals for the current CEO, he said.

GE, one of America's most iconic companies, has struggled and is now essentially in the process of breaking itself apart. The company ousted John Flannery in a surprise move a week ago after warning that it won't make its cash and profit targets for the year. It named Larry Culp, the former CEO of Danaher Corp. who joined GE's board in April, as CEO.

GE declined to comment further about its appointment. Since 2013, at least 16 other companies in the S&P 500

After 12 years on Carnival Corp.'s board, Arnold Donald was sought out in 2013 to become CEO.

have chosen board members to succeed chief executives on a permanent basis, according to Spencer Stuart.

As more boards come under pressure to include younger and more diverse directors, executives who still have years of work ahead of them have become a desirable commodity. While that approach creates boards with more potential candidates, creating a CEO

bench is typically not companies' intent when selecting directors, said Charles Elson, director of the Weinberg Center for Corporate Governance at the University of Delaware. "I don't think it's the appropriate way to recruit someone," he said. "When you bring someone in to a CEO position, it's a very different calculation than when you bring someone on to a board."

Executives who have morphed from a director to CEO say the process takes work. Arnold Donald spent more than 12 years as a director at **Carnival Corp.** when he was approached to helm the company in 2013 after years of lower profits. Before accepting the role, he

reached out to each director and asked them to be "brutally honest." If they didn't support his elevation to CEO, he wanted them to say so.

"They may think I'm cool as a board member, but not necessarily running the company," Mr. Donald said. "I don't want to be in conflict with the people I've been in a collegial, purposeful partnership with."

While he was on the board, Mr. Donald said, he didn't expect to take over the CEO job. But his board tenure helped him to learn about the company's leadership and operational talent, along with the board's concerns, he said.

—Theo Francis contributed to this article.

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BUSINESS NEWS

Activist Elliott Tries Softer Tack

By CARA LOMBARDO

Elliott Management Corp., known for its brawls with CEOs and developing-world governments, is softening its image.

As the shareholder-activism landscape evolves and the influence of big index-fund managers like **BlackRock** Inc. and **Vanguard Group** grows, Elliott has been cultivating better relations with those investors and the companies it targets.

To spearhead the outreach to those investors, Elliott tapped its 30-year-old former research analyst, Christine O'Brien, whose job it is to market the firm as a force for sound corporate governance.

Ms. O'Brien's mandate is to highlight "the corporate-governance work Elliott has quietly been doing all along," she said in an interview.

Some activist-defense advisers and institutional investors, none of whom agreed to talk on the record for fear of hurting their relationships with Elliott, say Ms. O'Brien has helped humanize the firm and shift its focus away from winning support in any one fight and toward building long-term relationships.

Activist investors take stakes in public companies and press them, with varying degrees of force, to make changes designed to boost their stock prices. Elliott sticks out both for the volume of its campaigns as well as for their acrimony. Over its four-decade history, the \$35 billion fund has become known for its successful 15-year crusade to get Argentina to make payments on its defaulted bonds and for rancorous battles with companies such as **Arconic** Inc. and **Athenahealth** Inc.

A driving force behind Elliott's change in posture is a seismic shift in the priorities of the world's biggest investors as more cash flows into index funds. Operators of in-



Christine O'Brien is helping humanize Elliott, some observers say.

dex-tracking funds, which account for nearly \$10 trillion of assets world-wide according to Morningstar, tend to put more weight on governance considerations such as board diversity and executive compensation than the active managers they are increasingly displacing.

Jesse Cohn, a 38-year-old who runs U.S. equity activism

which at times have complicated its efforts to win support from the big institutional investors that play pivotal roles in proxy votes. Activist-defense advisers say Elliott lately has come across as more collaborative and thoughtful in its interactions with companies.

Mr. Cohn, who often alerts chief executives with phone calls when Elliott is about to disclose a sizable stake, has altered his script over the years to be less threatening. His new goal is to be seen more like a trusted adviser.

Whether the charm offensive will succeed is an open question, especially if companies and investors don't see it as genuine.

And Elliott hasn't completely abandoned the adversarial approach it is known for.

Beginning in May, for example, the firm waged a campaign at Athenahealth, a software company whose chief executive stepped down after details from a 2006 divorce proceeding about him assaulting his then-wife surfaced in a media report.

Though Elliott denies taking any part in bringing the information to light, its campaign drew wide-

Elliott's reputation for pugnacity has complicated efforts to win key support.

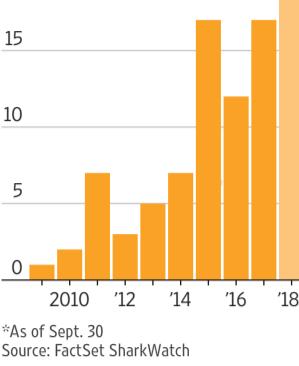
at Elliott, says the firm used to spend entire meetings arguing why a company needed to boost its margins or explore a sale. Now, he says, it devotes as much time to governance, which the largest index-fund operators have whole departments monitoring.

Another factor is Elliott's reputation for pugnacity, along with allegations that it and other hedge funds are too oriented toward the short term,

Battlefront

Elliott Management has launched a growing number of activism campaigns in recent years.

20 campaigns



*As of Sept. 30
Source: FactSet SharkWatch
THE WALL STREET JOURNAL.

European Firm Buys Wind-Farm Pioneer

By RUSSELL GOLD

One of Europe's largest wind developers is acquiring the company behind America's first offshore wind farm for \$510 million, as firms gear up for an expected expansion of wind power off the East Coast.

Ørsted AS said Monday that it would acquire Deepwater Wind, a leading U.S. offshore wind developer, from hedge fund **D.E. Shaw**.

Ørsted. The deal comes as the pace of offshore wind development along the U.S. East Coast begins to accelerate after years of false starts and lawsuits.

Massachusetts, New York and New Jersey have all set aggressive goals for offshore wind development over the next decade, creating investor excitement about the potential emergence of a new energy industry.

"We can see a very large industry emerging. We believe that over the next 10 years, we can see 10 gigawatts of offshore wind being built—and we want to be in a good position to take advantage of this growth," said Thomas Broström, chief executive of Ørsted's U.S. offshore wind division. That is the equivalent of about nine nuclear generating units.

He said the U.S. East Coast

was a very good place to develop offshore wind farms because there are strong and constant winds close to large cities and industrial hubs.

