

THE WALL STREET JOURNAL.

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WSJ.com EUROPE EDITION

DJIA 21987.56 Closed

NASDAQ 6435.33 Closed

NIKKEI 19508.25 ▼ 0.93%

STOXX 600 374.18 ▼ 0.52%

BRENT 52.34 ▼ 0.78%

GOLD 1324.50 Closed

EURO 1.1920 ▲ 0.48%

What's News

Business & Finance

Chinese regulators declared initial coin offerings illegal, sending prices of cryptocurrencies bitcoin and ether tumbling. **A1, B7**

◆ Novartis CEO Jimenez is stepping down in January after eight years at the helm of the Swiss pharmaceutical company. **B1**

◆ The Pentagon will have to rely on Russian-made rockets through 2024 or 2025 due to technical and funding challenges. **B1**

◆ Warner Bros.' "It" is expected to set records when the horror movie makes its debut Friday. **B1**

◆ Reckitt said four senior executives are leaving the consumer-goods company, pushing shares down. **B3**

◆ Air France shareholders backed Delta and China Eastern taking minority stakes in the Franco-Dutch airline. **B3**

◆ The WTO decided that a subsidy granted to Boeing didn't violate international trade rules, reversing itself on appeal. **B3**

◆ Carlyle won a suit that alleged the buyout firm didn't do enough to prevent the collapse of a bond fund. **B5**

◆ Small and midsized firms in Europe are bracing for a post-Brexit increase in costs from their banks. **B5**

◆ Investors moved into haven assets and sold stocks following North Korea's nuclear test. **B7**

◆ Google is ramping up its presence in China hiring engineers for AI. **B4**

World-Wide

◆ South Korea warned that North Korea appears to be preparing to test another ICBM, and the U.S. told the U.N. that the regime is "begging for war" after Pyongyang set off its most powerful nuclear bomb yet. **A1**

◆ Trump is expected to lift deportation protections for undocumented immigrants brought into the U.S. as children, but delay the move for up to six months. **A1**

◆ Merkel and Schulz share common ground on many issues, a debate between the German candidates for chancellor underscored. **A4**

◆ Taiwan's prime minister resigned, raising the possibility of changes in the island's troubled relationship with mainland China. **A4**

◆ Crimes against humanity are being committed in the central African country of Burundi, a U.N. commission of inquiry reported. **A4**

◆ Italian authorities said that a top crime boss and cocaine trafficker, on the run since 1994, had been arrested in Uruguay. **A4**

◆ U.S. states are struggling to decide on health-insurance pricing and coverage amid uncertainty about federal policy on the ACA. **A7**

◆ Houston needs help monitoring the threat of toxic pollution to water, soil and air from Harvey's flooding, a city official said. **A7**

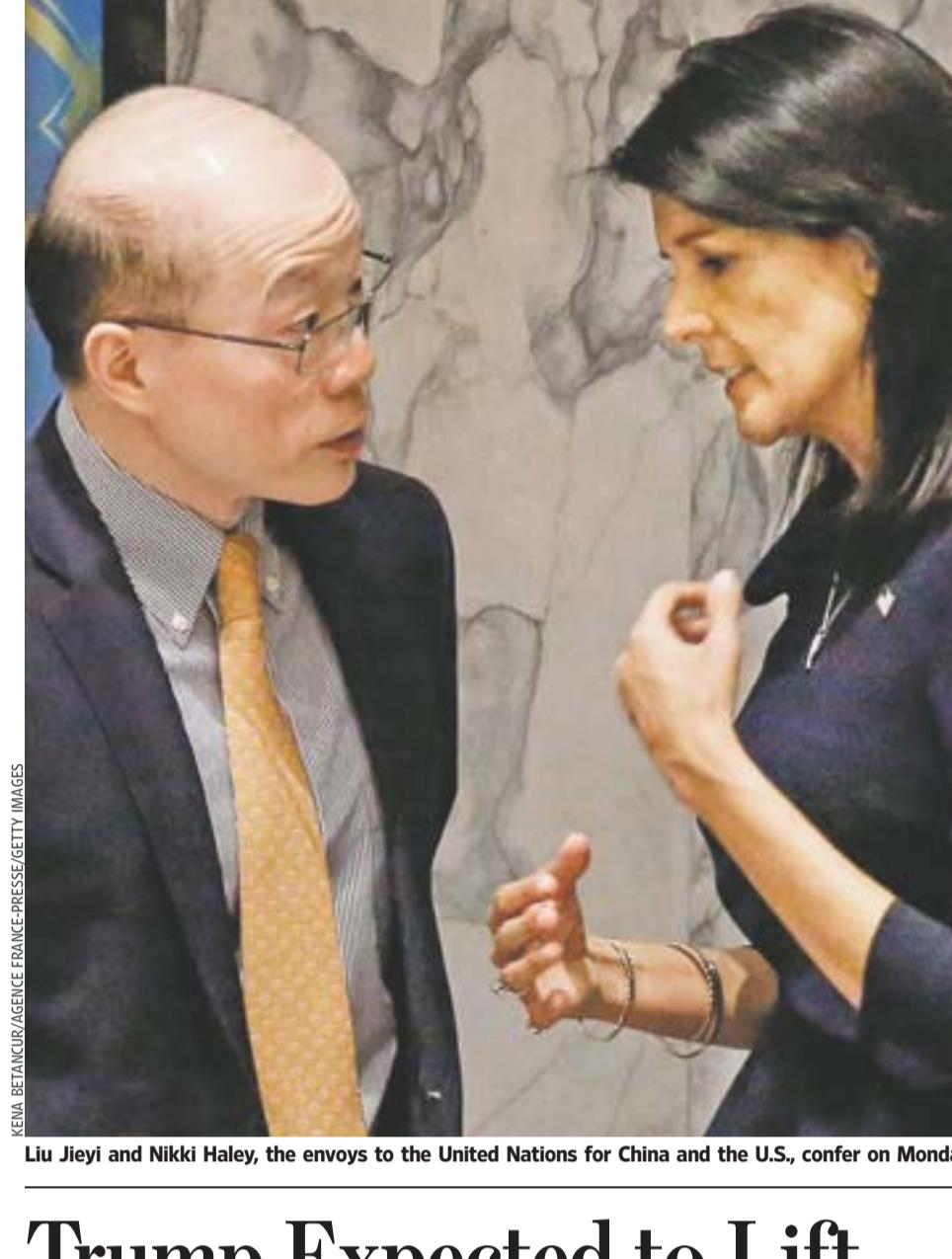
◆ Britain's Prince William and his wife are expecting their third child, Kensington Palace said. **A4**

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Liu Jieyi and Nikki Haley, the envoys to the United Nations for China and the U.S., confer on Monday.

KENYA BETANCUR/AGENCE FRANCE PRESSE/GETTY IMAGES

Trump Expected to Lift Protections for 'Dreamers'

By MICHAEL C. BENDER
AND LAURA MECKLER

President Donald Trump is expected to lift deportation protections for undocumented immigrants brought into the country as children, but delay the move for as long as six months to allow time for Congress to approve legislation to substitute for the program, two White House officials said.

The officials cautioned that such a move remained under consideration and wasn't yet finalized.

House Speaker Paul Ryan and other Republicans in recent days had joined Demo-

crats in urging Mr. Trump to retain the Obama-era program that protects young illegal immigrants from deportation, promising to push legislation to protect them if he doesn't. The program is called DACA, for Deferred Action for Childhood Arrivals.

Mr. Trump was facing pressure from both sides of the emotional debate, and the White House said Friday the president would announce his decision on Tuesday, after the long Labor Day weekend.

Asked at an Oval Office appearance Friday if the young immigrants, known as Dreamers, should be worried, Mr.

Trump said: "We love the Dreamers...We think the Dreamers are terrific."

Immigration hard-liners inside his administration have been urging the president to kill the program, and 10 states were threatening to sue him if he didn't. Pressure to keep it came from Mr. Ryan and other Republicans, as well as from U.S. corporations and the young people themselves.

Mr. Ryan said Friday that former President Barack Obama was wrong to create the Deferred Action for Childhood Arrivals program using executive authority, but that

Please see DACA page A8

P&G FIGHT SHATTERS OLD FRIENDSHIP

Ex-finance chief opposes his former protégé in pushing for change at U.S. consumer-products giant

By SHARON TERLEP AND DAVID BENOIT

CINCINNATI—Clayton Daley gave 35 years of his professional life to Procter & Gamble Co., rising to finance chief and then grooming his successor, Jon Moeller.

Now, the mentor and his former protégé are on opposing sides of a boardroom fight over how best to reinvigorate P&G, a consumer-products giant that at one time boasted brands

in nearly every aisle of the supermarket.

In a challenge of P&G leadership, Mr. Daley was hired this summer to help win a board seat for activist investor Nelson Peltz, who believes the maker of Tide and Pampers isn't moving fast enough to revive sales and profits. The company said Mr. Peltz would disrupt its progress and has cast Mr. Daley, who retired at the end of 2008, as too long out of touch

to be taken seriously.

P&G, which has a market value of about \$235 billion, is the largest company to ever face such a proxy fight.

The battle has upended longstanding relations between Mr. Moeller, chief financial officer, and Mr. Daley, who last spoke with his former colleague over lunch this summer at the private Queen City Club.

Mr. Moeller said Mr. Daley told him he was considering "becoming an

enemy of the company." Mr. Daley denied that in an interview: "I told him, 'I don't want to become an enemy of the company,'" he said.

Whatever was communicated, Mr. Daley was hired as an adviser by Mr. Peltz's Trian Fund Management LP to aid in the activist's quest. Both sides are courting investors who are set to decide at the company's Oct. 10 shareholder meeting. Trian's blue-

Please see P&G page A8

Polly Want a Xanax? Neurotic Parrots Can Drive Owners Crazy

* * *

"They scream, bite and are messy," but are the most popular pets after cats and dogs

By CLARE ANSBERRY

Anyone thinking of adopting Scooter should know a few things about him first.

He is a bully and he bites. When he's bored or anxious, he plucks out his own feathers.

Arrr! It turns out that parrots—the most popular pets behind dogs and cats—aren't always man's best friend.

All of which makes Dawn Martine's job extra tough. She runs the Parrot Education Adoption, Rehoming League, or Pearl, a nonprofit rescue organization that does its best to find new homes for unwanted birds, including Scooter.

"They scream, bite and are messy," says Ms. Martine, who has 12 parrots, including two Moluccan cockatoos, the loudest parrot on Earth, whose piercing scream can be heard up to 5 miles away. "My daughter asked why I couldn't rescue fish instead."

Fish might be less of a commitment. Unlike goldfish, parrots live up to about 60 years. There are reports of parrot centenarians. Owners are advised to include them in their wills.

Bird lovers do their best to inform potential owners of what they are getting into and

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ASSOCIATED PRESS

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PENTAGON FORCED TO RELY ON RUSSIA

BUSINESS & FINANCE, B1

Digital-Coin Mania Takes a Hit in China

By PAUL VIGNA

Chinese regulators on Monday declared initial coin offerings illegal, dealing a blow to the latest financial-markets mania and sending the prices of the two leading cryptocurrencies, bitcoin and ether, tumbling.

The move by China, which included a call for fundraising activities through the digital tokens to "cease immediately," follows on the heels of a recent warning by the U.S. Securities and Exchange Commission that it may treat the coins as securities. That potentially opens these unregulated offerings to more stringent oversight.

The regulatory maneuvering occurs as fears have grown about initial coin offerings, which have captured investors' imagination like dot-com startups once did years ago.

Paris Hilton on Sunday tweeted about a coin offering.

Not Hot

Worst-performing coin offerings in 2017, by percentage decline from offer price, that have raised more than \$10 million

BitcoinGrowthFund -59%

EncryptoTel -50%

Polybius -24%

Pillar -17%

Bancor -12%

Note: as of Aug. 30
Source: Smith & Crown

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Boxer Floyd Mayweather has promoted two separate offerings. Tim Draper, a founder of

Please see COINS page A6

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WORLD NEWS

Hard Truths Govern the North Korea Crisis



CAPITAL JOURNAL

By Gerald F. Seib

There is no good news about North Korea's nuclear program, only hard truths. In the wake of Pyongyang's weekend nuclear-weapons test—its biggest ever—here are three of those truths:

Ideally, the U.S. would enter this new phase of the confrontation in harmony with its key allies, but that isn't the case.

Tougher economic sanctions on North Korea are a necessary weapon now, but aren't likely to be sufficient.

Ultimately, there probably is no choice except returning to diplomacy to contain this crisis.

This new phase arrives because of North Korea's underground test Sunday of what may have been a hydrogen bomb, as well as signs it now is preparing for yet another test of an intercontinental ballistic missile. On one level, a bigger underground explosion doesn't change the nature of the

challenge. It was, says one former national security official, merely "a bigger boom."

Yet the test underscores the relentless nature of North Korea's nuclear advances—and crystallizes those three hard truths. Let's deal with them in turn:

Problems with the allies. It would be hard to pick a worse time for a fight with South Korea, the country on the front line confronting North Korea, yet that is what President Donald Trump has done. He told advisers late last week he wants to withdraw from the five-year-old bilateral trade agreement with South Korea.

None of the presidential advisers involved in the discussion wanted to take that step, said a person familiar with the discussion. Word leaked out, straining the South Korean relationship. Two days later, the North Koreans exploded their nuclear device. Then relations with Seoul were strained further by a presidential tweet accusing South Korea of "appeasement" of North Korea.

Meantime, a planned visit to Washington this week by Japanese Finance Minister Taro Aso was canceled after the minister made what seemed to be a remark justifying Adolf Hitler's motives in ruling Nazi Germany.

Ties with China are tense because of trade disputes as well as public criticism from



Pyongyang residents watched announcement of hydrogen-bomb test by the North Korean regime.

KIM WON-JIN/AGENCE FRANCE PRESSE/GT/GETTY IMAGES

Mr. Trump of China's failure to rein in Pyongyang. In sum, relations with the three most important countries in confronting North Korea are less than ideal.

The limits of sanctions. Right now, the Trump administration's focus, understandably, is on imposing tougher economic sanctions to force North Korea to feel significant new pain.

These sanctions, likely to be codified at the United Nations, are likely to focus on curtailing energy supplies to North Korea, and to impose

unilateral American penalties on countries and companies that continue to trade with the North. There also may be an attempt to limit the activities of North Korean diplomats. The most potent step would be for China to agree to cut off shipments of oil to North Korea.

Yet there are limits to what sanctions can accomplish. Six decades as a pariah state have forced North Korea to develop an elaborate black-market system for acquiring what it needs. A defector told Japan's Kyodo

News Service earlier this summer that North Korea covertly receives oil from Russian suppliers through Singapore brokers.

Moreover, no country on Earth is better conditioned for handling pain than North Korea, which has long deprived its own people of basic goods. "I think you can hurt them a little bit," says Kurt Campbell, a former assistant secretary of state for East Asian and Pacific affairs who now is chairman of the Asia Group, an advisory firm. "But remember this is a

THREAT

Continued from Page One

cused instead on China and Russia's proposal for North Korea to suspend its military and nuclear program in exchange for the U.S. suspending military exercises on the Korean Peninsula, to pave the way for direct negotiations—an approach Ms. Haley called "insulting."

The U.N. debate came as South Korean Maj. Gen. Jang Kyung-soo, acting deputy minister for national defense policy, said Seoul had detected signs of activity that suggested North Korea was preparing to launch another ballistic missile. Pyongyang conducted its first two ICBM test launches in July.

Gen. Jang didn't say what the signs of activity were, nor did he give a time frame for a possible launch. But many experts have been preparing for a weapons test around Sept. 9, when North Korea plans to mark the anniversary of its foundation in 1948.

Seoul said that it would install further advanced U.S. antimissile batteries and, in a phone call Monday, U.S. President Donald Trump and South Korean President Moon Jae-in moved to beef up Seoul's offensive and defensive missile capabilities.

The two sides agreed to lift restrictions preventing Seoul from developing more power-



North Korea's Kim Jong Un watched a missile launch on Aug. 29.

ful missiles and to move ahead with deployment of a U.S. missile-defense system in South Korea, according to a statement from South Korea's presidential office.

At the U.N., South Korea's ambassador said he felt "disappointment, frustration and anger" at North Korea's actions and urged the council to shape its response to correspond to the "magnitude of the violation."

The U.S., its European allies and Japan called for the council to come together and swiftly adopt a new sanctions resolution targeting a wider range of North Korea's economic sector.

The U.S. and the European Union could also increase pressure on North Korea's trading partners, like China, African nations and Russia, to enforce more robust imple-

mentation of existing sanctions. France also said it was requesting that the EU consider independent sanctions on North Korea.

Mr. Trump spoke by phone with German Chancellor Angela Merkel, who told him that Berlin would push for "additional, tough sanctions" by the EU against North Korea, her spokesman said. "The goal remains for North Korea to be dissuaded from its illegal behavior and for a peaceful solution to the conflict to be reached," Ms. Merkel's spokesman said.

Russia's ambassador, Vassily Nebenzia, said his country would study the U.S. proposal but added that the history of council actions against Pyongyang has shown that "resolutions solely relying on sanctioning North Korea have not worked."

Ms. Haley warned the U.S. would view any country doing business with North Korea as providing aid "to their reckless and dangerous nuclear intentions," echoing Mr. Trump's warning Sunday that the U.S. is considering ending trade relationships with countries that trade with North Korea.

A spokesman for China's Foreign Ministry said Monday that such a move would be "neither objective nor fair." He said China is meeting its obligations under Security Council resolutions and isn't solely responsible for its neighbor's behavior.

The North Korean nuclear test came as Chinese President Xi Jinping was preparing for a summit of major emerging economies.

At the summit on Monday, leaders of the "Brics" countries—Brazil, Russia, India,

China and South Africa—said they "strongly deplore" the test. A statement expressed concern for the continuing tensions and urged they be resolved through "peaceful means and direct dialogue."

Analysts say China's leadership is unlikely to take strong actions on its own, such as cutting oil supplies to North Korea, out of concern that they could cause the country's economy to collapse or pressure Pyongyang to make more provocative moves.

Beijing's main concern is to prevent a collapse of the North Korean economy, which could trigger a flood of refugees into northeastern China, and potentially lead to a united, U.S.-friendly Korea hosting American troops.

"China will never allow chaos and war on the [Korean] Peninsula," Mr. Liu told the

North Korea, through its state media, on Monday ridiculed South Korea for being deceived by the U.S.'s "honeyed words."