Deepwater Wind developed the Block Island Wind Farm off the coast of Rhode Island, the only operational offshore wind farm in the U.S. to date. It has several larger wind farms under development in New England and the mid-Atlantic.

Jeffrey Grybowski, chief executive of Deepwater Wind, said he thought offshore wind would grow quickly because building other types of infrastructure, such as natural-gas pipelines or overland transmission lines, is so challenging. "We can build a big power plant 20 miles offshore and out of sight," he said.

Ørsted, based in Copenhagen, has wind farms in Europe and Asia



Ørsted, based in Copenhagen, has wind farms in Europe and Asia

BUSINESS WATCH

NETFLIX

Production Hub Set For New Mexico

Netflix Inc. is buying its first production studio and opening a film and television production hub in New Mexico, the latest venture in the streaming entertainment giant's effort to expand its cache of content.

On Monday, Netflix said it is nearing a deal to buy **ABQ Studios**, a production studio complex in Albuquerque, N.M., that is owned by California-based **Pacifici Ventures**.

Netflix, which announced the plans with New Mexico officials including New Mexico Gov. Susana Martinez, said it would bring \$1 billion in production to

the state over the next decade and create up to 1,000 production jobs a year.

The state would provide Netflix up to \$10 million in economic development funding while the city committed a maximum of \$4.5 million, the company said.

—Maria Armental

KRAFT HEINZ

New Venture Fund Seeks Food Startups

Kraft Heinz Co., the giant behind some of America's most recognized foods like Oscar Mayer hot dogs and Mac and Cheese, has launched a venture capital fund to invest in a broad range of food-focused startups.

With \$100 million for the

first fund, Chicago-based Evolv Ventures will back companies at multiple points in the food chain, from alternative-protein providers to new snack categories to agriculture technology.

"We're looking at everything from the industrial side of getting food from farms to factories and bringing it to retail, to new models of supply chains and companies that develop predictive analytics for better consumer data marketing" said Evolv Ventures General Partner Bill Pescatello.

—Heather Mack

LANNETT

Drugmaker Weighs Financing Options

Generic pharmaceutical company **Lannett** Co. is exploring "a range of alternatives" for its debt structure as it copes with price-fixing lawsuits and the loss of a key supply deal.

Lannett said Monday that it has engaged law firm **Kirkland & Ellis LLP** and financial adviser **Lazard** Ltd. to "more closely analyze financing options" following termination of a distribution contract.

Last month, Lannett said its agreement with **Jerome Stevens Pharmaceuticals** Inc. wouldn't be renewed past, resulting in a \$340 million asset write-down. Lannett stock fell nearly 21% to \$3.75 Monday.

Lannett is one of many drug distributors to come under scrutiny from state and federal regulators over pricing of generic medications.

—Andrew Scurria

APPLEBEE'S

Restaurateur Objects To Franchisee's Plan

Applebee's Restaurants LLC is objecting to a franchisee's plan to leave chapter 11, saying it isn't clear that a \$10 million offer by the franchisee's private-equity owner to take it out of bankruptcy reflects its market value.

RMH Franchise Holdings Inc., the second-biggest franchisee of Applebee's restaurants, sought protection from creditors in May. Applebee's, owned by **Dine Brands Global** Inc., is an unsecured creditor in the proceedings and is owed more than \$14 million in past-due royalties and advertising fees, a court filing has shown.

—Dow Jones Newswires

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CLASS ACTION

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

GARY HEFLER et al.,
Plaintiffs,
vs.
WELLS FARGO & COMPANY et al.,
Defendants.

Case No. 3:16-cv-05479-JST

CLASS ACTION

SUMMARY NOTICE OF (I) PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT; (II) SETTLEMENT HEARING; AND (III) MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

TO: All persons and entities who, during the period from February 26, 2014 through September 20, 2016, inclusive, purchased the common stock of Wells Fargo & Company ("Wells Fargo") (the "Settlement Class").

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS WILL BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT.

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Northern District of California, that the above-captioned litigation (the "Action") has been certified as a class action on behalf of the Settlement Class, except for certain persons and entities who are excluded from the Settlement Class by definition as set forth in the full printed Notice of (I) Pending of Class Action and Proposed Settlement; (II) Settlement Hearing; and (III) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses (the "Notice").

YOU ARE ALSO NOTIFIED that Lead Plaintiff in the Action has reached a proposed settlement of the Action for \$480,000,000 in cash (the "Settlement"), that, if approved, will resolve all claims in the Action.

The Action involves allegations that Wells Fargo and certain of its officers and directors violated federal securities laws. Plaintiffs allege that, during the period from February 26, 2014 through September 20, 2016, Wells Fargo and certain of its officers and directors made misrepresentations and omissions about Wells Fargo's "cross-selling" business model, including failing to disclose that thousands of Wells Fargo employees were opening unauthorized deposit and credit card accounts without the knowledge or consent of Wells Fargo's customers, in violation of Sections 10(b) and/or 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"). Plaintiffs also allege that certain individual Defendants sold Wells Fargo common stock while in possession of material non-public information, in violation of Section 20(a) of the Exchange Act. Defendants deny the allegations in the Action and deny any violations of the federal securities laws. Issues and defenses at issue in the Action included (i) whether Defendants made materially false statements; (ii) whether Defendants made the statements with the required state of mind; (iii) whether the alleged misstatements caused class members' losses; and (iv) whether damages, if any.

A hearing will be held on December 18, 2018 at 2:00 p.m., before the Honorable Jon S. Tigar at the United States District Court for the Northern District of California, Courtroom 9 of the Phillip Burton Federal Building and U.S. Courthouse, 450 Golden Gate Avenue, San Francisco, CA 94102, to determine (i) whether the proposed Settlement should be approved as fair, reasonable, and adequate; (ii) whether the Action should be dismissed with prejudice against Defendants; and the Releases specified and described in the Stipulation and Agreement of Settlement dated July 30, 2018 (and in the Notice) should be granted; (iii) whether the proposed Plan of Allocation should be approved as fair and reasonable; and (iv) whether Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses should be approved.

If you are a member of the Settlement Class, your rights will be affected by the pending Action and the Settlement, and you may be entitled to share in the Settlement Fund. If

you have not yet received the Notice and Claim Form, you may obtain copies of these documents by contacting the Claims Administrator at **Wells Fargo Securities Litigation**, c/o Epiq, P.O. Box 3770, Portland, OR 97208-3770, 1-855-349-6457. Copies of the Notice and Claim Form can also be downloaded from the website maintained by the Claims Administrator, www.WellsFargoSecuritiesLitigation.com.