"The U.S. is not concerned about the security of the South Koreans," it said.

An overt attack on North Korea—whether to target its facilities or military—could ignite a war that could kill millions of people on the Korean Peninsula. U.S. Defense Secretary Jim Mattis has warned that a military solution would be "tragic on an unbelievable scale."

—Jonathan Cheng

Security Council on Monday.

On Sunday, U.S. Defense Secretary Jim Mattis urged Pyongyang to heed calls from the U.S. and other members of the Security Council to step back its nuclear escalation, and warned North Korea that any attack on the U.S. or its allies would trigger a massive military response.

North Korea said in a statement Monday that its most recent missile launch on Aug. 29—the first to fly over Japan in nearly a decade—was "a curtain-raiser to its resolute countermeasures" against the U.S.'s recently-concluded annual military exercises. It didn't elaborate on what the coming countermeasures would be.

—Jeremy Page, Eva Dou, Kwanwoo Jun, Min Sun Lee and Anton Troianowski contributed to this article.

PARROT

Continued from Page One

help them deal with problem behavior. Barbara Heidenreich, the Austin, Texas, author of *The Parrot Problem Solver* and owner of Good Bird Inc., offers webinars, workshops and videos that discuss parrots' phobias, potty training and petting preferences.

A professional parrot trainer, zoo consultant, and past president of the International Association of Avian Trainers and Educators, Ms. Heidenreich assisted authorities in New Zealand, where a very rare kakapo parrot named Sirocco was captured on a YouTube video attacking a sanctuary visitor and trying to mate with his head. Using positive reinforcement, Ms. Heidenreich redirected Sirocco's affections to a Croc shoe instead.

Pittsburgh-based Pearl, which doesn't have a sanctuary and relies on volunteers, has taken in 60 birds, placed 40 of them and has 18 available for adoption, according to board member Laura Fickley. Most are from owners who are no longer willing or able to care for them. Pearl relies on its website and informational

booths at local pet shops, sometimes bringing well-behaved ambassador parrots.

Volunteers talk about what parrots are like, explaining why they are naturally messy and destructive. In the rain forest, they chew on nuts and seeds and fling them.

In homes, they've been known to break out of their cage by removing the bolt and peck off the computer keys on a keyboard and drop them on the floor. They shred wood, including picture frames and furniture, and chew electrical cords, paper and curtains.

They need a minimum of 10 to 12 hours of sleep each day. Sleep-deprived parrots can be mean. So can a cramped parrot. A green wing macaw, with a wingspan of 47 inches, needs a cage the size of a queen mattress.

Potential adopters must fill out applications and take basic care classes. They are told not to smoke in front of their birds or burn scented candles because birds are very sensitive to air quality. Cooking in Teflon pans is discouraged, as is Febreze air freshener. Their homes are inspected to identify potential hazards, such as ceiling fans, and to make sure interested owners aren't hoarders. Pearl



Scooter, a lesser sulphur-crested cockatoo.

once helped rescue 160 cockatiels from one home.

Advanced behavior classes are required for anyone adopting larger parrots. Nutrition 101 is advised. Many people think birds are supposed to eat seeds because that is what people put in their outside bird feeders. Indoor birds don't get as much exercise and can get fat from seeds, putting stress on their hollow bones and leading to potential damage to kidneys and livers. Some people feed birds Cheerios and Doritos and peanut butter crackers. That's a no-no.

Edward Moats chops fresh

vegetables and bakes whole grain bird bread for his nine birds. He bred birds for 27 years, inspired by his grandmother, Myrtle, who lived on a farm and bred canaries. He stopped breeding birds two years ago, realizing he was contributing to the overpopulation of unwanted birds and is now on the Pearl board.

A certified avian specialist, he takes in special-needs parrots, including those who are blind and amputees, or have severe behavior problems. Parrots can develop phobias, refusing to leave their cage, and suffer panic attacks, and other mental-health problems due to unstable home life.

Lucy, one of his parrots, had been through several foster homes. "She carried a lot of baggage," he says, and she screamed a lot.

Ms. Martine has been working with Charlie, a blue-and-gold macaw, who sent two previous owners to the emergency room, one with a piece of his earlobe missing and the other who lost part of her tongue after trying to kiss Charlie through the bars of his cage. She makes a point of including him in her routine, trying to socialize him. She took him to a parade on a leash. He loves noise and fireworks.

"We take them every

where," she says of the family birds. Caesar, an umbrella cockatoo, is especially social. Ms. Martine's husband brings him along to Planet Fitness and the grocery store, places that wouldn't usually allow pets. He has never been questioned. "They just assume he's an emotional-support bird," she says.

Ms. Martine says as challenging as parrots are, they are also loving and smart. She got her first bird, a little cockatiel, when she was 14. "It sat at the pet store for three years. I begged my dad to get it for me." She named the parrot Lunch because she also had a cat that spent a lot of time staring at the bird. Ms. Martine taught Lunch to whistle. Lunch also learned to sing the theme to the TV show "Fantasy Island."

She taught another bird, who had a piercing scream, to quack instead. "He would scream, I would quack. He would scream, scream, scream."

CORRECTIONS & AMPLIFICATIONS
Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

I would quack, quack, quack. Finally he quacked," explains Ms. Martine.

She is still working with Scooter, a lesser sulphur-crested cockatoo whose owner could no longer take care of him. "I'm trying to teach him to be a nice bird," she says.

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WORLD NEWS

Mosul Emerges, One Business at a Time

Islamic State is kicked out and commerce ramps up in Iraq's second-largest city

Now that security forces have driven Islamic State from Mosul, money changer Ayman Younis is back in business, helping traders buy imports from Turkey.

By Asa Fitch in Mosul, Iraq, and Maria Abi-Habib in Beirut

It is just one of the signs that the economy in Iraq's second-largest city is coming back to life after three years under the extremists, who stifled private business by controlling trade and restricting who could take part in it—and were known to execute independent money changers.

Many challenges lie ahead, from demining to rebuilding, and the overarching sentiment in the northern Iraqi business community is far from positive. Many business owners are putting off investment decisions as they wait for the bulk of reconstruction to begin.

But Iraq's next big battle—the resurrection of its cities—is shifting into gear. Some residents are returning to Mosul, and businesses are welcoming the revived demand.

"They are trying to establish a foothold," said Mus'ab Mohammed, 30 years old, the manager of the Al Alamia supermarket, which reopened after Iraqi forces took control of the area early this year. Al Alamia is now fully stocked with food and household goods, many of which were unavailable under Islamic State.

About 834,000 Mosul residents were displaced, but around 30% have returned.

Iraqi security forces have driven the extremists from Mosul, and on Thursday Prime Minister Haider al-Abadi declared the nearby town of Tal Afar "fully liberated." The only significant areas of Iraq still under Islamic State control are Hawija, a rural area between Baghdad and Mosul, and the mostly desert region around the Qaim border crossing with Syria.

Around 834,000 residents of Mosul were displaced, out of a pre-Islamic State two million, but as of Thursday around 30% had returned, according to the U.N.'s International Organization for Migration.

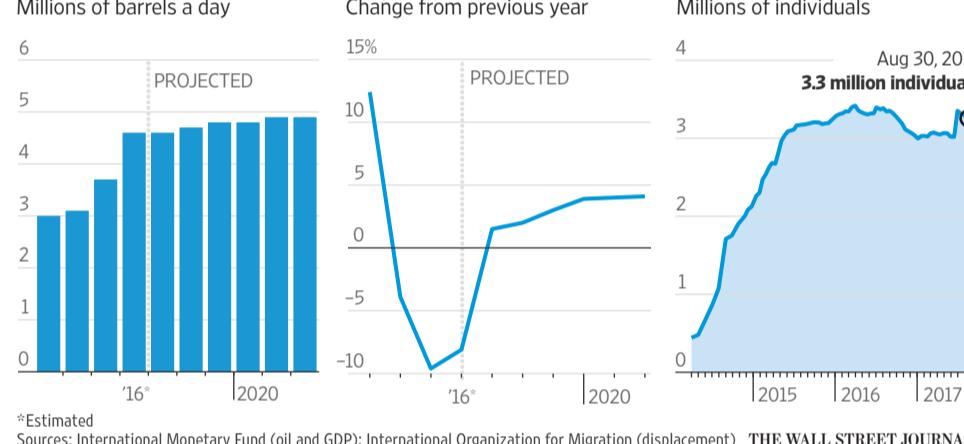
When the extremists occu-



Iraqis shopped at a Mosul market on Aug. 31 before the Eid-al-Adha festival. The city's economy has revived since Islamic State's defeat.

In Recovery

The IMF expects growing oil output to lift Iraq's economy, and other sectors are expected to grow as the country rebuilds and people return home.



*Estimated
Sources: International Monetary Fund (oil and GDP); International Organization for Migration (displacement) THE WALL STREET JOURNAL.

Even before rebuilding begins, Iraqi leaders face the more pressing demands of how to finish off Islamic State and help the 3.26 million people who fled the conflict.

Several international efforts aim to aid reconstruction. The World Bank's International Finance Corp. is helping train members of Iraqi boards of directors on global best practices. Some Iraqi officials and executives promoted business opportunities at a July conference in London. Now, Iraqi officials and business leaders are looking to a donor conference set for January in Kuwait to provide a boost.

Mosul's chamber of commerce reopened recently in a villa in eastern Mosul, after its

original headquarters were destroyed. But Yousif Gaddawi, the chamber's deputy head and owner of a sweets shop, said until government salaries are restored, most residents won't have much money to spend.

"To get back to business, we need the government's capabilities, which are limited now," he said.

One of the biggest risks is unexploded ordnance. The militants used some factories as military facilities and laid explosives across many Iraqi cities and towns to prevent government forces and the U.S.-led military coalition from fully reclaiming territory. The thousands of explosives also prevent the return of displaced residents.

"It was almost like they thought 'OK, we can't own it, so you can't either,'" said David Johnson, a vice president at Janus Global, which is carrying out a countrywide demining program for the U.S. State Department.

Mosul will be difficult. A cement factory in the Hamam al Alil district of the city was once one of the biggest employers in Mosul and one of the largest cement producers in the country.

Janus finished demining the factory in July. But with Mosul still crawling out from under years of occupation and war, no investors have stepped up yet to restart the factory.

—Ali A. Nabhan

contributed to this article.

Stalled Convoy Baits Trap for ISIS

Coalition airstrikes hit fighters trying to reach buses in Syria

The U.S.-led coalition battling Islamic State said Monday a convoy of militants stranded in Syria has proved an unexpected boon, drawing other fighters from the extremist group seeking to reach the buses into the open and turning them into easy targets.

The buses, which were supposed to transport hundreds of Islamic State fighters and their families from the Lebanese border in southwestern Syria to a town in eastern Syria near the Iraqi border, have been stuck for nearly a week after U.S. airstrikes blocked them from reaching their destination. They were being evacuated under a controversial deal brokered by the Iran-backed Lebanese militant group Hezbollah that the U.S. opposed.

"It has been quite lucrative for the coalition because of all the assets that ISIS has put toward it," said coalition spokesman, U.S. Army Col. Ryan Dillon. "They have exposed themselves as part of this event, and we were able to capitalize on it," he said. "It presented an opportunity for the coalition to strike and remove several ISIS fighters and resources from the battlefield."

The buses were en route to Deir Ezzor province in eastern Syria, one of last remaining strongholds of Islamic State.

U.S. airstrikes cratered a road and destroyed a bridge to prevent the convoy from advancing and have repeatedly targeted Islamic State fighters trying to reach the buses. Col. Dillon said so far, some 85 militants and more than 40 vehicles have been hit by airstrikes. The strikes also targeted artillery systems, pickup trucks mounted with weapons and a tank.

Over the weekend, the convoy split up, with six of the 17 buses that originally left the Lebanese border turning back into Syrian-government controlled territory outside Deir Ezzor province. They stopped near the Syrian village of al-Sukhnah, said the coalition, which continues to monitor the 11 stranded buses. The coalition has refused to strike the buses directly because there are women and children on board.

—Margherita Stancati, Leena Saidi and Ghassan Adnan

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WORLD NEWS

New Zealand Immigration Upends Vote

Center-left plan to slow flow helps narrow poll gap with government as election nears

BY BEN COLLINS

WELLINGTON, New Zealand—A tightening election race in this U.S. ally has its roots in anxiety over immigration and the rise of a leader who wasn't even her party's first choice when campaigning began more than a month ago.

New Zealand votes Sept. 23 on whether Bill English's National party should remain in government after nearly nine years or be replaced by the opposition Labour Party headed by Jacinda Ardern, a 37-year-old former president of the International Union of Socialist Youth.

A recent voter poll put support for Labour at its highest level in more than a decade—at 43 points, while the National Party fell to 41 points. It raises the prospect of an upset win for Ms. Ardern, who succeeded Andrew Little as leader of the center-left party at the start of August, when it lagged behind Mr. English's conservatives by more than 20 points. It has also made the prospect of a hung Parliament more likely, which would thrust smaller parties like the populist New Zealand First into the role of kingmakers.

Ms. Ardern's rapid ascent owes much to tapping into

growing unease about affordability, particularly among young voters, and feeding off a global immigration backlash.

Economic growth in New Zealand—a member of the Five Eyes spy network, which also includes the U.S., the U.K., Australia and Canada—has outpaced other developed nations in recent years, yet many people say they aren't benefiting. At the same time, record house prices—fanned by low interest rates and demand from new migrants—are putting property ownership out of reach.

Annual net migration is at a record high. It hit 72,400 in the year to July, fanning criticism that the center-right National government, which has held power since 2008, has fueled economic growth with this influx. While GDP accelerated at 3% in the year through March, GDP per capita grew by less than 1% and had even contracted late last year.

Ms. Ardern wants to cut the annual net migration figure by up to 30,000 people a year to help more New Zealanders find work and own homes, as well as to take the pressure off infrastructure—especially in the commercial capital Auckland, which is often clogged with traffic.

A recent analysis from the Economist Intelligence Unit found Auckland and Wellington—two of the country's biggest cities—had become as expensive as Shanghai, China's



Labour Party leader Jacinda Ardern takes a selfie with schoolchildren. Below, Prime Minister Bill English with supporters in Christchurch.

priest city.

"Housing poses something of an Achilles' heel for the government because it's been in power for nine years and hasn't really been able to get to grips with the problem," said Raymond Miller, a political scientist at the University of Auckland.

While many commentators, including Prof. Miller, think it is likely the National Party will hold on to power in a minority coalition with NZ First, Ms. Ardern's policies, such as outlawing letting fees—one-off payments tenants make when renting homes—as well as providing free tertiary education, are finding favor, especially with younger voters, who are in the thrall of what the local media has dubbed "Jacindamania."

"It goes beyond personal appeal and she represents a growing mood for change," Prof. Miller said.

Mr. English and other critics



have questioned how cutting immigration levels would help, when the country is already suffering a skills shortage. Capacity pressures in the construction industry are one of the biggest handbrakes on the country's economy, they say.

The National Party recently unveiled its own curbs on mi-

gration, including pay thresholds designed to keep out unskilled migrants who compete with locals for lower-paid jobs.

"What's driving migration is the strength of the economy," Mr. English said in a recent debate. "If that changes it will slow the economy down, the houses will not get built."

Ms. Ardern wasn't available to comment, while Mr. English didn't respond to a request to comment.

Ms. Ardern also wants to tackle another big election issue, the environment, with a levy on the commercial use of water, then use this money to clean up waterways. But the government and farming groups claim that this could cripple the agriculture industry, which is the backbone of its economy.

New Zealand markets itself to international tourists as "100% pure," but a rapid expansion of its dairy industry has endangered its clean, green image. Seven out of 10 of its monitored rivers are potentially unsafe for swimmers, according to a government report and the damage threatens to pit the nation's two biggest exports—dairy and tourism—against each other.

Merkel and Schulz Face Off, Find Common Ground

BY ANTON TROIANOVSKI

BERLIN—The main televised debate of Germany's campaign season highlighted something that makes the country unusual among large democracies: on many of today's most polarizing issues, its two leading parties are in agreement.

German Chancellor Angela Merkel spent much of the 90-minute debate among the two chancellor candidates parrying attacks from her center-left challenger, Martin Schulz. But many of his attacks were subtle digs at her handling of specific issues rather than challenges to her worldview.

Mr. Schulz, a former president of the European Parliament, said Ms. Merkel was right to keep the borders open for refugees in 2015 but should have coordinated her actions better with other European countries. Both said that Germany needed to push back

more against Turkish President Recep Tayyip Erdogan for his detention of German citizens, but Mr. Schulz was more direct in insisting that the European Union end accession talks with Turkey. And both criticized U.S. President Donald Trump while underscoring the importance of continued dialogue with Washington.

"We have grave differences with the American president, but on the other hand, we need to cooperate," Ms. Merkel said.

"The problem with Trump is his unpredictability. Who are we to talk to?" Mr. Schulz said. Praising Secretary of State Rex Tillerson as a "very reasonable man," he added that Germany must talk to "predictable partners, who also exist in Washington."

The debate underscored Ms. Merkel's strong position three weeks ahead of the general election on Sept. 24. Her center-right Christian Democrats



German Chancellor Angela Merkel and her main opponent, Martin Schulz, shown on screen during their Sunday debate.

have been leading Mr. Schulz's center-left Social Democrats by more than 10 percentage points in the polls since May. While neither party is expected to win a majority of parliamentary seats in Germany's system of proportional representation, Ms. Merkel will likely have a much easier time than Mr. Schulz of cobbling together a governing coalition if

the current polls hold.

On Sunday, she seemed relaxed and confident, even as Mr. Schulz tried to attack her directly. A poll after the debate by ARD public television found 55% of respondents believed Ms. Merkel had been more convincing, compared with 35% for Mr. Schulz.

"He was too well-behaved, too tame, too conciliatory, and

not power-conscious enough," Heribert Prantl of the left-leaning Süddeutsche Zeitung newspaper wrote afterward about Mr. Schulz. "On the few issues where he insisted there were differences he barely made it clear what those differences were."

The relative consensus displayed by Mr. Schulz and Ms. Merkel marked a contrast to the divisive French presidential race between centrist President Emmanuel Macron and nationalist Marine Le Pen, and to the American one between Mr. Trump and Hillary Clinton. On the role of Islam—another polarizing issue in other countries' elections—Mr. Schulz and Ms. Merkel also struck a similar tone of defending the vast majority of Muslims in Germany as law-abiding citizens while criticizing radical Islamist ideology.

Sunday's debate featured the only two candidates with a conceivable chance of becoming

chancellor, so smaller parties, including the anti-immigrant Alternative for Germany, or AfD, didn't participate. The AfD is polling around 9%, putting it in the race for third place and on pace to enter parliament for the first time. Immigration took up more than half an hour of the debate, with Ms. Merkel defending her decision to allow hundreds of thousands of migrants to enter Germany in 2015.

"Water cannons against thousands of people—are those things you think would solve anything?" she responded when a moderator asked her why she didn't close the border.

It was the only televised debate pitting Ms. Merkel against Mr. Schulz of this campaign season, and some of the biggest issues facing the European Union—including the U.K.'s departure from the EU and the future of the eurozone—didn't come up.

WORLD WATCH

TAIWAN

Prime Minister Quits, Successor Is Named

The island's prime minister resigned, raising the possibility of changes in the island's troubled relationship with mainland China.

The Presidential Office said on its website that President Tsai Ing-wen reluctantly accepted Lin Chuan's decision to resign after more than a year in office.

Ms. Tsai was scheduled to announce a successor on Tuesday, with the official Central News Agency saying her choice will be William Lai, mayor of the southern city of Tainan.

Though described as a supporter of Taiwanese independence, Mr. Lai suggested seeking common ground with China earlier in the year and said the ruling Democratic Progressive Party should approach Beijing with confidence.

China cut off contacts with Ms. Tsai's government more than a year ago because of her refusal to endorse Beijing's view that Taiwan is a part of China.

Ms. Tsai's popularity rating dipped to 33% in June partly over perceptions she had failed to manage foreign relations under pressure from China, which uses its economic and political clout as a lever against Taiwan.

—Associated Press



CARABINIERI POLICE/REX SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

Italian police examine photos of organized-crime figure Rocco Morabito, who was arrested in Uruguay.

BURUNDI

U.N. Points to Crimes Against Humanity

A United Nations commission of inquiry said crimes against humanity are being committed in the Central African country.

Killings, torture, sexual violence, degrading treatment, enforced disappearances and arbitrary arrests have been taking

place since April 2015, according to the report published Monday.

"We were struck by the scale and the brutality of the violations. We also noted a lack of will on the part of the Burundian authorities to fight against impunity and guarantee the independence of the judiciary. As a result, there is a strong likelihood that the perpetrators of these crimes will remain unpunished," said Fatsah Ouguergouz,

president of the commission.

Burundi has been plagued by political violence since April 2015, when President Pierre Nkurunziza announced he would seek a disputed third term. Mr. Nkurunziza won re-election despite widespread protests and Burundi has remained volatile.

Alleged perpetrators of the violence include top officials in Burundi's National Intelligence Services and police force, mili-

tary officials and members of the youth league of the ruling party, known as Imbonerakure, said the commission's report.

—Associated Press

ITALY

Calabrian Crime Boss Arrested in Uruguay

Italian authorities said a top crime syndicate boss, on the run since 1994, has been arrested in Uruguay where he had been living under a false name and with a forged Brazilian passport.

Roggio Calabria Chief Prosecutor Federico Cafiero de Raho said Monday that fugitive Rocco Morabito played a big role in cocaine trafficking between South America and Milan, a distribution point for the drug to be sold elsewhere. The Calabria-based 'ndrangheta is one of the world's biggest cocaine traffickers.

Interior Minister Marco Minniti said Mr. Morabito has been convicted of mafia association and drug trafficking.

—Associated Press

EUROZONE

Producer Prices Unchanged in July

The prices of goods leaving the eurozone's factory gates haven't risen since January, indicating continued weakness in inflationary pressures, despite a

firming economic recovery.

The European Union's statistics agency said Monday that producer prices were unchanged in July from June, and were up just 2% from July 2016. Economists surveyed by The Wall Street Journal had expected to see a 0.1% rise on the month.

The period in which factory-gate prices have either stayed the same or fallen now stretches to six months, following a jump in January driven by higher energy costs.

That weakness has contributed to low rates of consumer-price inflation, which remains well below the European Central Bank's target of just under 2%, after a slight spurt in August.

—Paul Hannon

UNITED KINGDOM

Royal Couple Expecting 3rd Child

Prince William and his wife, the duchess of Cambridge, are expecting their third child, Kensington Palace said Monday.

The palace made the pregnancy announcement as it said that the former Kate Middleton wasn't feeling well enough to attend an engagement later in the day.

As with her other two pregnancies, the duchess is suffering from Hyperemesis Gravidarum, or acute morning sickness.

—Associated Press



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WORLD NEWS

Kenya Ruling Seen as Africa Watershed

High court invalidation of the presidential vote is the first of its kind on the continent

BY JOE PARKINSON

The ruling by Kenya's Supreme Court to annul last month's presidential election marks a new threshold for democracy in Africa, and a new front in a battle of ideas over resurgent authoritarianism elsewhere on the continent.

The verdict comes as the contest between political systems in Africa has become more intense than at any moment since the Cold War, when U.S. and Soviet-backed regimes faced off across swaths of the continent. Emboldened democrats are jostling with a rising cadre of autocratic technocrats who argue that Western-style democracy has failed to produce a large and sustained rise in living standards.

Kenya's institutions struck a symbolic blow for the rule of law Friday, as top judges upheld a challenge alleging the Aug. 8 poll, which authorities initially declared was won decisively by President Uhuru Kenyatta over Raila Odinga, was marred by irregularities. Mr. Kenyatta has grudgingly accepted the court's call for a rerun, reassuring his supporters he will win a second poll.

Kenya now moves into uncharted territory, holding another expensive and potentially divisive ballot within 60 days. But the ruling has already made history. It is the first of its kind in Africa and only the fourth time globally that courts have overturned presidential poll results after Austria, the Maldives and Ukraine.

As party leaders returned to campaign mode, many in Nairobi spoke of their pride in a



An opposition supporter sits on a street sign relabeled 'Judge Maraga Street,' referring to Supreme Court Chief Justice David Maraga.

verdict that has spotlighted the independence of the country's institutions and for now helped narrow bitter political divides.

One social-media campaign has called for a Nairobi street to be renamed after Chief Justice David Maraga, a Seventh-day Adventist known for his personal integrity.

"I'm a Kenyatta supporter but now I'm happy because I know I can trust my court," said Ayub Kemanzi, a 34-year-old driver from Nairobi after a packed service in Parkland Baptist church in the capital's Westlands district, on Sunday.

"If we win the second round or not, Kenya's democracy has been strengthened."

Analysts said the decision would reverberate far beyond the East African nation's borders, galvanizing independent institutions on a continent where judges are often seen as being under the thumb of executive powers. The acceptance of the verdict by Mr. Kenyatta—the son of the country's first post-independence leader—would also burnish his democratic credentials and be watched closely by the strongmen rulers in

neighboring states.

"In all my years studying Africa, this news from Kenya is one of the biggest moments," said Alex Vines, head of the Africa program at U.K. think tank Chatham House. "Its implications for the rule of law across the continent are massive: it will embolden courts far beyond Kenya's borders," he said.

Recent years have seen a drumbeat of democratic advances. Last year, Ghana held a peaceful and fair election that ousted an incumbent government. This year, in nearby Gambia, President Yahya Jammeh—a former coup leader who pledged to govern for "a billion years"—fled into exile after accepting the result of an election that ended his 23-year rule.

The pockets of democratic advance have come in tandem with the rise of authoritarian-minded rulers in nations like Rwanda and Ethiopia, which have managed breakneck economic growth that has significantly outperformed the continental average.

The state-building successes of Rwanda's polarizing President Paul Kagame, re-elected for a third

term with 99% of the vote last month, have prompted some commentators to ponder whether technocratic强men are preferable to messy democracy.

That trend has also had a multiplier effect, inspiring rulers like Tanzania's president John Magafali, who critics say has clamped down on political opposition and personal freedoms to spur growth. Even in economies like copper-rich Zambia, long considered a bastion of democratic stability, President Edgar Lungu has adopted increasingly authoritarian tactics, jailing his political opponent for treason for four months before he was released in August.

Yet transnational polling suggests African voters still overwhelmingly prefer democracy. In a November survey of more than 53,000 people in 36 countries, 67% said democracy was "always preferable" to the alternative, according to Afrobarometer, a polling and research firm. Only 11% saw presidential dictatorship or one-party rule as a viable option.

Kenya's Supreme Court ruling comes after a decade of slowly rebuilding confidence in the nation's judiciary since 2007's postelection violence left some 1,200 people dead.

Still, the decision shocked Kenyans, including Mr. Odinga, who had launched an unsuccessful legal challenge to the result in the 2013 election, which he lost to Mr. Kenyatta. It also raised questions over the role of international observers, including former U.S. Secretary of State John Kerry, who called the election broadly free and fair and urged Mr. Odinga to concede.

"I know how it feels to lose," Mr. Kerry said shortly after the poll, referring to 2004 election loss to George W. Bush. "But you have to move on," he said.

Canada Emerges as a Tough Negotiator in Nafta Talks

MEXICO CITY—The latest challenge to renegotiating the North American Free Trade Agreement is coming from an unexpected direction: Canada.

By William Mauldin, Paul Vieira and Dudley Althaus

For months, President Donald Trump has pointed the finger at Mexico as the source of U.S. trade deficits in North America, and U.S. officials are pushing for new provisions in the 23-year-old trade pact that would make it harder for Mexican manufacturers to send goods to the U.S. duty free.

But in the second round of talks for overhauling Nafta, running through Tuesday in Mexico City, it is Canada that appears to be giving the U.S. the most difficulty at the negotiating table, according to people familiar with the negotiations.

The soft-spoken neighbor to the north has avoided slinging rhetorical barbs or political warnings at its partners, in contrast to the tweets of Mr. Trump or public comments of President Enrique Peña Nieto of Mexico.

But Ottawa has introduced new provisions on labor and the environment that may



Canadian Foreign Minister Chrystia Freeland, seen in Washington at the start of the talks in August, has shown in the past that she is willing to walk out of unfavorable trade negotiations.

struggle to gain traction in Washington, and the Canadian negotiators have balked at supporting some less-controversial language that they agreed to in Trans-Pacific Partnership, the unratified 12-nation trade deal that Mr. Trump exited in January, the people say.

Canada's tough stance is seen partly as a defensive

strategy to notch some wins in case it needs to agree to tough requests made by the Trump administration in Nafta, including removing a dispute-resolution system that allows one Nafta country to challenge another's tariffs. The country is also in parallel talks with the U.S. on softwood lumber, and officials in Ottawa are keen to defend their system

for supporting dairy farmers, criticized by U.S. lawmakers from dairy states.

"We are just defending our interests," Canada's chief negotiator, Steve Verheul, said at the talks late Sunday.

But the country's approach may prove difficult for the U.S. and Mexico, which are seeking to wrap up talks as early as December or January, ahead of

election seasons that have a potential to sour trade talks among the three countries.

Besides Canada, Mexico is also sending a tough political message: It won't accept U.S. trade proposals or government policy that hurts the country's interests. "I've said it and I will reiterate it: We won't accept anything that affects our dignity as a country," Mr. Peña Nieto said on Saturday in a speech.

Officials involved in the talks have sought to distinguish the political backdrop from the work of professional negotiators, many of whom know each other from the TPP Pacific talks or even the original Nafta talks in the 1990s.

Canada's Liberal government, which recently completed a trade deal with the European Union, laid out its Nafta objectives just days before the first round of talks began in Washington, pledging to make the North American trade pact more "progressive" by beefing up provisions dealing with the environment and labor.

Foreign Minister Chrystia Freeland, who has shown in the past that she is willing to walk out of unfavorable trade talks, says Nafta should have provisions related to the environment that would prevent a country from intentionally weakening climate-change policies to attract investment. That is raising eyebrows in Washington, where the Trump administration has moved to exit from the Paris climate agreement.

Canada is also pushing for international labor standards that would not only put pressure on Mexico, but also the U.S. One provision, included in a previous Canadian trade pact with Chile, would push for gender equality in the labor force.

The environment and labor are among the areas where Canadian officials have decided to go on the offensive in the Nafta talks, and that reflects areas of genuine interest for Prime Minister Justin Trudeau and his government, according to a person familiar with Ottawa's strategy. Ottawa is also pursuing business interests in digital trade and other areas.

Canadian officials have said they won't be rushed into accepting a deal if it isn't in the country's interests. And if Mr. Trump pulls out of Nafta, then Washington and Ottawa could fall back on a bilateral trade deal that predates the one with Mexico, trade experts say.

COINS

Continued from Page One

The Silicon Valley venture-capital firm Draper Fisher Jurvetson, has said two of his coin holdings could bring about a "sea change as big as the internet."

Coin offerings this year have raised nearly \$1.5 billion, up from \$256 million last year, according to the research site CoinDesk. Of offerings that have gained since their launch this year, the coins have jumped nearly 28 times in value, on average, according to data from research firm Smith & Crown.

But the latest market gold rush also has produced its share of pyrite. Of more than 100 coin offerings launched this year, 10% have declined in value and 30% haven't traded, according to Smith & Crown.

Losing deals, which initially raised nearly \$300 million, have lost about 40%, on average, since their offerings, the

Smith & Crown data show.

Duds have included some highly publicized offerings. Coins offered by Bancor, which is designing an exchange for the growing number of coins being offered by companies involved with cryptocurrencies, are down 12% through Aug. 30. Bancor initially raised \$143 million. Estonia-based Polybius, which raised about \$32 million, has dropped about 24% since its offering.

Bancor Chief Executive Guy Benartzi said his project had been hurt by external criticism, but added that the short-term price isn't a concern to him. Polybius project manager Vitali Pavlov said the token's price is probably due to limited liquidity, and he still sees "significant" upside.

The losses haven't deterred some coin buyers, many of whom have made so much in other deals that they are eager to take more chances. Mike Bardi, 28 years old, is a Chicago entrepreneur who started investing in cryptocurrencies last summer, just before the

two big ones, bitcoin and ether, started taking off.

In a year, he turned an inheritance of \$80,000 into a couple of million dollars. "It was pure luck, literally," he said. Mr. Bardi then put \$1 million into Bancor, even as the price was falling.

While Mr. Bardi said he is

mindful of price swings, and

isn't willing to take a chance on another token offering, he said he believes in Bancor's product and has no plans to sell. "I'm not really touching it," he added.

Coin offerings are sometimes compared with initial public offerings, but are in many ways more akin to crowdfunding efforts. Purchas-

ers of coins, which are digital tokens, aren't buying stock in a company. Rather, they receive a coin that can conceivably be used at some later date to pay for a good or service from the company issuing the token.

The deals have attracted attention and dollars to the idea that technology systems of all sorts are about to be reshaped with open ledgers, or "blockchains," that are cheaper, more flexible and more secure than existing systems.

For all the hype around the offerings, the risks are plentiful. Many of the companies issuing coins haven't launched products yet. Instead, they have concepts they hope to develop. Because of this, more than 30 coin offerings haven't traded since their launch, effectively leaving their buyers in limbo.

Those that do trade do so typically on unregulated platforms and generally can be bought only with virtual currencies such as bitcoin and ether.

China's role in cryptocurrencies is significant, but shifting. A year ago, Chinese exchanges comprised more than 90% of digital-currency trading. Earlier this year, the People's Bank of China started imposing regulations on the exchanges, and much of the volume moved to Japan and South Korea.

Prices of bitcoin and ether were down as much as 8% and 20%, respectively, on Monday after China announced its ban on coin offerings.

Questions still linger about just what a coin offering is, with the U.S. Securities and Exchange Commission recently warning that it may regulate some tokens as securities.

"Mostly you go in and buy a lot of darkness," said William Mougayar, a partner at Canadian investment firm Virtual Capital Venture who has invested in several offerings including Civic, a builder of digital identity products, and Filecoin, which focuses on data storage. He predicts

many, if not most, coin offerings will lose money.

In an echo of the early internet-stock boom, concerns abound about possible scams, and even efforts by some companies to profit by changing their names. Back in the late 1990s, companies found they could boost their value by adding a ".com" suffix to their name.

Some companies are hoping to gain a similar boost by adding the words "blockchain" or "cryptocurrency" to their name. Last week, the SEC warned that while some coin offerings may be fair and lawful investment opportunities, "There may be situations in which companies are publicly announcing ICO or coin/token related events to affect the price of the company's common stock."

The agency added that it had recently issued several trading suspensions on the common stock of some companies that had made claims regarding investment in coin offerings.

U.S. NEWS

Drones' Role Grows In Harvey Recovery

By ANDY PASZTOR

For drone users, Hurricane Harvey is likely to be the event that propelled unmanned aircraft to become integral parts of government and corporate disaster-recovery efforts.

In the first six days after the storm hit, the Federal Aviation Administration issued more than 40 separate authorizations for emergency drone activities above flood-ravaged Houston and surrounding areas. They ranged from inspecting roadways to checking railroad tracks to assessing the condition of water plants, oil refineries and power lines.

That total climbed above 70 by Friday and topped 100 by Sunday, including some flights prohibited under routine circumstances, according to people familiar with the details.

Industry officials said all of the operations—except for a handful flown by media outlets—were conducted in conjunction with, or on behalf of, local, state or federal agencies.

One person familiar with the details said certain applications were processed within hours, an unusually fast turnaround for federal safety regulators accustomed to days or weeks of analysis for such decisions.

The scope and pace of approvals likely will boost momentum for longer-term industry and congressional drives to open up more air-space for broader commercial applications.

"They're being used in a lot of different ways we've been talking about for a long time," said Brian Wynne, president of the Association for Unmanned Vehicle Systems International, the leading trade group.

Storm Tests Houston Officials

As Harvey's flooding recedes, strapped health inspectors tally environmental threats

By DOUGLAS BELKIN
AND TAWNELL D. HOBBS

HOUSTON—Water is subsiding in flooded neighborhoods, the mayor is insisting Houston "is open for business," and shelters are emptying out, but Texans returning to flood-damaged homes face plenty of obstacles: the threat of toxic pollutants in the air and drinking water, and even hungry, displaced animals seeking shelter.

On Monday, authorities lifted an evacuation order in Crosby, site of the Arkema Inc. chemical plant about 25 miles northeast of Houston. Containers of the chemicals, which are unstable if not kept refrigerated, started igniting on Thursday after power outages cut off cooling systems.