If you are a member of the Settlement Class, in order to be eligible to receive a payment under the proposed Settlement, you must submit a Claim Form **postmarked no later than January 23, 2019**. If you are a Settlement Class Member and do not submit a proper Claim Form, you will not be eligible to share in the distribution of the net proceeds of the Settlement but you will nevertheless be bound by any judgments or orders entered by the Court in the Action and you will not be eligible to share in the proceeds of the Settlement.

If you are a member of the Settlement Class and wish to exclude yourself from the Settlement Class, you must submit a request for exclusion such that it is **received no later than November 27, 2018**, in accordance with the instructions set forth in the Notice. If you properly exclude yourself from the Settlement Class, you will not be bound by any judgments or orders entered by the Court in the Action and you will not be eligible to share in the proceeds of the Settlement.

Please do not contact the Court, the Clerk's office, Wells Fargo, any other Defendants or their counsel regarding this notice. All questions about this notice, the proposed Settlement, or your eligibility to participate in the Settlement should be directed to Lead Counsel or the Claims Administrator.

Inquiries, other than requests for the Notice and Claim Form, should be made to Lead Counsel:

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP
Salvatore J. Graziano, Esq.
1251 Avenue of the Americas, 44th Floor
New York, NY 10020
(800) 380-8496
www.blglaw.com

Requests for the Notice and Claim Form should be made to:

Wells Fargo Securities Litigation
c/o Epiq
P.O. Box 3770
Portland, OR 97208-3770
855-349-6457
www.WellsFargoSecuritiesLitigation.com

By Order of the Court

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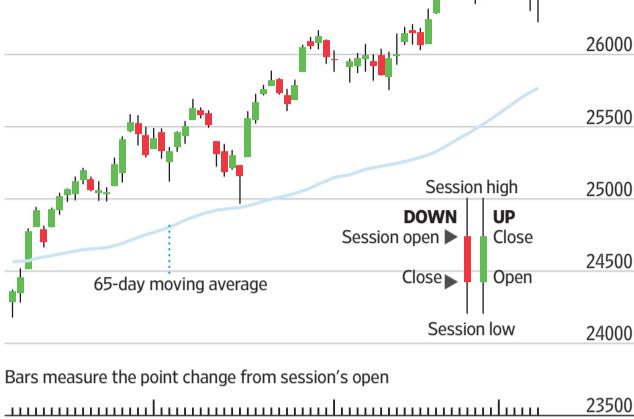
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

26486.78 ▲ 39.73, or 0.15%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.93 20.85
 P/E estimate * 17.18 19.30
 Dividend yield 2.09 2.26
 All-time high 26828.39, 10/03/18



Bars measure the point change from session's open

Current divisor 0.14748071991788
 Session high 26500
 Session open ▶ 25000
 Close □ 24500
 Open ▲ 24000
 Session low 24000

65-day moving average

July Aug. Sept. Oct.

23500

22500

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Bars measure the point change from session's open

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest	
	Open	High	Low	Settle	Chg	Interest		
Copper-High (CME) -25,000 lbs.; \$ per lb.	2,7360	2,7380	▲	2,7320	2,7550	0.0040	799	
Oct	2,7360	2,7380	▲	2,7320	2,7550	0.0040	122,343	
Dec	2,7385	2,7910	2,7350	2,7670	0.0040	122,343		
Gold (CMX) -100 troy oz.; \$ per troy oz.	1201.00	1201.00	1183.70	1184.40	-16.80	2,148		
Oct	1201.00	1201.00	1183.70	1184.40	-16.80	2,148		
Dec	1206.70	1208.00	1186.00	1188.60	-17.00	375,977		
Feb'19	1213.50	1213.50	1192.00	1194.50	-17.00	49,743		
Jun	1223.10	1223.10	1205.00	1206.60	-17.00	14,473		
Aug	1226.70	1228.00	1211.50	1224.40	-17.20	2,251		
Dec	1230.00	1230.00	1223.60	1224.90	-17.30	5,304		
Palladium (NYM) -50 troy oz.; \$ per troy oz.	1058.70	1069.30	1048.60	1068.90	11.80	23,050		
March'19	1050.00	1061.90	1044.50	1062.30	11.70	1,623		
Platinum (NYM) -50 troy oz.; \$ per troy oz.	821.80	821.80	809.50	814.10	-7.00	71		
Jan'19	825.20	827.10	812.40	818.30	-6.20	70,669		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	1421.5	1424.0	1421.5	1425.9	-0.310	4		
Dec	1446.65	14,700	14,285	14,329	-0.320	166,612		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	74.44	74.58	73.07	74.29	-0.05	327,679		
Dec	74.37	74.49	72.98	74.17	-0.09	323,217		
Gasoline-NY RBOB (NYM) -42,000 gallon; \$ per gal.	19.18	74.36	72.88	74.03	-0.12	167,586		
Nov	2.0868	2.0974	2.0484	2.0937	.0076	144,658		
Dec	2.0831	2.0910	2.0453	2.0851	.0025	91,149		
Natural Gas (NYM) -10,000 MMBtu's; \$ per MMBtu	3.182	3.294	▲	3.174	3.267	.124	289,576	
Dec	3.225	3.324	3.218	3.289	.101	181,553		
Jan'19	3.288	3.378	3.281	3.333	.080	211,929		
March	3.010	3.049	3.009	3.039	.049	222,484		
April	2.720	2.745	▲	2.712	2.742	.029	175,049	
Oct	2.739	2.759	▲	2.738	2.757	.022	96,582	