But concerns about the long-term environmental damage to the area remain high, and the Houston Health Department is overwhelmed. The two employees who routinely test the city's waterways aren't enough to quickly monitor the storm's effects across Houston's vast network of bay-



Volunteers removed drywall and insulation from the water-damaged home of Julia Lluvia on Monday in Houston.

ous, said Loren Raun, chief environmental science officer for the health department.

"It's too big of a problem," Ms. Raun said. "We really need to be sampling everywhere."

Floodwaters also have inundated at least five toxic-waste Superfund sites near Houston,

and some may be damaged, though Environmental Protection Agency officials have yet to assess the full extent of what occurred.

Ms. Raun emailed EPA officials Friday to request help taking and testing water samples near Superfund sites. An

EPA official replied Friday to say he had forwarded her request to the agency's Regional Emergency Operations Center.

In the meantime, Houston Health Department air-inspection teams will begin to fan out Tuesday to monitor air quality around the city's petroleum and chemical manufacturers, targeting roughly 100 of the largest locations first, according to Donald Richner, senior project manager for the bureau of pollution control and prevention within the health department's environmental division.

About 2,800 evacuees remained in Houston's megashelter at the NRG Center on Monday—from a high of about 10,000, according to a spokeswoman at the convention center.

Houston Mayor Sylvester Turner said much of the city was getting back on track.

"Anyone who was planning

on a conference or a convention or a sporting event or a concert coming to this city, you can still come," the mayor told CBS on Sunday.

Harvey slammed into Texas on Aug. 25 as a Category 4 hurricane, but it brought the worst flooding to Houston and other areas as a tropical storm. On Monday, the Houston Chronicle reported that the number of people missing or dead in connection to the storm is now 75.

In some storm-ravaged neighborhoods, people worried about thefts. In others, residents were facing a different kind of intruder.

"We have everything from snakes to alligators to fire ants," said Lach Mullen, spokesman for the Office of Emergency Management in Fort Bend County, southwest of Houston.

—Melanie Evans contributed to this article.

Schools Confront Daunting Cleanup

HOUSTON—Neatly printed fliers welcoming each student back to the start of school sat on worktables in a classroom at A.G. Hilliard Elementary School in northeast Houston, but the students won't be there anytime soon.

The campus took on 4 feet of water in some areas and desks now sit in puddles alongside sodden books and materials.

The past week has been a time of harsh reckoning and frantic planning for school officials across southeast Texas, as administrators assess the toll Hurricane Harvey has taken on school buildings and the storm's impact on at least one million schoolchildren.

"This is a heartfelt tragedy for many of us," said Houston Independent School District Board President Wanda Adams. "It's going to take a lot of money to restore these schools."

By Saturday, more than

200 of 288 schools had some water intrusion, with at least 50 suffering extensive damage, according to Houston ISD Chief Operating Officer Brian Busby.

The Houston district, the nation's seventh largest, was scheduled to start school on Aug. 28. It is now expected to open on Sept. 11. Even then, between 10,000 and 12,000 students enrolled in schools that need extensive repairs, like Hilliard, will be relocated.

—Tawnell D. Hobbs
and Melissa Korn

U.S. WATCH

HEALTH INSURANCE

Policy Wavering Unsettles Providers

A deadline for insurers to file 2018 prices for health insurance sold through Affordable Care Act exchanges arrives on Tuesday, but state regulators are still struggling to make decisions about pricing and coverage amid uncertainty in federal health policy.

The upshot is confusion in what is typically an orderly, regimented regulatory process for reviewing insurance offerings that will go on sale to consumers on Nov. 1.

States are taking different approaches, based on their best guesses about what Congress and President Donald Trump's administration might do regarding the health-law marketplaces, though several state regulators said in interviews that they are leaning toward approving hefty rate increases.

According to actuarial firm Milliman Inc., at least 32 states have requested that insurers prepare alternate premiums for different scenarios. Most of those states are still refraining from a final decision on which rates to choose.

"The uncertainty makes it very difficult to navigate, and it's not going away," said Eric A. Cioppa, superintendent of the Maine Bureau of Insurance.

Insurer Anthem Inc. has said it would stop offering exchange plans under Obamacare, as the law is known, in Maine next year if the federal government stops payments known as cost-sharing reduction subsidies.

Those payments, which Mr. Trump, a Republican, has threatened to halt, reimburse insurers for money they advance to reduce health-care costs for low-income ACA enrollees.

—Anna Wilde Mathews

FBI

Building Cancellation Raises Questions

The sudden July decision to cancel multimillion-dollar plans to build a new Federal Bureau of Investigation headquarters has baffled lawmakers and raised doubts among developers about seeking government business.



The FBI's J. Edgar Hoover Building headquarters in Washington.

The FBI has sought for more than a decade to move from the old J. Edgar Hoover Building to a more-secure headquarters in the Washington suburbs. Officials seemed poised to pick a developer when the General Services Administration, which oversees federal real estate, said in July it had decided in consultation with the FBI to cancel the search.

The GSA said it pulled the plug because of a shortfall in funds Congress had appropriated for the project, but others who followed the project have raised doubts. "I personally don't think we know the real reason why they terminated that contract because the explanations don't really add up," Maryland Democratic Sen. Ben Cardin said in an interview.

— Alexa Corse

INTERIOR DEPARTMENT

Land Users Divided On Potential Change

On a dirt road near Ashland, Ore., the interior secretary unfolded his 6-foot-2-inch frame from a dusty black Suburban one morning recently and shook hands with a group of ranchers in cowboy hats.

"The president has made it clear—I work for you," Ryan Zinke told the ranchers, who had gathered to tell him their grazing operations would be hurt by a recent expansion of Cascade-Siskiyou National Monument.

The appearance by a top federal official was well received.

"No one has come out here before," said rancher Jeremy Kennedy. "We finally have a voice."

Mr. Zinke's July 15 visit was

part of a fact-finding trip the secretary has undertaken since President Donald Trump directed him in May to review 22 land monuments and five ocean preserves—most created or expanded by former presidents Bill Clinton and Barack Obama—for possible downsizing or elimination.

On Aug. 24, Mr. Zinke sent the president his recommendations in a report that hasn't yet been made public. Mr. Zinke suggested several monuments would face potential shrinking, after saying in a statement that his recommendations would "provide a much-needed change for the local communities who border and rely on these lands for hunting and fishing, economic development, traditional uses, and recreation."

Mr. Zinke, 54 years old, a former Navy SEAL commander who joined the Trump cabinet after serving as a Republican congressman in his native Montana since 2015, said he wants to tip the balance of who gets heard on land-use decisions more in favor of rural people whose jobs often are affected by the decisions.

Mr. Zinke has infuriated environmentalists and other proponents of more conservation, who call him a tool of industry. They say his other actions to expand drilling on public lands and in offshore waters from Alaska to the Gulf of Mexico are payback to backers of his congressional campaign, which have included oil-and-gas companies. They also accuse him of stacking the Interior Department with industry executives and lobbyists.

— Jim Carlton



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IN DEPTH

P&G

Continued from Page One
print to revamp P&G is due out this week and, among its points, will be criticism of the company's connection with millennials, said people familiar with the plan.

"The only word I can use that is appropriate is, 'disappointing.' There are many other things I could say, but that's the word I'll use," P&G Chief Executive David Taylor said of Mr. Daley's new allegiance. "To be working against the company, the board, the folks who supported him while he was here."

There was a time when the idea of a longtime company insider siding with an activist investor was shocking. But activists have come to tap industry experts to help create and legitimize plans they use to win over shareholders.

This year, Jana Partners LLC hired experts to push Whole Foods Market Inc. to sell itself and to shake up the board at Tiffany & Co. Elliott Management Corp. tapped a former Arconic Inc. executive for its board fight at the automotive and aerospace-parts maker.

Mr. Daley said his intentions were noble: "I dedicated 35 years of my life to this company and still feel a lot of attachment." P&G has become too insular, bureaucratic and accepting of mediocrity, he said, and Mr. Peltz can help spur change. "As a retired executive, it's been very frustrating for the last eight years to see what's going on there," he said. "I want to help."

Mr. Moeller, 53 years old, said P&G and the consumer-products world have changed too rapidly for even well-informed outsiders to fully understand. He said that he agreed with Trian's assessment of P&G's past problems, but he believes neither Mr. Daley nor Trian can chart a better course.

"The world has changed completely, the way business is done has changed completely and the company has changed completely," said Mr. Moeller, who has worked with three P&G chief executives as finance chief. "You don't stay on top of those things by reading reports or even sitting on boards."

After Mr. Daley's retirement at the end of 2008, he and Mr. Moeller used to meet socially a few times a year. That ended in 2012, when Mr. Daley told his protégé that he had spoken with investor William Ackman, who was challenging P&G's leadership at the time.

Mr. Daley said he declined to join Mr. Ackman's campaign. "I tried very hard to exit and stay out of the way and give Jon Moeller his space," said the 65-year-old resident of Longboat Key, Fla.

The two men continue to speak highly of one another. "Of all of P&G's many problems, Jon Moeller is not one of them," Mr. Daley said. And Mr. Moeller compliments Mr. Daley's prowess during his tenure as CFO. Yet as the former colleagues campaign in public and during one-on-one meetings with investors and institutional shareholders, one thing is clear: This is war.

Head to head

The proxy fight has divided

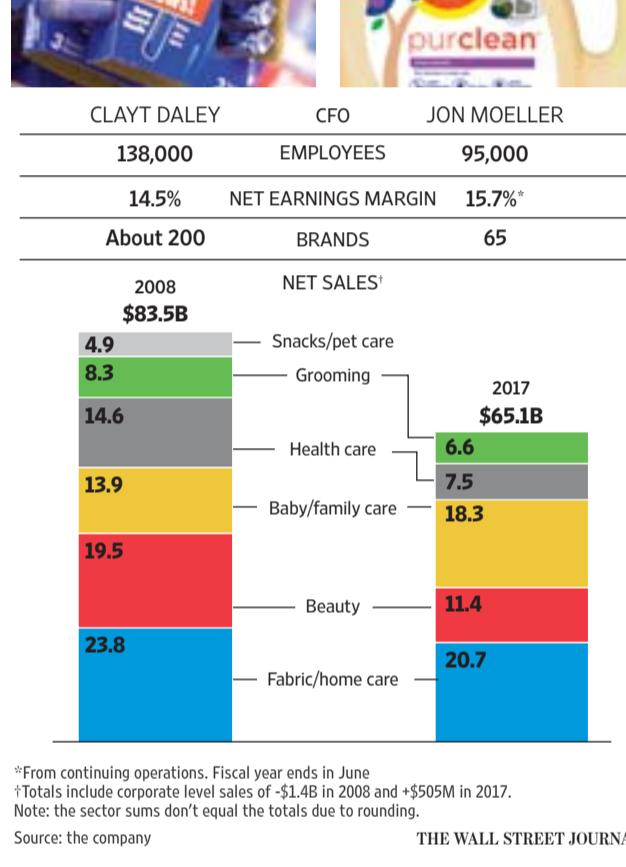
Procter's Progress

P&G outpaced rivals and the broader market last decade, but it has changed CEOs three times since the recession, with mixed results.

Total shareholder return under each CEO vs rivals and the broader market



A Tale of Two Eras



*From continuing operations. Fiscal year ends in June
†Totals include corporate level sales of -\$1.4B in 2008 and +\$505M in 2017.
Note: the sector sums don't equal the totals due to rounding.

Source: the company



KAREN M. CONNELL FOR THE WALL STREET JOURNAL

Former P&G finance chief Clayton Daley, left, and Nelson Peltz.

Mr. Moeller, whose wife also works at P&G, started at the company in 1988. He worked in different finance positions under Mr. Daley until he reported directly to him.

Mr. Daley joined P&G in 1974 and served as finance chief from 1998 until the end of 2008, a time of rising profits and double-digit sales growth. Mr. Daley was lauded by P&G—and rewarded with a \$1.5 million bonus—for leading the integration of the Gillette razor business following P&G's \$57 billion acquisition of the company in 2005. P&G had called the deal one of its most successful.

Mr. Daley, in his last conference call with analysts before turning his job over to Mr. Moeller, described his successor as "an excellent business strategist."

Mr. Daley's hard-charging, often blunt, style contrasts with Mr. Moeller's more democratic approach, say people who know both men. They each rose through the finance ranks at P&G, starting out in the accounting departments of P&G factories and advancing to headquarters.

As growth slowed, P&G was forced to shrink. In 2012, it launched a \$10 billion cost-cutting program that eliminated 24,000 jobs and 14 factories. It

sold off dozens of brands, including Pringles snacks, Iams pet food and Duracell batteries. In 2015, P&G agreed to sell 43 beauty brands, including some like Clairol and Wella that it had bought a decade earlier.

Since Mr. Taylor took over as chief executive in November 2015, he has promised to cut another \$10 billion in annual expenses by 2021.

Trian has questioned what the cost cuts have yielded for investors.

Procter & Gamble's own goals are evidence of trouble, Mr. Daley said.

Crisis management

Soon after Mr. Daley retired, the financial crisis and a slowdown in developing markets sapped P&G's business. One of Mr. Moeller's first tasks as CFO was to lower the company's financial targets and explain why P&G would miss projections.

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The Gillette business, which accounts for 10% of sales but 16% of P&G's profits, has become a drag. Sales in the business have declined in recent years, and such online upstarts as Dollar Shave Club and Harry's have chipped away at its U.S. market dominance. P&G responded this year with broad price cuts in the U.S., breaking from Gillette's strategy of new features coupled with higher prices.

"There was an underestimation of the consumer interest

in that type of a proposition," Charles Pierce, who took over P&G's grooming business in 2015, said in an interview. "Once we saw what was going on there we made some big, big interventions."

Mr. Daley said he doesn't need to be an insider to understand how P&G has stalled. He has studied the company's financial reports, he said, listened in on analyst calls and stayed in touch with current executives.

The company's own goals are evidence of trouble, Mr. Daley said. In a recent filing, P&G outlined three-year targets—2.8% organic sales growth, 4.7% operating profit growth and a 6% increase in per-share earnings—that he said were well below what the company should be delivering.

"Those goals mean the management and the board of directors have accepted mediocrity," Mr. Daley said. He also argued that P&G shouldn't have sold the beauty brands—evidence, he said, that the company wasn't capable of managing smaller, trendy brands.

P&G said its goals reflected a realistic, long-term approach to growth, and that Trian was pushing short-term share gains at the expense of long-term progress. It noted the company total shareholder return has outpaced the S&P 500 and its peers since Mr. Taylor became chief executive. A yearslong effort to pare P&G's bureaucracy has taken hold, executives said.

"We're at the point where the nose is lifting and we're going up," Chief Brand Officer Marc Pritchard said. "A big derailment is the last thing we need."

The two sides have particularly clashed over the structure of P&G's management, which Trian said remained slow and bureaucratic.

The campaigns for shareholder votes have been costly. P&G, which has hired investment banks, is spending at least \$35 million. Trian, which owns roughly \$3.3 billion of P&G stock, is spending about \$25 million.

Mr. Taylor held a town hall meeting to rally P&G staff on Aug. 3. "You delivered what we committed without an asterisk," he said to the applause of hundreds of employees.

Last week, Trian released a video of Mr. Daley saying it was "simply time to do something different."

The public fight follows months of private negotiations between Mr. Peltz and P&G's board, which is stocked with business leaders including the chief executives of American Express Co. and Hewlett Packard Enterprise.

Mr. Peltz, age 75, said he needed to perform work that could be done only from inside the P&G boardroom. Mr. Taylor and other directors have refused to give their support, saying that Mr. Peltz wasn't proposing new ideas and that his style of activism would disrupt the progress already being made. Mr. Peltz said he planned to support Mr. Taylor if he wins a seat.

"You look at what he says and it sounds all wonderful: 'I love the company, I want to see it do better,'" said Mr. Taylor, P&G's chief executive. "But if you just want to help, wouldn't you come in with your plan and lay it out?"

Democratic leaders say they will resist that deal.

Rather, Democrats hope that Republicans will agree to adopt the Dream Act without conditions, and are considering ways to force a vote on the matter as part of debate over a defense policy bill or perhaps a short-term spending bill, both of which will be considered in the coming weeks.

Some Republicans are amenable to that. Sen. Thom Tillis (R., N.C.) is working on what his staff calls a conservative version of the bill that would set tougher requirements for participation but also offer more than two million Dreamers a path to citizenship.

In the Senate, both the border wall spending and the Dream Act would require at least 60 votes to overcome procedural hurdles, and neither party has that on their own. It is unclear how hard either side will push, and it is possible neither proposal becomes law.

In 2010, the Dream Act passed the House, then controlled by Democrats, but fell five votes short of the 60 needed in the Senate. Five Democrats joined most Republicans in voting no.

DACA

Continued from Page One

Mr. Trump shouldn't kill it.

The program, created in 2012, offers young people brought to the U.S. as children a reprieve from deportation and work permits. Since then, nearly 800,000 people have enrolled. Mr. Obama, a Democrat, and his advisers have defended the program as a legitimate exercise of presidential discretion.

Mr. Trump opposed the program as a candidate but has allowed it to continue and said the issue is a difficult one for him. The 10 states threatening to sue the administration over the issue set Tuesday as the deadline for him to make a decision, and anticipation has run high as that date approaches.

Following reports of Mr. Trump's decision, Rep. Joaquin Castro (D., Texas) tweeted late Sunday: "For all the members of Congress over the past 5 years who said DACA should've been done 'legislatively' here's your chance."

Prominent illegal immigration

Iowa) said DACA should be ended immediately, with no delay. "Ending DACA now gives chance 2 restore Rule of Law. Delaying so [Republican] Leadership can push Amnesty is Republican suicide," he tweeted.

The issue of how to handle the estimated 11 million people living in the U.S. illegally has long divided the nation. But the Dreamers have always enjoyed more support than others, given that they didn't make the decision to illegally enter or stay in the U.S. and, in many cases, know no other home. They have also grown politically active in recent years, demanding action in Washington.

Early in his first term, Mr. Obama insisted he didn't have the power to give Dreamers safe harbor en masse. But under pressure, he did just that in June 2012, months before he stood for re-election. That solidified his support among many Hispanic voters, who helped power him to victory.

After that, some Republicans concluded they needed to adopt a more pro-immigration stance, but Mr. Trump took the opposite tack. He ran for president on a promise to

crack down on illegal immigration and to kill the DACA program, calling it an "unconstitutional executive amnesty."