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Oats (CBT) -5,000 bu.; cents per bu.	380.25	381.00	376.00	378.50	-1.50	353,830	
Dec	285.75	287.00	279.00	282.25	-4.75	4,014	
March'19	278.00	278.00	276.00	275.00	-4.00	1,127	
Soybeans (CBT) -5,000 bu.; cents per bu.	870.00	874.75	862.50	869.75	.75	357,025	
Jan'19	883.25	887.75	876.00	883.00	.50	151,254	
Soybean Meal (CBT) -100 tons; \$ per ton.	317.60	317.60	314.00	314.20	-1.40	694	
Dec	320.30	322.40	317.90	318.50	-1.10	214,517	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	29.10	29.34	28.91	29.33	.25	460	
Dec	29.42	29.65	29.09	29.64	.23	228,688	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1073.50	1090.50	1071.50	1087.50	5.50	5,462	
Nov	1099.00	1108.50	1092.00	1106.00	3.00	2,341	
Wheat (CBT) -5,000 bu.; cents per bu.	524.00	525.50	512.75	514.00	-7.00	227,293	
March'19	542.50	544.25	532.75	534.00	-6.25	112,781	
Wheat (K) -5,000 bu.; cents per bu.	526.50	528.75	516.00	517.50	-6.75	153,190	
Dec	550.00	551.00	539.75	540.75	-6.00	67,765	
Wheat (MPLS) -5,000 bu.; cents per bu.	591.75	594.00	587.75	589.00	-2.25	33,489	
March'19	603.75	604.75	600.00	601.00	-2.50	16,519	
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	157.400	157.800	156.450	157.675	-.100	5,892	
Oct	157.950	158.575	157.175	158.425	.200	21,637	
Cattle-Live (CME) -40,000 lbs.; cents per lb.	113.700	114.450	112.950	114.175	.375	27,373	
Dec	118.025	118.625	117.150	118.250	.100	129,095	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	68.900	69.125	68.375	68.450	.250	14,983	
Dec	57.600	58.325	57.300	57.550	.250	104,190	
Lumber (CME) -110,000 bd ft.; \$ per 1,000 bd ft.	352.50	357.00	343.20	353.50	3.20	1,935	
Jan'19	353.10	359.70	350.70	359.60	3.00	1,131	
Milk (CME) -200,000 lbs.; cents per lb.	15.81	15.86	15.78	15.84	.03	4,309	
Nov	16.00	16.07	15.98	16.03	-.02	4,468	
Cocoa (ICE-US) -10 metric tons; \$ per ton.	2.041	2.105	2.031	2.086	.62	111,664	
March'19	2.070	2.122	2.059	2.109	.61	74,412	
Coffee (ICE-US) -37,500 lbs.; cents per lb.	110.60	112.95	110.45	111.85	2.90	160,357	
March'19	113.70	116.35	113.70	115.35	2.95	76,156	
Sugar-World (ICE-US) -112,000 lbs.; cents per lb.	12.71	12.98	12.70	12.94	.31	443,311	

Agriculture Futures

	Contract						
	Open	High	Low	Settle	Chg	Interest	
Corn (CBT) -5,000 bu.; cents per bu.	368.50	369.50	364.25	366.50	-1.75	861,187	
Dec	368.50	369.50	364.25	366.50	-1.75	861,187	

Cash Prices | WSJ.com/commodities

Monday, October 08, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.							
Monday							
Energy							
Propane,tet,Mont Belvieu-g	1,0374						
Butane,normal,Mont Belvieu-g	1,2374						
Coal,C.Aplc,1,250,000Btu,1,250S2-r,w	76,600				</		

MONEY & INVESTING

STR/AGENCE FRANCE PRESSE/GETTY IMAGES
A factor in Monday's selloff was last week's 4.4% drop in Hong Kong's Hang Seng Index.

Delayed Reaction

Chinese stocks fell sharply on their first trading day after a weeklong public holiday.

Index performance



Source: SIX

THE WALL STREET JOURNAL.

Emerging Markets Trying to Limit Pain

Pakistan's decision to start bailout talks with the International Monetary Fund is the latest in a series of threats to hit emerging markets that have been challenged by weakening currencies and rising

By **Josh Zumbrun** in Washington,
Paul Hannon in London and **Saumya Vaishampayan** in Hong Kong

U.S. interest rates.

While Pakistan has unique issues, including a ballooning trade deficit and ambitious infrastructure program, the stronger dollar and higher U.S. rates more broadly are leading capital to flow out of emerging markets. That has caused financial strain, including challenges paying off U.S. dollar debt and pressure on developing-economy stock markets.

Fears of a broad emerging-market crisis emerged in May, when Argentina's peso fell so sharply that the nation sought a bailout from the IMF. The Turkish lira, falling throughout the year, tumbled in early August.

Pakistan's Finance Minister Asad Umar will begin negotiations at the annual meeting of the IMF in Bali, Indonesia, this week, Pakistan's finance ministry said Monday.

Many emerging markets—including Mexico, Indonesia, India and the Philippines—have responded with higher interest rates of their own to insulate their economies, limiting the scope of emerging-market stress, but Pakistan's announcement shows the risk of escalating problems in emerging markets hasn't gone away.

"The major enemy most of the central banks are forced to address is time," said Roland Miett, an emerging-markets portfolio manager at Pacific Investment Management Co. in Singapore. "The longer the pressures continue, the more gradually difficult it will be."

Several factors so far have helped to prevent problems in individual emerging markets like Pakistan and Turkey from turning into a global contagion.

Clear communication from the Federal Reserve that it would raise rates gradually has given emerging economies time to adjust. A powerful display of IMF firepower, which came to Argentina's rescue, reassured investors that other countries wouldn't be allowed to spiral out of control.

Officials in many emerging markets also have made some difficult adjustments of their own. Indonesia's central bank, for example, has raised short-term interest rates five times since May and intervened in the currency market to stabilize the rupiah.

The government also delayed construction of power plants that would have required imported goods and raised a tax on some foreign products. The Reserve Bank of India lifted borrowing costs twice this year. Mexico raised its target interest rate to 7.75% from 5.75% last year. Negotiators from rival political parties worked together to hash out a rewrite of the North American Free Trade Agreement, resolving a source of uncertainty.

The Institute of International Finance, a banking group in Washington that tracks emerging markets, was among the first to sound the alarms about vulnerabilities in emerging markets, arguing that a number of markets had overvalued currencies.

"The most egregious FX overvaluations have been eliminated," Robin Brooks, the chief economist of the IIF, said in an email.

In its global economic forecasts released last week, the IIF said the biggest risk to emerging markets is no longer the currency turmoil from earlier, but rather the risks of a slowdown in China, perhaps exacerbated by escalating tariffs.

The IIF's forecasts project that Argentina's and Turkey's economies will contract in 2019, but nearly all other major emerging markets will continue to expand.

China Stocks Catch Up to Selloff

BY SHEN HONG

Chinese stocks suffered their worst day in more than three months, as traders and investors returned from a weeklong national holiday and caught up to a global selloff that has dragged down many emerging markets.

The benchmark Shanghai Composite Index fell 3.7%, its biggest single-day loss since June 19. Its smaller and tech-heavy counterpart in Shenzhen fell 3.8%. The losses were broad-based and included banks, real-estate developers and tech stocks such as ZTE Corp. that are at the forefront of the escalating U.S.-China trade fight. Early Tuesday, the Shanghai index was down 0.1% and the Shenzhen benchmark was up 0.5%.

Monday's declines came despite steps Beijing took over the

weekend to free up more funds for banks to help support the economy. To some market participants, the weak sentiment was further evidence of deep investor pessimism within the country as growth slackens.

"The selloff is of course partly due to last week's global market weakness, but deep down it still reflects a lack of confidence in the economy's future among local investors," said Deng Wenyuan, an analyst at Soochow Securities. "Markets, after all, are forward looking."

For the fourth time this year, the People's Bank of China said it would cut the portion of reserves most commercial banks are required to hold. The latest reduction, of 1 percentage point, would release 1.2 trillion yuan (\$174.72 billion) of fresh funds to lenders, the central bank said Sunday.

The easing followed recent data showing China's economy continuing to lose steam, partly because of the effect of the U.S.-China trade conflict on domestic manufacturers.

Last week, when Chinese markets were shut for Golden Week, stock markets fell globally after strong U.S. economic data helped send Treasury yields soaring. The rise reflected heightened expectations of further interest-rate increases by the Federal Reserve, which would likely draw even more international capital to the world's largest economy. The Fed has raised rates three times this year.

Another factor in the selloff in Chinese markets was last week's 4.4% drop in Hong Kong's benchmark Hang Seng Index, which includes many large Chinese companies. The MSCI

Emerging Markets Index declined 4.5% last week.

On Monday, the Hang Seng Index fell an additional 1.4% to a 15-month low. In the currency markets, the dollar rose 0.4% against the yuan after the Chinese central bank fixed its currency against the greenback at its lowest level since May 2017.

"I think investors' reaction is a little exaggerated," said Wu Zhaoyin, chief strategist at AVIC Trust Co., which manages roughly 650 million yuan (\$94.6 million) in assets. He said that while Hong Kong is feeling the pinch from higher U.S. interest rates due to its currency's peg to the dollar, China's monetary policy is independent from the Fed's.

Monday's declines came after a short-lived rebound for China's battered \$7 trillion stock market in late September. The Shanghai

Composite Index is down nearly 18% for the year, making it one of the worst-performing major markets.

Yves Bonzon, chief investment officer at Swiss private bank Julius Baer, doesn't expect an imminent rebound in Chinese markets. While earnings among Chinese companies have held up this year and the economy has been decent, the depressed market has been driven by trade relations between Beijing and Washington.

He said the firm typically recommends portfolios have a 5% allocation to Chinese equities. In light of continued trade tensions and Chinese domestic policy concerns, he is reassessing that position and deciding "whether a long-term strategic allocation to China is still warranted."

—Steven Russolillo contributed to this article.

Two Ships Collide Off Corsica Causing 3-Mile Oil Spill

A containership and a ferry collided off the island of Corsica in the Mediterranean Sea causing a 3-mile-long spill of heavy fuel, with French and Italian coastal authorities scrambling to contain it.

French maritime officials said the Tunisia registered ferry Ulisse carrying trucks, rammed the Cyprus registered CSL Virginia, which was anchored around 15 miles off the Corsican coast, on Sunday. The collision smashed a hole in the hull of one of the ships, causing the fuel leak. There were no injuries.

"The spill is quite big, but there is not much wind, which will help the containment efforts," one official said. "We still don't know how much more fuel may spill when the two ships are separated, but we are putting booms to contain it."

It wasn't immediately known how much fuel the two vessels had in their tanks.

Two French and three Italian ships were sent to the area along with helicopters and aircraft.

An investigation is under way into what caused the collision.

—Costas Paris

STANISLAS GENTILI/GENDARMERIE NATIONALE/AP/GETTY



Yields on Italian Bonds Hit Multiyear High

BY GEORGI KANTCHEV

EU's 3% limit.

Late last week, the European Commission, the EU's executive arm, said Italy's budget plans are a "significant deviation" from the recommended fiscal policies and a "source of serious concern."

On Monday, Italy's interior minister, Matteo Salvini, criticized European Commission President Jean-Claude Juncker and Economics Commissioner Pierre Moscovici.

"The enemies of Europe are those sealed in the bunker of Brussels. It is Juncker and Moscovici who have brought fear and job insecurity to Eu-

rope," Mr. Salvini told reporters.

Italy is the eurozone's biggest government borrower, but its government has promised policies that will likely add to the debt pile, such as tax reductions, a so-called citizens' income and pension overhaul.

The rise in Italian bond yields Monday widened the

their gap over German bund yields to over 3 percentage points. Other major European government debt markets were broadly stable.

Investors are awaiting pos-

sible downgrades by major ratings firms. S&P and

Moody's both are expected to issue their reviews later this month, with the latter having already placed Italy on outlook for a downgrade.

A downgrade would push Italy's credit rating close to junk status, which if hit would make Italian debt off limits for some funds and put further pressure on the country's markets.

"As the possibility of Italy losing its investment grade has emerged on the horizon, institutional investors have naturally [reduced their holdings], as many of their funds cannot hold junk-rated debt,

should that happen," Erik Nielsen, chief economist at UniCredit Bank, said in a note to clients.

A deepening selloff of Italian bonds and banks has re-

vised concerns over the "doom loop" between weak lenders and fragile government finan-

cies. Italian banks have in-

creased their already large portfolios of the country's bonds and the recent fall in

their value will have eroded the sector's capital cushion, which is needed to protect it from future financial shocks.

—Giovanni Legorano contributed to this article.

New Heights

Yields on Italian government debt have risen to their highest level in 4½ years.

Italy's 10-year government-bond yield



Source: Tullett Prebon Information

THE WALL STREET JOURNAL.

Interior Minister Matteo Salvini criticized the European Commission.



HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

PBOC Move Skirts Larger Issues

No one likes a back-seat driver. As China's central bank steers the economy through increasingly perilous terrain, it must fend off voices either shouting for more gas or cautioning for restraint.

So the central bank's decision to cut banks' required cash reserves, releasing a net 750 billion yuan (\$109 billion) of liquidity, is bound to generate criticism.