As president, Mr. Trump softened his view. He allowed the program to continue and called it "one of the most difficult subjects" he had to deal with because "you have these incredible kids." John Kelly, who oversaw the program as secretary of Homeland Security and is now White House chief of staff, opposed killing

it but also voiced concerns about its ability to withstand a legal challenge and has said he would prefer legislation.

Mr. Trump's hand was forced by a group of conservative states that in June threatened to sue the administration if it didn't act on its own to rescind the program. Specifically, they promised to amend a lawsuit filed in 2014 that successfully challenged Mr. Obama's effort to expand the DACA program to cover par-

ents of U.S. citizens and others. Many legal experts, including some who support the DACA program, predicted that the conservative district judge would agree with the states that the program was unconstitutional.

In Congress, several versions of the Dream Act are pending or under discussion. Some Republicans are hoping they can persuade Democrats to pair passage with funding for Mr. Trump's border wall,



KYLE GRILLO/REUTERS

but Democratic leaders say they will resist that deal.

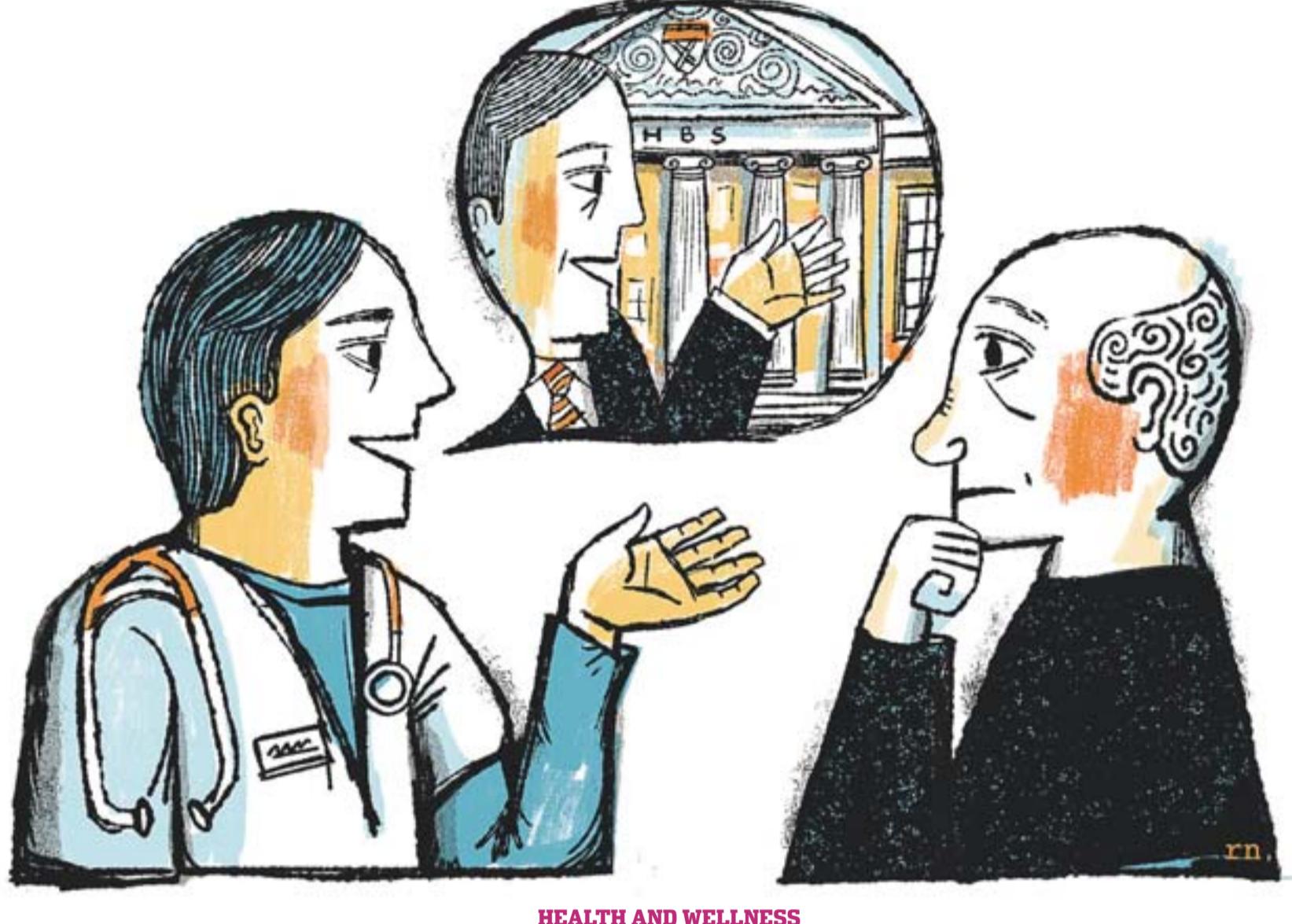
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LIFE & ARTS



HEALTH AND WELLNESS

Bargaining With Cancer Patients About Treatment

Surgeons borrowed techniques from Harvard Business School to help some prostate-cancer patients decide on treatment

BY LUCETTE LAGNADO

WHEN A DOCTOR and a patient discuss treatments, is it a conversation or a negotiation?

Surgeons at Memorial Sloan Kettering Cancer Center in New York are enlisting techniques taught at Harvard Business School to advise men facing tough decisions about prostate cancer.

Behfar Ehdaie liked giving his prostate-cancer patients hopeful news: While they had a low-grade version of the illness, they wouldn't need immediate treatment, let alone major surgery. Instead, they could be monitored through a process known as active surveillance. But Dr. Ehdaie, a surgeon at Sloan Kettering, found that many men insisted on having radical surgery or radiation—treatments that sometimes had devastating side effects.

"It was very frustrating," Dr. Ehdaie said. "They didn't see active surveillance as a viable option."

In recent years, a growing body of evidence indicates that men with low-grade early-stage prostate cancer don't need radical treatment, such as removing or radiating the prostate. The medical consensus is that active surveillance often is the appropriate treatment for small early tumors. Yet despite the data showing that this approach is safe, about 50% of eligible men don't get it either because they turn it down or their physicians don't embrace it. Medical experts say many men have been overtreated, as their cancers probably posed little immediate danger.

Dr. Ehdaie worried that too many patients were making the wrong decision. While surgery or radiation can be effective for early prostate cancer, potential side effects include sexual dysfunction, urinary incontinence and bowel problems.

Dr. Ehdaie confided his frustration to his research mentor and the two men decided to search outside the institution and even outside medicine for experts in behavioral economics and psychology.

"It was a very left-field idea to say let's use behavioral economics to help a doctor explain to a patient what is important," said Andrew Vickers, a biostatistician who advises Dr. Ehdaie on his research. "But we knew that this was a problem and that surgeons weren't dealing with it. Doctors often use the completely wrong words."

Dr. Ehdaie's wife, who has an M.B.A., thought an expert in negotiation theory might help. After hearing about a Harvard Business School professor named Deepak



Malhotra who specializes in tough negotiations, Dr. Ehdaie emailed him in December 2013.

Professor Malhotra says he was intrigued. He also believed that many doctor-patient conversations were in fact negotiations—and that doctors had no idea how to negotiate. He had co-authored an article with his brother, an emergency physician, in the Harvard Business Review about the need for doctors and hospitals to negotiate with patients to help them make better care decisions. The piece, published in 2013, said doctors and hospitals had "a dearth of negotiation skills and acumen."

The professor traveled to Manhattan in 2014 to observe Dr. Ehdaie with his patients. The two hammered out pointers adapted from negotiation theory that doctors could use. For example, Dr. Ehdaie, like many surgeons, would first tell newly diagnosed prostate-cancer patients about surgery as a treatment option, and then discuss radiation; he left active surveillance for last.

Professor Malhotra advised flipping the order. "Instead of going on and on about surgery, and then going on and on about radiation, you give the prominence and salience to active surveillance" he said. The rejiggering was critical to making surveillance—not surgery—the "default option."

It also was important to explain what active surveillance entailed. While the cancer is left untreated, patients follow a rigorous program of MRI's, tests and biopsies. Dr. Ehdaie told his patients he would see them every six months. But far from being reassured, patients



worried "the cancer could spread in six months."

Professor Malhotra advised reframing the time period. The doctor should emphasize that a patient's cancer was growing very slowly, if at all, and it would be safe for him to see them in about five years. But under active surveillance, he would examine them every six months—making some patients feel they were being closely monitored. Finally, Professor Malhotra advised giving patients a concise message to keep in mind when talking with family and friends who might "start questioning" the decision.

As Dr. Ehdaie changed his approach, he saw striking results. Nearly all his patients began accepting active surveillance and rejecting aggressive treatments.

continence and impotence, so it isn't a question" of an alternative without risk.

The Harvard Business School pointers have brought "more clarity and definition and concise thinking" to how doctors discuss these risks with patients, Dr. Scardino said.

In a report published in June in the journal European Urology, the Sloan Kettering team, along with Professor Malhotra, analyzed the decisions of 1,003 prostate-cancer patients eligible for active surveillance. When they compared 761 patients in a two-year period before the doctors were taught the Harvard methods, with 242 patients who were counseled with the business-school pointers, they found the percentage that chose active surveillance rose to 81% from 69%. In other words, there was a decrease of 30% in "the risk of unnecessary curative treatment." Even a "minimal intervention can decrease overtreatment," the paper concluded.

Richard Saler, a patient of Dr. Ehdaie who was diagnosed with low-grade prostate cancer in 2014, admits he is "a worrier" and was inclined to have surgery. "My mindset was 'Get it out, cut it out,'" he recalled. He spoke with Dr. Ehdaie and recalls when the doctor said, "I would be happy to do your surgery"—but he wouldn't advise it. After carefully reviewing the data on treatments, Mr. Saler chose active surveillance. Mr. Saler, who has an M.B.A., didn't realize his doctor was using classic negotiating tactics and said the conversations with Dr. Ehdaie "never feel like a negotiation."

"It is not supposed to feel like a negotiation," Dr. Ehdaie said. "You want to empower patients to make the best decisions for themselves." Professor Malhotra wrote about the experience with Sloan Kettering in a chapter in his book "Negotiating the Impossible."

James Eastham, chief of the urology service at Sloan Kettering, said his department incorporates Professor Malhotra's techniques. "Acceptance rates have increased significantly," he said. About 90% of eligible Sloan Kettering prostate-cancer patients now select active surveillance.

David Miller, a professor of urology at the University of Michigan in Ann Arbor, said Dr. Ehdaie is changing how doctors can talk to prostate-cancer patients. He wonders if the approach can work beyond Sloan Kettering. "The challenge is how do you bring Deepak Malhotra to care settings in rural parts of the United States," he said. "What happens at Memorial isn't necessarily what happens" in clinics across the country.

OPINION

REVIEW & OUTLOOK

Options for Removing Kim

North Korea conducted its sixth nuclear test on Sunday, detonating a bomb 10 times more powerful than its last test a year ago. The South Korean government says Pyongyang is also preparing its third test of an intercontinental ballistic missile. The tests underscore how much U.S. intelligence has underestimated the North's nuclear progress, which will soon make American cities vulnerable to attack.

The standard refrain of foreign-policy experts is that the world has no good options other than war or acquiescence. The policy default, repeated by the Trump Administration, is pleading with China to coerce North Korea into giving up its nuclear program, despite evidence that Chinese leaders don't want to help and Kim Jong Un may not take their orders.

A military strike has to be a last resort, because it might lead to a larger war that could kill tens of thousands in South Korea and Japan, including U.S. troops. But the U.S. does have other options. Washington can put severe pressure on North Korea and the Kim Jong Un regime. To understand how, take the standard tool kit of statecraft, sometimes summed up by the acronym Dimefil: diplomatic, information, military, economic, finance, intelligence and law enforcement.

• **Diplomatic.** The U.S. can put far more pressure on countries to cut or restrict ties with North Korea. While the regime preaches an ideology of self-reliance, it needs international ties to raise hard currency and source the raw materials and technology it needs.

• **Information.** Defectors are already sending information into the North about the outside world. The U.S. and its allies can expand that effort and encourage elites to defect or stage an internal coup.

• **Military.** Building up missile defenses and conventional forces will diminish the North's ability to use nuclear blackmail. Deploying tactical nuclear weapons to South Korea would make the threat to retaliate against a nuclear strike more credible.

• **Economic.** Donald Trump tweeted Sunday that the U.S. is considering sanctions against anyone who does business with North Korea. The regime uses networks of Chinese traders to evade sanctions and also to conduct more legitimate business. Applying sanctions to these networks could curtail the North's trade.

• **Financial.** The U.S. can cut off North Korea's access to financial intermediaries that conduct transactions in U.S. dollars. In June the U.S. applied secondary sanctions to the Bank of Dandong, a Chinese bank. Larger Chinese banks should suffer a similar fate if they continue to facilitate trade with North Korea.

Trump's Korean Trade Folly

A big problem with Donald Trump's protectionist trade agenda—and far from the only one—is that it contradicts his purported geopolitical goals. The latest example is Mr. Trump's threat, widely reported on the weekend, to withdraw from the U.S.-South Korea trade pact.

Mr. Trump has long opposed the deal with Seoul that was signed by George W. Bush in 2007, renegotiated at the margins by Barack Obama in 2010 and passed by a GOP Congress in 2011. The agreement, which reduced 95% of the tariffs on goods and opened the market for U.S. services, has been an economic boon to both countries. But Mr. Trump is fixated on the \$27.7 billion bilateral U.S. trade deficit in goods in

• **Intelligence.** The Proliferation Security Initiative begun under the George W. Bush Administration tracked and intercepted the North's weapons exports. The program could be enlarged to block other exports forbidden under United Nations sanctions.

• **Legal.** A U.N. Commission of Inquiry in 2014 reported evidence of human-rights abuses in the North's huge network of prison camps. China and Russia have shielded the Kim regime from prosecution at the International Criminal Court for these crimes against humanity. Pressure for accountability will further isolate the North and encourage elites to defect.

The North is especially vulnerable to pressure this year because a severe drought from April to June reduced the early grain harvest by 30%. If the main harvest is also affected, Pyongyang may need to import more food while sanctions restrict its ability to earn foreign currency. Even in a normal year, the North needs to import about 500,000 tons of grain.

While the regime survived a severe famine in the 1990s, today the political consequences of a failed harvest would be severe. More North Korean awareness of the outside world has fostered cynicism about the government, and about half the population is engaged in some form of private enterprise. Traders openly flout the laws because they bribe corrupt officials. The army was once the most desirable career path; now soldiers are underpaid and underfed. North Koreans will not simply accept starvation as they did two decades ago.

Withholding food aid to bring down a government would normally be unethical, but North Korea is an exceptional case. Past aid proved to be a mistake as it perpetuated one of the most evil regimes in history. The U.N. says some 40% of the population is undernourished, even as the Kims continue to spend huge sums on weapons. Ending the North Korean state as quickly as possible is the most humane course.

* * *

Ideally regime change would mean Korean reunification under the Seoul government. But Beijing is likely to resist that outcome, preferring to keep the North as a buffer state under its control. That would still offer North Koreans a better life and end the nuclear threat. We should send the message to coup plotters that as long as they give up their nuclear weapons and missiles they would not be punished.

The Trump Administration rightly refuses to accept North Korea as a nuclear power, but the U.S. and its allies have never used all of their options short of a military strike to stop that from happening. The U.S. could still bring down Kim Jong Un before he becomes a global nuclear menace, but time is running out.

2016, despite a \$10.9 surplus in services. The trade deficit is relatively small and economically meaningless in any event.

But even if you ignore the economic harm from unilateral U.S. withdrawal, the political damage would be worse. You don't have to be Henry Kissinger to see the folly of threatening a key ally economically at the same time you are asking that ally for support against North Korea's burgeoning nuclear-missile arsenal (see nearby).

Mr. Trump fairly criticizes South Korea for "talk of appeasement with North Korea," but why should the South trust the U.S. military commitment if an erratic U.S. President can't be trusted to keep a mere trade pact? The only winner would be the North's Kim Jong Un.

More Worker Visas for Less Government

The biggest American economic story these days may be the trouble employers are having finding workers. Friday's report of a modest gain of only 156,000 new jobs in August doesn't change that reality even though the jobless rate rose a tick to 4.4%.

There are many reasons for the worker shortage, including drug use among the young, the disincentive to work due to easier disability, and the skills mismatch between what employers need and what kids learn in poor K-12 public schools. But the shortage will increase if the economy grows faster, so it's good news that some in Congress have ideas to mitigate labor shortages in fields like construction and technology.

Senator Ron Johnson (R., Wis.) recently introduced a bill that would allow states to start visa programs for foreign guest workers that are currently managed by the federal government. The State-Sponsored Visa Pilot Program Act would allow for about 500,000 visas, with 5,000 for each state and the rest divvied up by population. The cap would be indexed to GDP growth. States would be free to decide which skill levels or industries would be eligible—and free not to participate in the program. Rep. Ken Buck (R., Colo.) is working on companion legislation.

Such visas might alleviate a shortage of farm hands in places like California's Central Valley, which is leaving millions in crops to rot unharvested even as employers are raising wages and offering benefits. In Sen. Johnson's Wisconsin, the unemployment rate is 3.2%, and manufacturers report thousands of openings. Wisconsin's boat industry is hunting for mechanics; a state vocational school in Ashland reports that

employers around the country are bidding for its graduates in marine mechanics.

The Johnson bill would permit workers to change employers, which would force companies to bid for workers. A worker who came from Canada or elsewhere wouldn't be eligible for welfare such as food stamps. Also included: Restrictions for states whose workers are routinely discovered as working illegally outside the sponsor state.

Legislators in Colorado (jobless rate: 2.4%) and Utah (3.5%) have in past years passed measures to start state worker programs, as a Cato Institute brief on the bill points out, though the federal government has refused to grant legal clarity. The American Action Forum's Jacqueline Varas reports that allowing state programs would create 900,000 to 1.2 million jobs—for American workers. Bringing in workers from abroad allows companies to grow and expand opportunities for U.S. citizens.

Another benefit would be political accountability. Voters could hold their governors and state legislators responsible for success or failure. The idea also concedes the reality that the labor market in Fort Wayne, Ind., differs from the one in Silicon Valley. States are better able to notice which industries need workers, and tailor the visa eligibility accordingly.