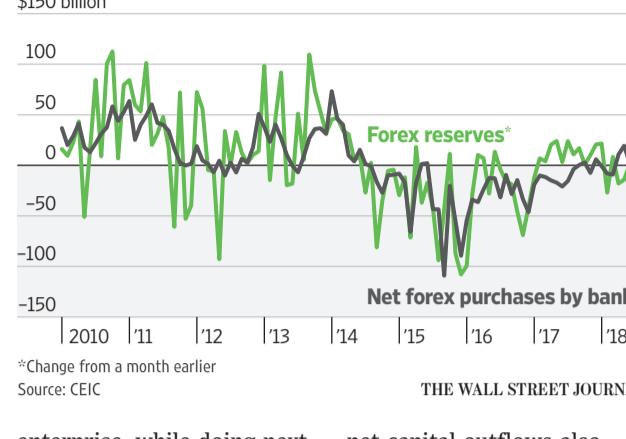
The reality is that the People's Bank of China so far has walked the policy-easing tightrope pretty well. Though it is pushing rates down in the middle of the Federal Reserve's rate-increase cycle, there haven't been big capital outflows from China.

Net foreign-exchange sales by banks were just \$15 billion in August, a far cry from monthly sales as high as \$109 billion in late 2015. Other emerging markets, such as Indonesia, are having to raise rates to stave off capital flight.

The real problem is that Beijing's chosen policy mix is storing up trouble in the form of weaker private

Narrow Path

Chinese foreign-exchange data



*Change from a month earlier

Source: CEIC

enterprise, while doing next to nothing to address China's deep-seated moral-hazard problems.

The central bank is enjoying some luck. Foreigners are still piling into Chinese stocks and debt: Net inflows into Chinese government bonds through August this year totaled \$62 billion, largely thanks to their planned inclusion in a key international bond index in 2019.

China's capital controls are holding firm, too. Mild

net capital outflows also reflect the fact that this easing cycle is, so far, much shallower than the last from late 2014 to mid-2016—Chinese 10-year treasury yields have fallen by only about 0.4 percentage point from their late 2017 peak.

The PBOC has also loosened enough to prevent major bond-market ructions at home. Private manufacturers are struggling but defaults by heavily indebted property developers and big state-owned entities—which

could really tank the bond market—have largely been avoided.

The real problem is the lack of progress—and in some cases, regression—in other policy areas.

Better finances for state-owned firms and a smaller shadow-banking sector have been accomplished in part by shutting down state-owned companies' private competitors and starving the private sector of credit. Large-scale government purchases of empty apartments have bailed out real-estate developers. None of this will encourage banks to lend more to efficient private companies or encourage property developers to invest more sensibly.

The PBOC wants a mild easing cycle not just to keep the yuan steady—it also knows that none of the fundamental problems with credit allocation in China have really been solved. If growth dips too low again and another big stimulus is ultimately required, another big buildup of bad debt is all but inevitable.

—Nathaniel Taplin

OVERHEARD

It is no secret that the most magical place on earth has become one of the most expensive ones, too.

Getting into Walt Disney World when it opened back in 1971 would set you back \$9 for a family of four, plus a bit extra for the rides, according to the Orlando Sentinel. Now a single day's entry to the Magic Kingdom costs \$476 if the children are at least 10 years old.

The company has encountered little pricing sensitivity as the parks are routinely crowded.

Some guests were willing to pay even more for a less-crowded version of the offering.

Early Morning Magic allows customers to get into the Magic Kingdom 75 minutes before the hoi polloi for an additional \$69 per adult and \$59 per child, with breakfast included.

Now, in addition to introducing different prices depending on how popular the park is on any given day, it is also raising the cost of early entry by \$10 per person.

Time is money, even in the land of make believe.

Hope Floats For Offshore Oil Drillers

Companies that make their money in the offshore energy market were dead in the water until recently.

While the mood has improved with oil prices reaching a four-year high, **Ensco** PLC is still buying rival offshore driller **Rowan Cos.** from a position of weakness rather than strength.

Rowan's shares are up by 50% this year and Ensco's have risen by 80%, but the two companies' combined market value is barely one-third of what it was at the beginning of 2014.

The economics of offshore drilling have deteriorated not just because oil prices remain lower than their previous peak, but because on-shore shale production has become much more efficient, attracting more capital. At the same time, the offshore drilling-rig market remains oversupplied.

Ensco and Rowan combined will have a fairly modern fleet, but rig pricing won't improve industrywide until rivals retire older rigs. Meanwhile, the combined company plans to save \$150 million annually—a figure it capitalizes at a meaningful \$1 billion after taxes, or about 15% of combined market value.

Investors in the combined firm should be pleased about those savings while understanding the rally in the drillers' shares this year is about the more distant future. Higher oil prices are spurring some offshore activity but not better rig pricing. Analysts' forecasts for both companies even for 2019 have fallen in recent months.

The rig market will tighten eventually, but short-term factors elevating oil prices may have faded by then, too.

—Spencer Jakab

Google Needs Political Savvy to Combat Image Problems

For all the brilliance housed at Google's Silicon Valley headquarters, political astuteness seems in awfully short supply.

Consider last month when parent company **Alphabet** Inc. declined to send one of its top officers to Washington to sit alongside peers from **Facebook** and **Twitter** to field questions from the Senate Intelligence Committee. An even more damaging reminder came on Monday, when The Wall Street Journal reported that the company found a potentially damaging bug in the heart of

its Google+ social network this spring but chose not to publicly disclose it.

That bug could have allowed outside developers to access users' nonpublic data. Tests by the company found a relatively small number of users were exposed to the flaw, but the bug existed within the service's code for more than two years before its discovery, making it difficult for the company to fully quantify the potential impact. Google announced several corrective steps in response on Monday, including the full shutdown of Google+

for consumers. But Google also defended its decision to keep the news under wraps, claiming that there is no evidence that any developer was aware of the bug or had misused any user data.

Sitting on the news does dent the company's image, though, as did its absence in Washington.

CEO Sundar Pichai reportedly has been meeting with lawmakers since to repair some of the damage. Even better would be for Google to start doing the smart thing—and the right one—the first time around.—Dan Gallagher

Social Ills

Share-price performance, trailing 12 months



Source: SIX

MARKETS

BY IRA JOSEBASHVILI

AND GEORGI KANTCHEV

U.S. stocks stalled as a rout in the technology sector dragged down everything from chip makers to social-media companies to software developers.

Major indexes have been under pressure since last week, when a bond sell-off sent Treasury yields to multiyear highs. The recent run in bond yields has made some wary that the market could be headed toward a rotation in which investors are encouraged to pull back from riskier assets as holding risk-free ones become more attractive.