Congress has tied itself in knots for years over immigration because the Members insist on trying to move grand bills to settle every issue rather than discrete bills to address specific problems. The bills collapse of their own weight. Sen. Johnson's idea would be a good start in addressing the urgent problem of America's labor shortage.

A federalist plan to address the growing U.S. labor shortage.

OPINION

When the Truth Is Crazy



BUSINESS WORLD

By Holman W. Jenkins, Jr.

Two things are intriguing about the "Trump is mentally ill" murmur that CNN's Brian Stelter, on his show "Reliable Sources," claimed is rife among the media.

Donald Trump's mental health is being questioned because he insists on saying a true

thing about the violence in Charlottesville. Even the visible dismay on the faces of his own aides at his Aug. 15 press conference was there because he spontaneously reverted to the truth when they thought they had extorted his promise to refer only to the violence of the white-supremacist groups.

The other thing to notice is that "Trump is a liar," another favorite media theme (one with considerable validity), has had to be put on hold for the duration.

Mr. Trump is being diagnosed as crazy for insisting on an undisputed fact. Sociologically, this is interesting. A columnist of a more polemical bent might even make reference to the Soviet-era practice of condemning citizens to mental institutions for questioning the lies of the state.

This would be a cheap shot. Failure to conform, in any society, is treated in causal parlance as *prima facie* evidence of insanity. And the media, in any society, exist at least partly to enforce such conformity, not truthfulness.

Let me repeat: Many who enter the media profession do so because they have an extraordinary need to conform, to be seen conforming, to make others conform.

It is only a slight oversimplification to say there are two kinds of people in the world.

Call one Steven Mnuchin. He, with genuine perplexity, answered an open letter from his Yale colleagues by saying: "While I find it hard to believe I should have to defend myself on this, or the president, I feel compelled to let you know that the president in no way, shape or form, believes that neo-Nazi and other hate groups who endorse violence are equivalent to groups that demonstrate in peaceful and lawful ways."

Call the other Gary Cohn, who felt the need to proclaim his dismay that anybody would "equate" violent racists with peaceful protesters, though no one did, including Mr. Trump.

Now here's where we throw a curveball. There is a reason politicians constantly preach to themselves to stay "on message." The goal of political speech is always instrumental, to bend the game to your benefit, to minimize the opposition's opportunity to gain advantage.

LETTERS TO THE EDITOR

Private Internet Providers and Free Speech

Matthew Prince, CEO of Cloudflare, asks "Was I Right to Pull the Plug on a Nazi Website?" (op-ed, Aug. 24). His own writing makes the answer clear: No.

While the U.S. Constitution's First Amendment protections don't apply to private companies, the internet is an essential means for national (and world) discourse—political, commercial and social. It isn't possible to have freedom of speech today without freedom of speech on the internet.

Unfortunately, in order for democracy to flourish, that includes freedom for the reprehensible, like the Daily Stormer.

As a leader of one of the small cohort of companies with monopolistic power over the internet, Mr. Prince and his brethren must act *de facto* in accord with the First Amendment. If they refuse to do so—and Cloudflare's act of censorship is a clear violation—the government must either force them to comply or end their monopoly.

More than a century after the Sherman Antitrust Act targeted monopolies in restraint of trade, we now see the emergence of monopolies in restraint of thought.

Mr. Prince wants to play both sides. His act endears him to those who seek to conquer by censorship (and sometimes violence) rather than argument. On the other hand, his hand-wringing op-ed seeks to position him not as a knee-jerk leftist, but as a thoughtful centrist wrestling with complex issues.

"We're going to have a long debate at Cloudflare to think these issues over." Nonsense. All Mr. Prince needs to do is immediately restore the website and get out of the censorship business.

LAWRENCE BODENSTEIN
Bronx, N.Y.

Mr. Prince is laudably cautious about exercising control over the rights of others, but continuing to step up and make such difficult, sensitive decisions is necessary to secure the American people, their liberty, their institutions and their property both cyber and physical.

MARJORIE PARSONS
Brooklyn, N.Y.

I am Jewish, and so not a supporter of the Daily Stormer website. I am also well versed in American history and am a strong supporter of the First

Mr. Trump's failure to stay on what his staff, including Mr. Cohn, obviously think is the proper message in relation to Charlottesville has been costly. If Mr. Trump hoped to deliver tax reform, his chances seem slimmer now. If he hoped to build them rapport with Republicans and lead them to victory in the 2018 midterms, that also seems a mite less likely now.

Then again, does Mr. Trump really want these things? Did he really want to be president at all? These questions at the time made nominating him seem like a bad idea. Mr. Trump's purposes are not your purposes, Republicans. You forget this at your peril.

From the media, we still await an authoritative reconstruction of what happened in Charlottesville, but in the reporting so far the "Antifa" activists never have names and aren't quoted, whereas neo-Nazis and white nationalists babble freely to the press.

Either the Antifa types don't talk to

Trump is diagnosed with a severe case of conformity-resistance syndrome.

the press, or the press makes no effort to talk to the Antifa types. Either way, it's especially weird in cases like last month's Boston riot or the melee in Berkeley, where the *sole or primary* actors were antifascist activists. Their alleged fascist enemies were few or nonexistent. In the Berkeley case, a pro-Trump rally had been canceled but Antifa actors showed up anyway and attacked whoever was handy.

The election of Mr. Trump was partly a fabulous accident, a fluky outcome of the Electoral College. His margin may well have been provided by the FBI and U.S. intelligence establishment's galling intervention in the Hillary Clinton email matter.

That said, this accident could have been met more constructively by Democrats and the media if they had been willing to build on Mr. Trump's basic nonattachment to party and his willingness to do deals to move the country forward.

Unfortunately another accident intervened: Russia. That Democrats and the media spent so much of his first months trying to paint Mr. Trump as a Russian agent needs to be explained: this theme hand-delivered to them by a U.S. intelligence establishment now trying to cover up its earlier Inspector Clouseau efforts to keep Mr. Trump out of the White House.

The true story of the Trump era will take a novelist, not a historian, to do it justice.

LETTERS TO THE EDITOR

Private Internet Providers and Free Speech

Amendment. Despite my dislike of this website, I grant that its authors are entitled to publish it.

OSCAR ORRINGER
Duxbury, Mass.

Are internet-service providers and Web hosts "public accommodation" within the meaning of expansive federal and state law requiring private entities to sell goods and services to those with whom they disagree? We've seen this line of reasoning applied to florists, photographers and bakers by a number of states, with penalties in some cases running more than \$1 million. And in those cases there were acceptable alternative vendors nearby.

But if every website host decides to blackball a hateful group, there may not be any alternative. Given the increasing use of public-accommodation law to push favored political causes and silence those who disagree, we also should apply this to cases where it shuts down disagreeable speech.

CARY FULBRIGHT
San Francisco

Take yourself back 85 years when Hitler was rising with an ethos no different from those of the Charlottesville demonstrators. Would you hesitate to cut them off as a customer? I think not.

MIKE BAN
Chicago

Would a telephone company be right to refuse service to Occupy Wall Street? Would a credit-card purveyor be right to deny merchant accounts to Greenpeace? Would a car-sharing service be right to deny rides to Never Trumpers? Would a hotel be right to deny accommodations to Antifa? Would a property owner be right to refuse to sell to Black Lives Matter?

They are private companies selling a public product or service. Do they have the right to refuse service to anyone based on viewpoint?

Yes, Mr. Prince, they would all be wrong. And so are you.

A. JACKSON
Avila Beach, Calif.

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I am Jewish, and so not a supporter of the Daily Stormer website. I am also well versed in American history and am a strong supporter of the First

OPINION

The American Spirit Is Alive in Texas



DECLARATIONS
By Peggy Noonan

Give Texas what it needs. It has endured a disaster without precedent. Washington must move quickly, generously. There should be no "The relief bill must be offset by cuts in federal spending." There should be no larding it up or loading it down with extraneous measures. This is an emergency.

This is no time to threaten government shutdowns. It's no time to be dilating on debt ceilings. This is the time to know as never before that everything that holds America together as a nation must be strengthened wherever possible, and whatever sinks us in rancor avoided and shunned.

'Hold the line,' Jim Mattis exhorted soldiers. In the face of a disaster, civilians are doing just that.

Give Texas everything it needs, and do it right quick.

Most Americans, including Texans, don't have more than a few hundred dollars in available savings. Most live close to the edge, paycheck to paycheck. Most homeowners in Houston don't have flood insurance. When they're lucky enough to get out of the shelter, they'll return to houses that are half-ruined—wet, moldy, dank, with no usable furniture—and with kids coming down with colds and stomach ailments from stress or from standing water that holds bacteria and viruses. It will be misery for months. When the trauma is over,

there'll be plenty of time for debate. Do we need to hold more in reserve for national disasters? Do local zoning laws need rethinking? All worthy questions—for later.

There is such a thing as tact. It has to do with a sense of touch—an ability to apprehend another's position or circumstances, and doing or saying the right thing. There is, believe it or not, such a thing as political tact. It too involves knowing the positions of others, and knowing what time it is.

Politicians, don't use this disaster to score points or rub your ideology in somebody's face or make your donors smile by being small, not big.

Give Texas what it needs. Keep the government up and running. Don't even consider doing otherwise.

* * *

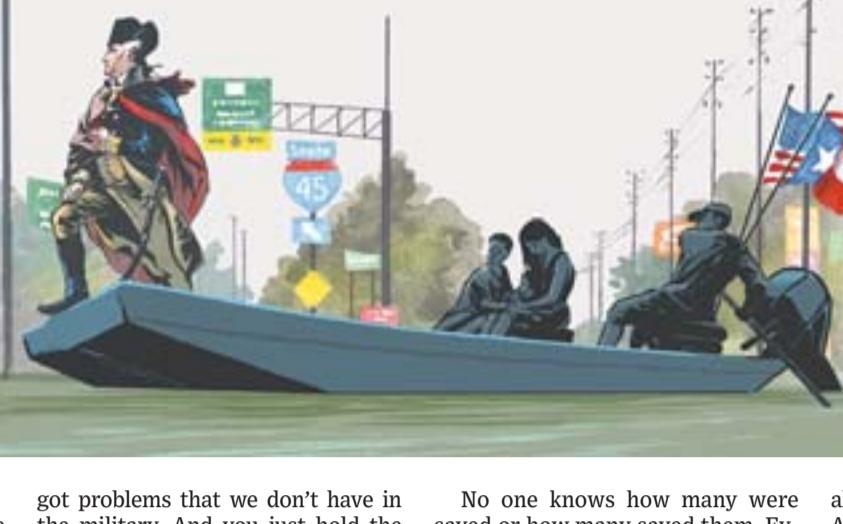
Now another subject, which ties back to Houston. A lot of people last week were saying, "You should see that Mattis speech." A frequent answer was: "I did. I play it over and over."

In August, probably in Jordan, Defense Secretary Jim Mattis had an impromptu meeting with what looked like a few dozen U.S. troops. Someone taped it. This is what Mr. Mattis said: "Hold the line."

"For those of you I haven't met, my name's Mattis," he began. "Thanks for being out here, OK? I know at times you wonder if any of us know... but believe me, I know you're far from home every one of you, I know you could all be going to college you young people, or you could be back on the block. [We're] just grateful...."

"The only way this great big experiment you and I call America is gonna survive is if we've got tough hombres like you.... We don't frickin' scare, that's the bottom line."

"You're a great example for our country right now. It's got some problems—you know it and I know it. It's



Lumbia Lakes a local man showed a reporter the homemade barrier he'd built to protect his neighbors in case the levee broke. He wasn't afraid: "We don't do drama."

On Facebook there was the story of the woman who went into labor while the waters quickly rose. Word spread through the apartment complex. Soon a huge, heavy truck made its way to her door. Neighbors formed a human chain to help her out. She got to the hospital and gave birth to a girl.

Christopher Serra
There were a lot of human chains. And often when they showed people being pulled from houses the families were all ethnicities and races, the whole American mix—black mamas, white papas, mixed kids, an Asian child.

On the national level America always sounds like a constant argument over race. On the local level, meantime, everybody has been happily integrating in the most personal possible ways.

A local TV station caught a young Catholic priest, a French Canadian assigned to a Houston parish, out in a kayak in heavy rain looking for people who could use a Mass. "I guess this is how the Americas were evangelized as well with a canoe," he said, "and this is a kayak. I hope that can bring a smile to a few people."

Noticing the TV cameras, he said: "I guess we're live. The Lord is alive, and the Lord is always with us as well."

And of course there was the Cajun Navy, from Louisiana, performing its own spontaneous Dunkirk. Texas had taken them in after Katrina. Now it was "Sam Houston, we are here."

We are a great nation. We forget. But what happened in Texas reminded us. It said: *My beloved America you're not a mirage, you're still here.*

If they'd done only that, they'd deserve whatever they need.

They held the line.

got problems that we don't have in the military. And you just hold the line, my fine young soldiers, sailors, airmen, Marines. You just hold the line until our country gets back to understanding and respecting each other and showing it, of being friendly to one another. That's what Americans owe to one another—we're so doggone lucky to be Americans."

He ended: "I flunked retirement, OK? Only reason I came back was to serve alongside young people like you, who are so selfless and frankly so rambunctious."

This was the voice of true moral authority, authority earned through personal sacrifice. Speeches like that come only from love.

But it was particularly poignant that Mr. Mattis's speech, with its refrain—"Hold the line"—spread so far and fast this week.

* * *

And so, to selfless and frankly rambunctious Texas:

If you gave just a few minutes to the news, you saw it all—the generosity and courage, the sense of community, of people who really care about each other. You saw the pontoons and air mattresses and bass boats and rowboats and pool floats in which people were rescued.

No one knows how many were saved or how many saved them. Every disaster at some point becomes a jumble, and people stopped counting. But surely tens of thousands were saved.

We all saw it, often live, on television and the internet because of excellent reporters and crews:

A mother with little children was marooned, the water in her home rising dangerously. "I didn't know who to call. I didn't know if it was going to be too late." Suddenly, there were men outside the house coming for her. "It was just an angel," she said as she wept from the back of their boat.

Houston Police Chief Art Acevedo honored Steve Perez, the 60-year-old cop who drowned in his patrol car. When Mr. Acevedo spoke to Perez's widow, she told him she'd begged her husband not to go in but he'd told her, "We've got work to do."

The chief told her: You know who he was, if he had to die, he wouldn't want it to be home in bed, he would have wanted it to be on the job and trying to help. "Because he has that in his DNA," said Mr. Acevedo.

On one channel they were looking for what they'd heard was a group of abandoned horses being led through the streets by a guy in a jet ski. In Co-

From Cicero to Trump, They're All in Plutarch's 'Lives'

By Rebecca Burgess
And Hugh Liebert

Thucydides has been enjoying quite the media moment, despite being dead for more than 2,400 years. Defense Secretary Jim Mattis and national security adviser H.R. McMaster have both been known to cite the Greek historian's "Peloponnesian Wars," which narrates the ancient conflict between Athens and Sparta. In May a group of staff at the National Security Council reportedly received a briefing from Graham Allison, who wrote a recent book about the "Thucydides trap." Not to knock Thucydides, but Washington should reconfigure its reading list. There's a better book for today's times: Plutarch's "Lives."

"They just don't come any better than old Plutarch," President Harry Truman told biographer Merle Miller after he'd left office. "He knew more about politics than all the other writers I've read put together. When I was in politics, there would be times when I tried to figure somebody out, and I could always turn to Plutarch, and 9 times out of 10 I'd be able to find a parallel in there."

Until fairly recently, the leading lights of Europe and America would have agreed. Plutarch's "Lives," which details the characters and careers of Greek and Roman men of action, were considered essential reading for citizens and statesmen. When the Founding Fathers clashed in political pamphlets, they wrote under names like Publius, Cato and Brutus. Alexander Hamilton was a huge Plutarch fan. So was his rival Thomas Jefferson, who recommended the "Lives" to several correspondents and made sure the University of Virginia had a copy.

For more than a century after America's founding, the classicist Meyer Reinhold has claimed, Plutarch's Lives was the country's most-read book after the Bible.

What made Plutarch so popular? He offered an education in civic vir-

tue, packaged in a way that was pleasant to read. Our closest translation of the Greek word for "life" used in the book's title is "biography," but it can also mean "way of life."

Plutarch's "Lives" offered both: It described each subject's actions and character from birth to death, providing models for the reader to emulate. Thanks to Plutarch's taste for the fine details that he says reveal "the signs of the soul in men," citizens of the new American republic could intimately know the legends of antiquity and shape their own souls accordingly.

Plutarch also wrote his lives in parallel: He paired Greeks and Romans, concluding each presentation with a short "comparison" that prodiced readers to decide which of the two was superior and in what respects. The point wasn't to show that the Greeks were better than the Romans or vice versa, but to reveal the character of the competitors and nudge readers to form judgments about virtue.

Consider one pairing: Pericles, the great Athenian general who lived around 450 B.C., and Fabius, the consul of the Roman Republic who came along about 200 years later. It's easy to admire both passively. Asking readers which of the two is better forces them to consider what exactly "better" means and how it applies to particular cases. Plutarch put his readers into the role of citizens casting a vote between worthy statesmen.

Plutarch did so, however, long after the ancient republics had declined. A citizen of the Roman Empire, he lived around A.D. 100 in the small Greek city of Chaeronea. He held local office and spoke with disdain of talented peers who decamped for careers in the metropolis. Fellow Greeks, he advised, should keep good relations with their Roman rulers, but not be too hasty to involve Rome in local affairs.

Plutarch worried that demagogues might elicit Roman interven-

tion, and thus he offered tips to fellow elites in how to oppose them. His "Lives" were meant in part to remind contemporaries what politics looked like before centralized Roman

touch. The British historian Thomas Macaulay wrote in 1828 that Plutarch and similarly earnest writers "conceived of liberty as monks conceive of love."

But Plutarch's distance from the preimperial politics he depicted was also an advantage. It allowed him to view the sweep of history, from the formation of the Greek cities to their subjugation, and from the mythical founding of Rome to the end of the Republic. Plutarch distilled it all into a curriculum of contests meant to stimulate civic virtue no matter the context of his readers.

Today statesmen are scouring Thucydides for some rule so timeless that it applies to modern America just as well as it did to ancient Greece. To the extent that any such rules exist, Thucydides is surely a worthy guide.

But Plutarch suggests that citizens and politicians need a different

kind of education. The goal is teaching them to practice good judgment and hone their ability to discern when a proposition holds true and when it does not.