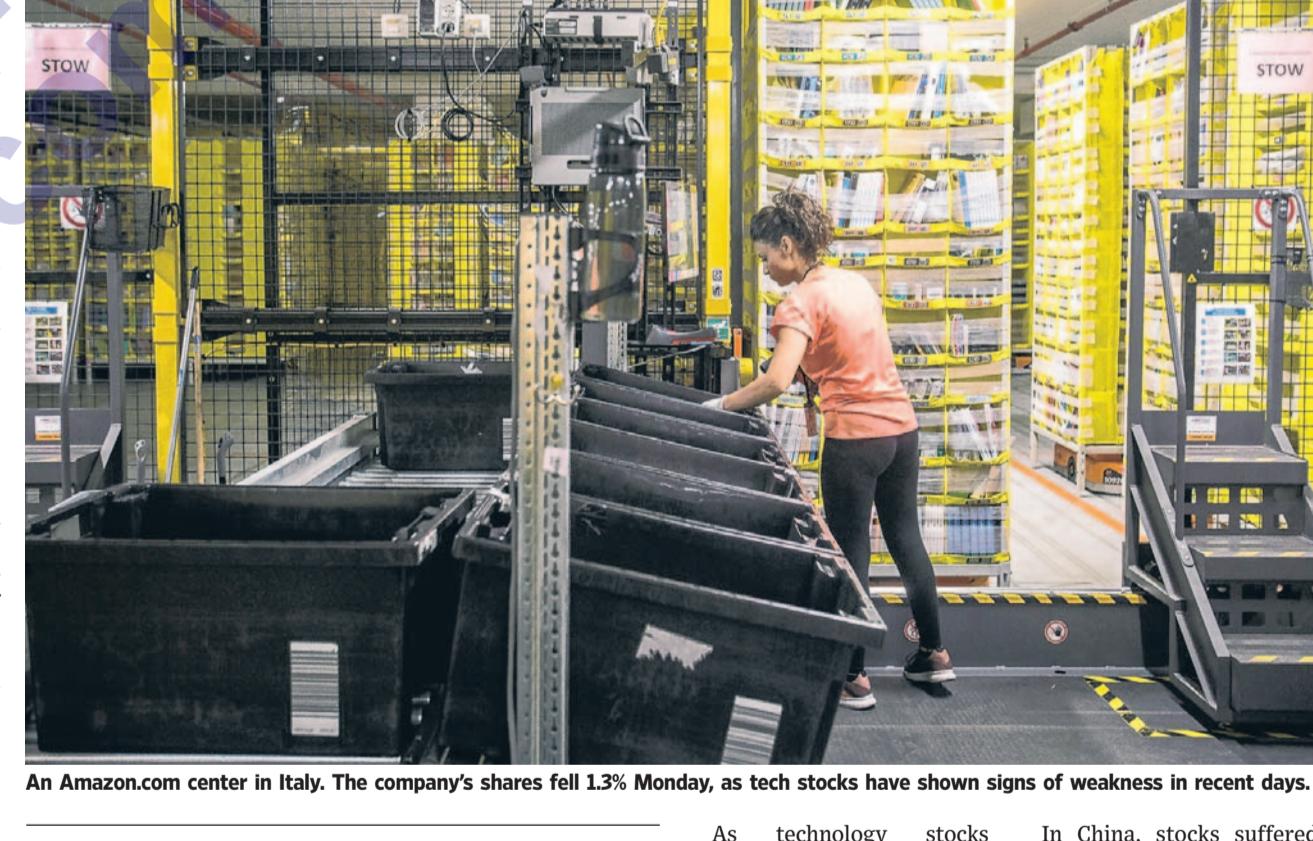
Adding to those worries, technology stocks—a major driver of the bull market in the past few years—have shown signs of faltering. **Amazon.com**, **Microsoft**, **Alphabet** and **Advanced Micro Devices** each lost at least 1%.

As traders geared up for more swings, the Cboe Volatility Index advanced for a third consecutive day. Based on options prices on the S&P 500, the VIX tends to rise when stocks fall.

"What has always been perceived as the leadership of the market has started to show weakness, and you just haven't had something else step up and take its place," said Art Hogan, chief market strategist at B. Riley Financial.

The S&P 500 fell 1.14 points, or less than 0.1%, to 2884.43 after posting its biggest one-week slide since September. The tech-heavy Nasdaq Composite slipped 52.50 points, or 0.7%, to 7735.95, while the Dow Jones Industrial Average erased earlier losses to settle up 39.73 points, or 0.2%, to 26486.78.

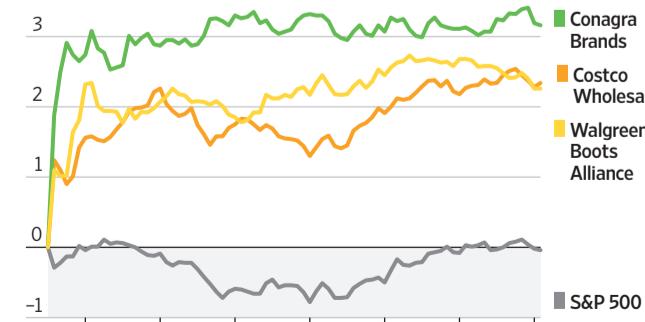
Many investors believe stocks still have room to run, thanks to strong economic data and buoyant confidence among businesses and consumers. Yet they also are cognizant that as interest rates continue rising, investors will



An Amazon.com center in Italy. The company's shares fell 1.3% Monday, as tech stocks have shown signs of weakness in recent days.

Safety Rally

Shares of consumer-staples firms, often considered bond proxies because of their relatively hefty dividend payouts, jumped past the S&P 500 on Monday.



Source: SIX

increasingly question how much risk they are willing to take on in their portfolios.

"The overall economy is going well and the bond market

is reflecting it," said Terry Sandven, strategist at U.S. Bank Wealth Management. "That, though, also means more pressure for stocks."

As technology stocks slipped, bond proxies—groups that tend to pay hefty dividends and perform well during volatile periods—were among the best performers in the S&P 500.

The S&P 500 consumer-staples sector rose 1.3%, with **Conagra Brands** and **Coty** each adding more than 2%, while the utilities sector rose 0.8%. The U.S. bond market was closed for a holiday.

European stocks tumbled as investors contended with fresh worries about Italy's budget.

The European Commission on Friday said Italy's budget plans are a "significant deviation" from the recommended fiscal policies and a "source of serious concern," raising the prospect of a clash between Rome and Brussels.