Plutarch aspired to shape character, whether his readers were local leaders in small Greek cities or important officials in Rome's imperial hierarchy. He showed citizens how to admire and censure those in power, not to mention how to evaluate candidates for such positions.

Two millennia later, in an age of novel threats and rising dangers, they still don't come any better than old Plutarch.

Ms. Burgess manages the Program on American Citizenship at the American Enterprise Institute. Mr. Liebert is an associate professor of political science at the U.S. Military Academy and author of "Plutarch's Politics: Between City and Empire."

Catholics Can Welcome LGBT Believers

By Cardinal Robert Sarah

The Catholic Church has been criticized by many, including some of its own followers, for its pastoral response to the LGBT community. This criticism deserves a reply—not to defend the Church's practices reflexively, but to determine whether we, as the Lord's disciples, are reaching out effectively to a group in need. Christians must always strive to follow the new commandment Jesus gave at the Last Supper: "Love one another, even as I have loved you."

To love someone as Christ loves us means to love that person in the truth. "For this I was born," Jesus told Pontius Pilate, "to bear witness to the truth."

The Catechism of the Catholic Church reflects this insistence on honesty, stating that the church's message to the world must "reveal in all clarity the joy and demands of the way of Christ."

Those who speak on behalf of the church must be faithful to the unchanging teachings of Christ, because only through living in harmony with God's creative design do people find deep and lasting fulfillment. Jesus described his own message in these terms, saying in the Gospel of John: "These things I have spoken to you, that your joy may be in you, and that your joy may be full."

Catholics believe that, with the guidance of the Holy Spirit, the church draws its teachings upon the truths of Christ's message.

Among Catholic priests, one of the most outspoken critics of the church's message with regard to sexuality is Father James Martin, an American Jesuit. In his book "Building a Bridge" he repeats the common criticism that Catholics have been harshly critical of homosexuality while neglecting the

importance of sexual integrity among all of its followers.

Father Martin is correct to argue that there shouldn't be any double standard with regard to the virtue of chastity, which, challenging as it may be, is part of the good news of Jesus Christ for all Christians. For the unmarried—no matter their attractions—faithful chastity requires abstinence from sex.

It's possible to stay faithful to the church's teachings without turning away millions.

This might seem a high standard, especially today. Yet it would be contrary to the wisdom and goodness of Christ to require something that cannot be achieved. Jesus calls us to this virtue because he has made our hearts for purity, just as he has made our minds for truth. With God's grace and our perseverance, chastity isn't only possible, but it will also become the source for true freedom.

We don't need to look far to see the sad consequences of the rejection of God's plan for human intimacy and love. The sexual liberation the world promotes doesn't deliver its promise. Rather, promiscuity is the cause of so much needless suffering, of broken hearts, of loneliness and of treatment of others as means for sexual gratification. As a mother, the church seeks to protect her children from the harm of sin, as an expression of her pastoral charity.

In her teaching about homosexuality, the church guides her followers by distinguishing their identities from their attractions and actions. First there are the people themselves,

who are always good because they are children of God. Then there are same-sex attractions, which are not sinful if not willed or acted upon but are nevertheless at odds with human nature. And finally there are same-sex relations, which are gravely sinful and harmful to the well-being of those who partake in them.

People who identify as members of the LGBT community are owed this truth in charity, especially from clergy who speak on behalf of the church about this complex and difficult topic.

It is my prayer that the world will finally heed the voices of Christians who experience same-sex attractions and who have discovered peace and joy by living the truth of the Gospel. I have been blessed by my encounters with them, and their witness moves me deeply.

I wrote the foreword to one such testimony, Daniel Mattson's book, "Why I Don't Call Myself Gay: How I Reclaimed My Sexual Reality and Found Peace," with the hope of making his and similar voices better heard.

These men and women testify to the power of grace, the nobility and resilience of the human heart, and the truth of the church's teaching on homosexuality. In many cases, they have lived apart from the Gospel for a period but have been reconciled to Christ and his church.

Their lives are not easy or without sacrifice. Their same-sex inclinations have not been vanquished. But they have discovered the beauty of chastity and of chaste friendships. Their example deserves respect and attention, because they have much to teach all of us about how to better welcome and accompany our brothers and sisters in authentic pastoral charity.

Cardinal Sarah is prefect of the Congregation for Divine Worship and the Discipline of the Sacraments.

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LIFE & ARTS

MASTERPIECE: SIR JOHN SOANE'S MUSEUM

How an Architect Built a Collection

BY TOM L. FREUDENHEIM

SIR JOHN SOANE'S Museum in London does a better job of transporting us to the late 18th and early 19th centuries than most of that great city's more robust and equally venerable institutions. Sited on the north side of historic Lincoln's Inn Fields—London's largest public square—the museum is a multilayered magical ensemble: three connected townhouses designed by one of England's most famous architects and filled wall to wall and floor to ceiling with his varied collections: antiquities, furniture, painting, sculpture, architectural drawings and architectural models—over 40,000 objects in all. Perhaps its most important virtue is in reminding us of the intimate relationship of an accomplished, multitalented man with the environment he created for himself and planned to share with others.

The son of a bricklayer, John Soane was born in 1753 in a village near Oxford but began training as an architect in London by the time he was 15 years old. Within a decade he had become an award-winning student at the Royal Academy, using his traveling scholarship to embark on the Grand Tour—at that time a requisite rite of passage for young men of the upper classes, assuring them of a passing acquaintance with both classical antiquity and the Renaissance by exposing them to Rome and other important sites in Italy.

For Soane it was much more than a cultural initiation, providing the basis for both his architectural vision and his voracious collecting habits. No other single venue better expresses the centrality of the Grand Tour to British culture in Soane's time. The museum exemplifies the layered visual riches to which fortunate tour participants were exposed, and attests to the accumulation of art and other objects that Soane acquired with the help of friends he met during his two-year Italian so-



GARETH GARDNER

IN THE MODEL ROOM, Soane's passion for architecture is on full display.

journ. It was the beginning of a collecting compulsion that occupied him for the rest of his life.

Soane purchased three houses Nos. 12, 13 and 14 Lincoln's Inn Fields—between 1792 and 1823. Using them as both offices and living quarters, he demolished and rebuilt them over time. As a result, today's museum visit leads through a seductive series of passageways, staircases and rooms that are as complex and varied as the array of works on display.

Those looking for the psychological roots of Soane's compulsions might find them in the loss of two infant sons and the subsequent serious relationship and financial problems he had with the two sons

who survived. They suggest levels of anguish that may explain his acquisitive tendencies as much as the financial prowess he had achieved both from his own work as a successful architect and via his wife's considerable inheritance.

On the lower level of the museum, the Sepulchral Chamber houses the sarcophagus (1280 B.C.) of the Pharaoh Seti I, while the Catacombs hold a number of Roman funeral urns. The arrangement of sequential claustrophobic and double-height spaces is so crowded that it avoids feeling dour, suggesting an elaborate gothic sensibility ironically at odds with Soane's preference for the elegance of classically inspired Ital-

ian Renaissance tastes. We're never far from that Renaissance aesthetic, since copies and casts of famous antiquities (e.g., the Apollo Belvedere) sit amid a seemingly endless array of relief sculptures. A visitor's eyes dart around in all directions, trying to figure out the arrangement logic behind such a complex and layered assemblage. Soane's obvious intention to overwhelm with visual saturation remains fundamental and is intrinsic to any first impression of the museum. Yet ensembles of objects juxtaposed against each other, including works from antiquity through the Renaissance, reaffirm Soane as a discerning curator. There may well be an analogy here

to the melange of disparate objects that Albert C. Barnes interspersed with the paintings in his eponymous suburban Philadelphia galleries a century later.

If the various living quarters (spaces for cooking, eating, sleeping, socializing, working) seem secondary, they also are chock-full of art, albeit more conventional yet wonderful paintings, watercolors and drawings, so that a tour of the three connected houses provides some insights into the ways in which early 19th-century nontitled Londoners

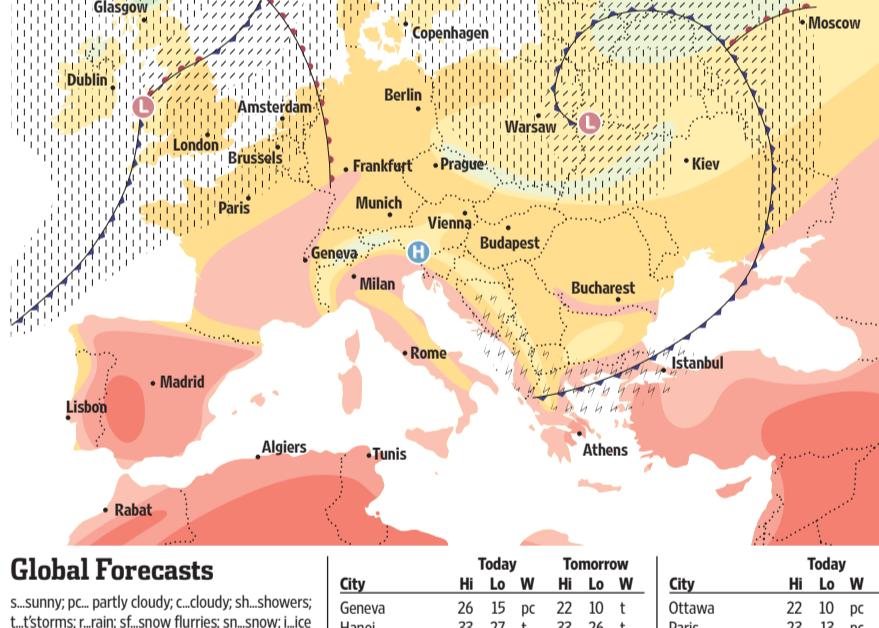
Expressing the Grand Tour's centrality to British culture.

lived. With over 30,000 architectural drawings in the collection (9,000 alone by Robert Adam), it's no surprise that a number of Soane's are also on view. And while the picture gallery here may be relatively small compared with that of contemporaneous grand London houses and stately country homes, it's no less remarkable, displaying some great paintings, including three delicious Canaletto Venetian scenes (once again reminders of the Grand Tour) and all eight of William Hogarth's "A Rake's Progress" canvases (1732-34)—themselves worthy of a museum visit.

John Soane arranged for an Act of Parliament that left his home to the nation following his death in 1837, with visitors to be admitted free of charge (but not in "wet or dirty weather")—an arrangement that continues to this day. More than a monument to a rich and presumably vain architect, Sir John Soane's Museum epitomizes the wonder of collecting and the joy of sharing one's riches.

Mr. Freudenheim, a former art-museum director, served as the assistant secretary for museums at the Smithsonian.

Weather



Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	22	15	c	18	13	c
Anchorage	12	10	r	15	9	r
Athens	30	22	s	29	21	s
Atlanta	29	19	pc	22	13	t
Bahrain	47	27	s	47	29	s
Baltimore	30	19	pc	22	14	r
Bangkok	34	27	t	34	27	t
Beijing	30	18	c	31	16	s
Berlin	21	12	pc	20	12	t
Bogota	20	8	pc	21	9	pc
Boise	37	19	s	37	19	s
Boston	30	20	s	25	17	r
Brussels	22	14	c	18	11	c
Buenos Aires	16	10	s	17	11	c
Cairo	36	23	s	34	23	s
Calgary	25	9	s	29	11	s
Caracas	32	25	pc	32	26	pc
Charlotte	31	19	pc	25	14	t
Chicago	21	10	pc	19	10	pc
Dallas	34	20	pc	29	16	s
Denver	21	9	pc	27	11	s
Detroit	22	11	c	20	10	pc
Dubai	41	31	s	41	33	s
Dublin	17	10	pc	17	11	pc
Edinburgh	17	9	r	16	9	pc
Frankfurt	24	15	pc	21	10	pc

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Geneva	26	15	p	22	10	t		
Hanoi	33	27	t	33	26	t		
Havana	32	23	pc	32	23	pc		
Hong Kong	32	27	c	31	27	pc		
Honolulu	30	22	pc	31	23	pc		
Houston	33	22	pc	29	16	pc		
Istanbul	26	18	s	26	19	s		
Jakarta	33	23	t	32	25	pc		
Johannesburg	22	9	pc	26	10	s		
Kansas City	23	9	pc	22	9	s		
Las Vegas	41	28	pc	38	26	pc		
Lima	20	15	pc	20	15	s		
London	21	12	pc	19	11	pc		
Los Angeles	31	20	pc	31	19	pc		
Madrid	33	19	s	33	16	pc		
Manila	31	25	r	32	25	pc		
Melbourne	12	7	sh	13	8	c		
Mexico City	20	14	t	21	14	t		
Miami	32	26	t	33	27	t		
Milan	28	15	s	29	17	pc		
Minneapolis	18	9	pc	18	9	pc		
Monterey	30	21	pc	29	19	pc		
Montreal	23	13	c	20	12	sh		
Moscow	15	11	r	16	11	r		
Mumbai	31	25	c	31	26	sh		
Nashville	25	14	t	23	10	pc		
New Delhi	35	27	s	34	26	t		
New Orleans	31	23	t	29	20	t		
New York City	30	20	pc	24	16	r		
Omaha	23	9	pc	22	9	s		
Orlando	32	23	t	33	23	t		
Zurich	24	14	pc	21	9	t		

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Ottawa	22	10	pc	21	9	t		
Paris	23	13	pc	20	11	c		
Philadelphia	30	21	pc	24	16	r		
Phoenix	42	29	pc	41	29	pc		
Pittsburgh	23	13	t	20	10	c		
Port-au-Prince	34	24	pc	34	24	pc		
Portland, Ore.	38	19	pc	32	19	s		
Rio de Janeiro	29	19	s	28	18	s		
Riyadh	42	26	s	43	24	s		
Rome	27	16	s	27	19	pc		
Salt Lake City	35	20	s	35	20	s		
San Diego	26	21	pc	26	20	pc		
San Francisco	26	18	pc	25	17	s		
San Juan	32	27	sh	31	26	t		
Santiago	18	3	pc	18	4	s		
Santo Domingo	32	24	pc	33	25	pc		
Sao Paulo	28	14	s	25	13	s		
Seattle	35	18	pc	31	18	pc		
Seoul	26	19	c	24	20	r		
Shanghai	34	26	t	33	25	r		
Singapore	29	26						

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, September 5, 2017 | B1

Euro vs. Dollar 1.1920 ▲ 0.48%

FTSE 100 7411.47 ▼ 0.36%

Gold 1324.50 Closed

WTI crude 47.29 Closed

German Bund yield 0.367%

10-Year Treasury yield 2.167%

Jimenez to Step Down at Novartis

By DENISE ROLAND

Novartis AG Chief Executive Joe Jimenez is stepping down in January after leading the Swiss pharmaceutical company through a tumultuous eight years marked by expired patents and intensifying scrutiny on drug pricing in the U.S.

He will be succeeded by Vas Narasimhan, Novartis's global head of drug development and chief medical officer.

Mr. Jimenez, 57 years old, joined the company in 2007 and became its CEO in 2010. He will remain available to Novartis in an advisory capacity until the end of August next

year, when he will retire, the company said.

He presided over the patent expirations of Diovan for hypertension and cancer drug Gleevec, both of which generated several billion dollars annually at peak. When a drug patent expires, cheaper copycats can enter the market, sharply eroding sales.

To replace that lost revenue, Mr. Jimenez bet on a series of would-be blockbusters that have met with mixed success.

Cosentyx, for certain rheumatological conditions and psoriasis, generated annual revenue of \$1.1 billion last year, having been launched in 2015.

But Mr. Jimenez's other big bet, Entresto for heart failure, was met with resistance from doctors reluctant to switch patients onto a new drug, as well as reimbursement barriers from insurers. That is changing as doctors gain more experience with Entresto and insurers gradually adopt more permissive policies, but those initial hurdles have hampered the drug's growth. Although Novartis launched Entresto shortly after Cosentyx, the heart drug's 2016 revenue came to just \$170 million.

He also bet big on a new form of cancer treatment that re-engineers a patient's immune cells to make them more vigorous at fighting tumors. Last week, Novartis became the first company to win the Food and Drug Administration's approval for such a therapy, which is known as CAR-T, though questions remain over whether insurers will balk at the treatment's \$475,000 price tag.

Novartis Chairman Joerg Reinhardt credited Mr. Jimenez with rejuvenating the company's drug pipeline and navigating the patent expirations of the company's two largest products.

Please see CEO page B2



Joe Jimenez, CEO since 2010.

STREETWISE

By James Mackintosh

Weak Pay Raises Are Political Threat

The biggest puzzle in economics right now is the apparent breakdown in the inverse relationship between unemployment and inflation set out in a famous curve by New Zealand economist and sometime crocodile hunter A.W. Phillips.

In Japan, Germany and the U.S., unemployment has dipped below what economists think is a sustainable level, yet few signs suggest that workers are responding in the usual way and demanding higher wages.

In the U.S., limp pay growth gives the Federal Reserve a reason to delay interest-rate increases. But in Europe, it is a more serious problem, and it exacerbates the political tensions that pose the biggest threat to the survival of the eurozone.

The Continent's most troubled countries have undergone years of pain to shrink their way back to economic health. Cutting consumption and imports worked, after a fashion, but to get anything more than a temporary cyclical rebound means becoming still more competitive against Germany.

A gulf opened up between the competitiveness of Germany and the weaker euro states, where wages soared in the precrisis years even as German unions reined in pay demands. The gap has only been partially closed since, by raising wages—adjusted for productivity and known as unit labor costs—by less than Germany did. But German wage growth has been weak since labor reforms of the early 2000s, putting a lid on what workers elsewhere

Please see STREET page B2

For U.S., Delay on the Launchpad



A United Launch rocket in Cape Canaveral, Fla. United Launch, the Pentagon's chief rocket supplier, uses some Russian-built engines.

Pentagon puts off plan to switch away from rocket engines provided by Russia

By ANDY PASZTOR

Technical and funding challenges will force the U.S. Defense Department to rely on Russian-manufactured rocket engines at least through the middle of the next decade, several years longer than originally anticipated.

Despite bipartisan demands from Congress to quickly phase out the RD-180 engines on national-security grounds, it is proving harder than many lawmakers expected to secure an equally reliable domestic replacement. Government and industry officials said United

Launch Alliance, the Pentagon's primary rocket provider, likely will continue flying some 1990s-vintage Atlas V boosters with Russian-built engines through 2024 or 2025.