The Stoxx Europe 600 fell 1.1% and posted its biggest one-day decline since August, while Italy's FTSE MIB shed 2.4%.

In China, stocks suffered their worst day in more than three months as traders and investors returned after a weeklong national holiday.

The Shanghai Composite Index lost 3.7%. The declines came after China's central bank moved to free up nearly \$175 billion to get commercial banks to boost lending and pay off short-term borrowings, the latest effort by Beijing to boost growth in a slowing economy as its trade fight with the U.S. escalates.

In Asia, Hong Kong's Hang Seng Index fell 1.4% and notched its fifth consecutive daily decline. Early Tuesday, the Hang Seng was down 0.2%. Japan's Nikkei 225 Stock Average was down 1.2% early Tuesday, hurt by a strong yen.

Later this week, investors will be looking at the start of the third-quarter earnings season. Big U.S. banks including **JPMorgan Chase**, **Wells Fargo** and **Citigroup** will report.

MARKETS

Traders Bet on Oil's Rally Back to \$100

BY GUNJAN BANERJI

A hot streak in the oil market is setting off a wave of bets on how high prices can go.

With crude prices rallying for four straight weeks, trading of oil options—contracts that give the right but not the obligation to buy or sell—has surged.

The number of bullish contracts that pay out if Brent futures surpass \$100 a barrel by January—up 19% from the current level—has more than doubled since the beginning of September, data from Intercontinental Exchange analyzed by QuikStrike show.

Shrinking supplies from Iran, along with strong global growth, have fired up bullish sentiment in the oil market.

Uncertainty over how much politically troubled OPEC members can pump to make up for production shortfalls could propel prices to \$100, say analysts and officials in the Organization of the Petroleum Exporting Countries.

Oil prices fell Monday as reports emerged that the U.S. could give some buyers of Iranian crude waivers when sanctions on the country start in November.

Still, Brent, the benchmark for global crude prices, has soared 25% this year to \$83.91, while West Texas Intermediate, the reference price for U.S. crude, has risen 23% to \$74.29.

Investors who missed the rally are now weighing bullish options to capture any additional gains, said Chris Kettenmann, chief energy strategist at New York-based brokerage Macro Risk Advisors.

"The market is considering \$100 oil for the first time in five years," he said.

Options tied to Brent prices hitting \$95 have ramped up as well, more than quadrupling since the start of September, the data show.

Investors also have turned

The number of options contracts betting on \$100 oil has ramped up.

Bullish options outstanding*

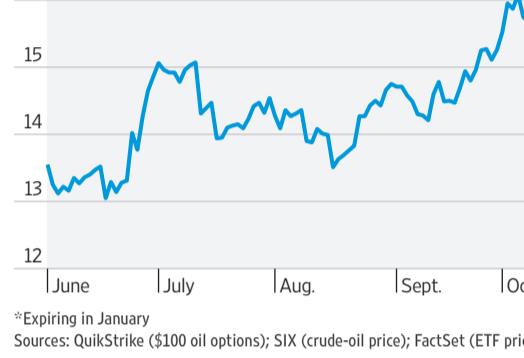


Surging oil prices have triggered bullish options trades on crude futures, exchange-traded funds, and energy companies.

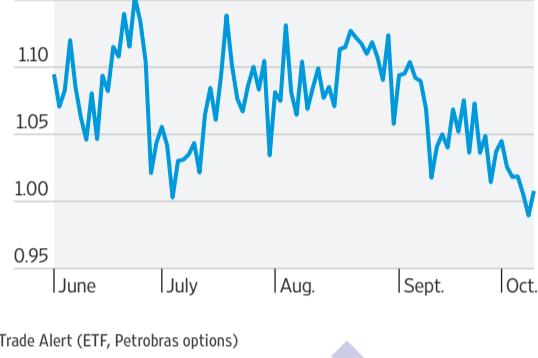
Highest level in nearly four years

Brent crude-oil price
\$83.91

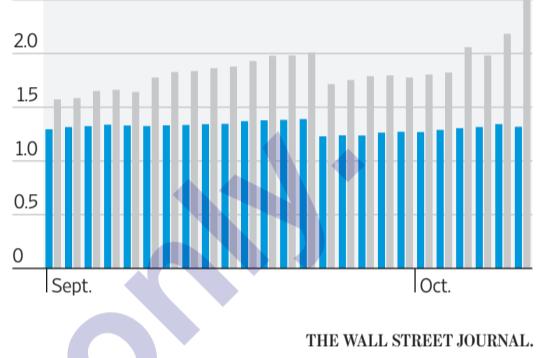
A popular oil ETF has also rallied.
United States Oil Fund share price



The cost to protect against losses in the ETF—known as skew—has fallen.
United States Oil Fund options skew



Bearish and bullish options outstanding on Brazilian oil giant Petrobras



*Expiring in January

Sources: QuikStrike (\$100 oil options); SIX (crude-oil price); FactSet (ETF price); Trade Alert (ETF, Petrobras options)

to bullish options on oil exchange-traded funds and shares of energy companies.

An options measure known as skew on the United States Oil Fund, a popular oil exchange-traded fund called USO, is near the lowest point in a year, Trade Alert data show.

Skew tracks how much it costs to protect against declines, so a low level tends to indicate investor confidence.

The bullish trades are a shift from earlier this year, when investors were more interested in hedging their oil investments with bearish options, Mr. Kettenmann said.

Still, there are signs of caution.

USO, which has \$1.7 billion in assets, has recorded about \$850 million of outflows this year, FactSet data show.

That is after investors pulled more than \$1 billion

last year. The ETF has climbed 31% this year to \$15.68 a share Monday.

"It's surprising because typically money will flow in when the underlying asset is performing well," said Todd Rosenbluth, New York-based director of fund research at CFRA.

Mr. Rosenbluth said investors have turned bullish on commodities and stocks with the strength of the U.S. econ-

omy, propping up oil demand. But ETFs such as USO can be used more for short-term trading purposes than long-term wagers, he said.

Some investors have preferred wagering on energy companies directly.

Options on U.S.-listed shares of Brazilian oil company **Petróleo Brasileiro SA** have experienced a flurry of recent bullish activity. The stock has rallied about 49%

this year to \$15.38 Monday as investors anticipate the company will benefit from rising oil prices.

Petrobras also recently settled corruption probes in Brazil and the U.S., concluding a multiyear investigation.

Investors also turned to options on the company ahead of Brazil's election Sunday. The winner's economic agenda could affect state-run Petrobras.



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