Other people familiar with the details said United Launch—a joint venture between Lockheed Martin Corp. and Boeing Co.—might have to extend the timeline as far out as 2028.

The delay raises the question of whether the U.S. military will have to use more of the Russian engines amid tensions between the nations. It also has crucial implications for the cost and timing of Pentagon space programs, the health of the military-industrial base and the growth of the commercial space sector.

Gen. David Goldfein, the Air Force chief of staff, told law-

makers earlier this year that replacing RD-180s "as soon as possible" has to be balanced with two other pressing, sometimes conflicting priorities: maintaining access to space and promoting competition among launch providers.

United Launch, entrepreneur Elon Musk's Space Exploration Technologies Corp., and commercial startup Blue Origin LLC—founded and run by Amazon.com Inc. Chief Executive Jeff Bezos—are racing to develop their own versions of less-costly, more-capable rockets using only U.S.-made engines. The outcome of that competition partly depends on how quickly United Launch is able to pivot away from the more expensive Atlas V and the RD-180 engines that power its lower stage.

The Russian engines blast

most U.S. Air Force communications and navigation satellites into orbit. Launches of Falcon 9 rockets built by SpaceX, as Mr. Musk's company is called, start at less than \$83 million for the military, more than 40% below typical United Launch prices.

The Boeing-Lockheed venture expects to have a new engine fully tested by 2019 and a replacement rocket, called Vulcan, certified to carry Pentagon payloads by 2022 or 2023. But a spokeswoman for United Launch said some Atlas V missions are slated to continue beyond that point, at least through the mid-2020s, until Vulcan demonstrates its dependability.

That is much later than what many lawmakers and industry officials envisioned

Please see ENGINES page B2

'It' May Signal a Box-Office Revival for Hollywood

By BEN FRITZ

Coming off its worst summer in more than a decade, Hollywood is looking to a movie with scarily good buzz to shake off its slump.

"It," a new adaptation of Stephen King's 1986 horror novel, makes its debut Friday and is expected to set records. Prerelease surveys indicate it could make \$70 million or more during its opening weekend in the U.S., people who have seen the data said. The prior record for an opening in September, typically the slowest month of the year at the box office, was \$48.5 million for the animated "Hotel Transylvania 2" in 2015.

Fandango reports "It" is generating the highest pre-sales ever on the online-ticketing service for a horror film or a September release.



Horror film 'It' is expected to break records this weekend.

Movie studios and cinema chains are eager for a hit after a summer that included several big-budget flops, including "The Mummy," "Transformers: The Last Knight" and an adaptation of Mr. King's

"The Dark Tower." Total box-office receipts in the U.S. and Canada were \$3.84 billion between May and Labor Day, the lowest total since 2006, according to comScore, a media analytics company.

Based on the average price of \$8.90, the actual number of tickets sold was 431 million, the lowest total since 1992.

Summer ended on a particularly dismal note, as studios didn't release any new movies nationwide over Labor Day weekend for the first time since 1998.

Some in Hollywood thought a turnaround might not come until November's "Justice League" or December's "Star Wars: The Last Jedi."

Few suspected a turnaround would start this week with "It," a story about seven children who are terrorized by a supernatural clown who carries a red balloon.

The movie has a long history at Time Warner Inc.'s **Warner Bros.**, which started development in 2009. After an early draft that attempted to compress the 1,000-plus-page

book into one script was deemed overly ambitious, the studio put the project on hold.

Then in 2012, Warner hired Cary Fukunaga, best known for HBO's "True Detective" and Netflix Inc.'s "Beasts of No Nation," to co-write and direct. He divided "It" into two films, the first of which would feature its main characters as children.

Mr. Fukunaga was so enthusiastic that in 2014 he had an actor dress up as a clown to deliver his draft of the script to top executives at the studio, with fake blood on the cover and a red balloon attached, people with knowledge of the matter said.

But just three weeks before he was to start shooting in 2015, executives at Warner's **New Line Cinema** division shut down production on "It"

Please see MOVIE page B2

A Money Manager Pushes to Cross-Sell

By SARAH KROUSE
AND EMILY GLAZER

Many of Wall Street's largest banks paid **BlackRock** Inc. for help in passing the Federal Reserve's annual stress tests last year, but not **J.P. Morgan Chase** & Co. A campaign to fill that gap is part of a cross-selling push at the world's largest money manager.

BlackRock has spent much of the past year trying to interest **J.P. Morgan**, a big trading partner and technology client, in the services of a small business known as Financial Markets Advisory, according to people familiar with the effort. That unit has struggled to match the money it made in the aftermath of the 2008 financial crisis, when it assisted banks with a variety of regulatory and financial headaches.

BlackRock's embrace of cross selling demonstrates how the giant money manager is using its expanding heft and reach in the financial world.

Top executives targeted **J.P. Morgan** partly because of the existing relationship between the two financial giants.

BlackRock's effort shows how it is using its growing reach in the financial world.

BlackRock is also **J.P. Morgan's** second-largest shareholder. Several meetings have yet to result in a new assignment, the people said.

It is unclear why **J.P. Morgan** hasn't hired the firm in that capacity. A spokesman for the bank declined to comment.

BlackRock is well positioned to sell multiple products to its customers because it has a wider range of services than many rivals and has interlocking relationships with many of the world's largest financial firms as one of their largest shareholders and clients. A growing internal program helps coordinate interaction between the firm's businesses and its large existing clients.

The New York company is now triple the size it was during the financial crisis, with \$5.69 trillion in assets under management. That surge is due largely to a string of acquisitions and an unprecedented investor shift to lower-cost, passively managed funds that track market indexes.

The growth of cheaper funds has put pressure on revenues, prompting BlackRock to

Please see PUSH page B2

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Labor's Lost Love

Eurozone countries have started to regain lost competitiveness relative to Germany by increasing productivity and offering smaller wage rises, but have a long way to go

Change since first-quarter 1999 in competitive costs*; falling costs mean an economy is more competitive.



Weaker eurozone economies have restrained pay since the global financial crisis, following years of generosity

Change in private sector hourly earnings



*European Central Bank measure of exchange rate adjusted for unit labor costs
Source: ECB (competitiveness); St. Louis Fed (hourly earnings) THE WALL STREET JOURNAL.

STREET

Continued from the prior page in the eurozone can receive.

Central banks in Japan and the U.S. can afford to wait and see, keeping monetary policy loose in the hope that as unemployment drops, workers eventually will demand more pay.

The politics of the eurozone, unfortunately, make that a dangerous option.

For one thing, if the European Central Bank continues its €60-billion-a-month (\$70 billion) quantitative easing, it would run out of German bonds to buy in the middle of next year. Changing the rules to buy more Italian and fewer German bonds would make Germans even more antagonistic toward the Frankfurt-based ECB.

Many economists think it is just a matter of time before wages take off.

There are fiscal implications, too: With inflation low, high government debt in the weaker eurozone countries is even harder to bear.

For now, the ECB is helped by the cyclical pickup in the economy, which has been growing at the same pace as the U.S. over the past year.

But it wants growth to be balanced, so there is no repeat of the last crisis.

And many economists think it is just a matter of time before wages take off.

Angel Gurria, secretary-general of the Organization for Economic Cooperation and Development, says the Phillips curve isn't broken.

"It's taking a little longer to react in a predictable way," he said at the Ambrosetti Forum in Italy over the weekend, but even in Japan he detects localized increases in wages in areas with labor shortages.

Plenty of reasons are advanced for the failure of wages to grow more strongly as unemployment has plummeted: workers more worried about their jobs than their pay following recession; expectations of low inflation; globalization; immigration; and, in the U.S., hidden unemployment in the form of workers who have given up looking for work.

It is possible that Germany, the U.S. and Japan will all find that the mystery of missing wages was merely a delay, and the models used by central banks will start working again as tight labor markets lead to accelerating wage gains.

But if those pay increases don't materialize, it will be still harder for the eurozone establishment to prevent populist resentment from bubbling up in the region's weaker economies. Those include Italy, one of the world's biggest bond markets. What looks like abstruse economic theory will rapidly turn into hard financial fact if Italy's elections go the wrong way and its bond market sours.

For another, workers denied pay rises aren't likely to be happy or to stick to voting for the establishment. In Italy, the populist 5 Star Movement is running equal with the governing Democratic Party, and Spain has a minority government after the rise of the far left.

"The central bank is in a very challenging situation," said Jean-Claude Trichet, Mario Draghi's predecessor as head of the ECB. "Most of the other member states must re-establish their own relative competitive position within the euro area, which means they must have their own unit labor costs and national inflation less dynamic [lower] than Germany's. So German inflation is a de facto cap for other countries."

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Continued from the prior page in the eurozone can receive.

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Google Builds Its AI Team For China

Alphabet Inc.'s Google is ramping up its presence in China, hiring engineers to specialize in one of technology's hottest corners: artificial intelligence.

By Alyssa Abkowitz
in Beijing and
Liza Lin in Shanghai

The Silicon Valley behemoth has recently posted at least four AI-related jobs on its career site in Beijing, including a technical lead to develop a team to work on natural language processing, data compression and other machine learning technologies. Two of the jobs are related to machine learning in Google's cloud-computing operation.

Google Cloud currently doesn't operate in China. The company would need a local

partner and special licenses to establish the business here.

Broadly defined, AI involves computers that learn from the information they process. China, with hundreds of millions of people connected to the internet and few qualms about privacy, is seen as having advantages over the U.S. as a place to advance parts of the technology.

"China has a lot of data from mobile payments, gaming, social, search and news," said Kitty Fok, China managing director at consulting firm IDC. "Technology companies like Google are keen to learn what's going on and getting large amounts of data to create AI algorithms is very important to them."

There are nearly 60 positions available in Beijing and Shanghai combined on the



Google posted at least four AI-related jobs on its career site in Beijing. Above, Google's booth at the Global Mobile Internet Conference.

company's careers webpage. A person familiar with the positions said Google is focused on hiring top talent and improving the quality of its algorithms.

Google pulled back from China in 2010 on concerns over censorship and after a cyberattack in which some of the company's proprietary computer code was stolen. Google said it had traced the attack to Chinese hackers. The

company's search engine can be accessed here only by using virtual private networks, or VPNs, to bypass the government's complex internet filtering system, known as the "Great Firewall."

Even so, Google has continued to maintain some operations in China and some analysts have said they believe the company is looking to expand its presence. This past spring, the southern city of

Wuzhen hosted a three-game rematch in the ancient strategy game of Go between Google's AI program AlphaGo and China's 19-year-old human world champion. At the event, Google Cloud executive Jia Li said she was looking to hire AI engineers in China to add to its more than 500 employees in Beijing and Shanghai.

While the Mountain View, Calif., company is building its workforce here, Chinese rivals

are setting up AI research-and-development facilities in the U.S.

Earlier this year, Chinese internet giant Tencent Holdings Ltd. said it would open an AI center in Seattle to focus on speech recognition and natural language understanding. Alibaba Group Holding Ltd. and Baidu Inc. have R&D centers in Silicon Valley.

—Yang Jie contributed to this article.

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BUSINESS OPPORTUNITY

GOVERNMENT OF MAHARASHTRA, INDIA PUBLIC WORKS DIVISION NO.2, THANE NOTICE FOR HYBRID ANNUITY PROJECT (ONLINE) TENDER

E-TENDER NOTICE NO.23 FOR 2017-18

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, P.W. Division No.2, Thane (the "Authority") is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation/ maintenance of the following Projects (the "Projects") on [Design, Build, Operate and Transfer (the "DBOT")] Hybrid Annuity basis, and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

Sr. No.	District/ State/ Country	Pack- age No.	Name of Project	Project Length in (km)	Project Cost in (Rs.)	Project Earnest Money Bid Security (Rs.)	Duration of the Project	Cost of Tender Fee Document (Rs.)	9
1	2	3	4	5	6	7	8		
1)	THANE	MU-27	A) Improvement to Shahapur Shewa Dolkhamb Chondha Sangamner Shegaon Nanded Dharmabhad Road S.H. 50 km. 0/00 to 38/00 in Tal. Shahapur Dist. Thane (Length-35.284 km)	74.340 KM	₹ 113.61 Crore	₹ 1.14 Crore	24 Months	₹ 50,000/- Online Payment through NEFT/ RTGS	
	MAHA- RASH- TRA INDIA		B) Improvement to Kambare Piwali NH-3 to Washind Road MDR-57 Km.0/00 to 23/600 in Tal. Shahapur Dist. Thane (Length-23.366 km)						
			C) Improvement to Arjunoli Aamne Titwala Gwili Rayta Dahagaon Dapiwali Yeranjan Badlapur MDR-49 Km. 0/00 to 32/500 in Tal. Kalyan & Ambernath, Dist. Thane (Length- 15.690 km)						
			Total	74.340 km	₹ 113.61 Crore	₹ 1.14 Crore			

E-Tender download period Dated :- 04/09/2017 to 06/11/2017

Pre-bid meeting. 1 Dated :- 20/09/2017 office of the Chief Engineer, Mumbai (P.W.) Region Mumbai at 3.30pm

Pre-bid meeting. 2 Dated :- 11/10/2017 office of the Chief Engineer, Mumbai (P.W.) Region Mumbai at 3.30pm

E Tender opening date Dated :- 13/11/2017

All information about the E-tenders is available on following websites.

1. <http://mahapwd.com>
2. <http://mahatenders.gov.in>

(Changes if any, will be displayed above websites.

3. Notice board of the Executive Engineer, P.W. Division No.2, Thane

No. PWDNo.2/Thane/E-Tender/2017/6070

Office of the Executive Engineer

P.W. Division No.2, Thane, Maharashtra

(India) - 400601.

Date :- 16/08/2017

Executive Engineer,

Public Works Division No.2

Thane

DGIPR/2017-2018/2577

ANNOUNCEMENTS

MEN'S SPECIALTY CLINIC

Local non-doctor owner-operators wanted. New clinically-proven, state-of-the-art European medical treatment uses acoustical waves to restore performance when pills fail. No surgery or needles. Huge profits, make \$4k+ per patient, all cash, no insur. Exclusive areas. \$99,700 inv. (702) 570-7557

BUSINESS OPPORTUNITY

◆ As with all investments, appropriate advice should be obtained prior to entering into any binding contract. ◆

BUSINESS OPPORTUNITY

GOVERNMENT OF MAHARASHTRA PUBLIC WORKS DIVISION, WASHIM NOTICE FOR HYBRID ANNUITY (ONLINE) TENDER

E-TENDER NOTICE NO.10 FOR 2017-18

NOTICE INVITING BID

Email-washim.ee@mahapwd.com
Telephone no. (+91) 07252-232334
Subject:- RFP for Improvement of Road in the Washim District in Maharashtra State for Two Laning Road/ Two Laning road with paved shoulder under MRIP package AM-25 on Hybrid Annuity Mode.

The Government of Maharashtra had entrusted the Authority for the development, maintenance and management of State Highways and Major District Roads of State of Maharashtra. The Authority had resolved to augment the existing road for 1) Improvement to Darhava Kupata Mangrulpir Road connected with Yevatmal and washim Dist. (SH Way 282 and SH Way 290), 2) Improvement to Karanja Manora Road connected with Karanja and Manora Tq. H.Q. Dist. Washim (SH Way 287) in the state of Maharashtra by [Two lanning / Two Lanning with paved shoulder therof (the "Project") on Design, Build, Operate and Transfer (the "DBOT Annuity" or "Hybrid Annuity") basis and has decided to carry out the bidding process for selection of a Private Entity/Bidder to whom the project may be awarded.

Brief particulars of the project are as follows :

Name of the Highway/ Major District Road	Length (in Km)	Estimated Project Cost (In Rs. Cr.)
1	2	3
1)Improvement to Darhava Kupata Mangrulpir Road connected with Yevatmal and Washim Dist.(SH Way 282 and SH Way 290), 2) Improvement to Karanja Manora Road connected with Karanja and Manora Tq.H.Q.Dist. Washim (SH Way 287) (Package AM-25)	117.13	313.69

The complete BID document can be viewed / download from e-procurement portal from Dt. 21.08.2017 to Dt. 24.10.2017 (up to 23.00 Hrs. IST). Bid must be submitted online only at <https://maharashtra.etenders.in> (sub portal - <https://pwd.maharashtra.etenders.in>), during the validity of registration with the e-Tendering Portal on or before Dt. 24.10.2017 (upto 23.00 Hrs. IST). Technical submission of the Bids received online shall be open on Dt. 31.10.2017 at 12.30 Hrs. to Dt. 07.11.2017 at, 18.00 Hrs. (IST)

Bid submitted through any other mode shall not be entertained . However, Bid Security, Proof on online payment of cost bid documents, Power of Attorney and Joint Bidding Agreement etc. as specified in Clause 2.11.2 of the RFP Shall be submitted physically by the Bidder on or before Dt. 31.10.2017 (at 12.00 Hrs. IST). Please note that the authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.

Out word No. 5909 /e-tn-10/TC/dt.09.08.2017

Office of the Executive Engineer

Public Works Division

Civil Line washim Pin Code- 444505

(K.R.Gadekar)

Executive Engineer

Public Works Division, Washim

D.G.I.P.R 2017/2018/2576

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Capital Needed

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SAUDI ARABIAN OIL

Firm Raises Crude Prices for U.S., Asia

Saudi Arabia's state-owned oil company on Monday raised crude selling prices for October for the U.S. and Asia, while lowering prices for Northwest Europe.

Saudi Arabian Oil Co., known as Saudi Aramco, increased official pricing of light crude month-on-month to the U.S. and Asia by, 10 cents and 55 cents, respectively, in an effort to manage high demand from those regions. Analysts had expected prices for Asia to increase on the back of stronger demand and higher margins.

Aramco lowered the selling price of light crude to Northwest European buyers by 10 cents, even as the price for Mediterranean buyers was upped by 30 cents.

—Christopher Alessi

CHEMO GROUP

Drug Company Wins FDA Approval

Humanigen Inc., a drug-development firm run briefly by convicted fraudster Martin Shkreli, lost out last week in a competition for fast-track regulatory treatment for a drug to treat Chagas' disease, a dangerous parasitic infection.

Chemo Group, not Humanigen, won approval from the U.S. Food and Drug Administration for benznidazole, an established

treatment for the disease, in the U.S. The FDA also granted Chemo Group a neglected-tropical-disease-priority-review voucher, a designation that is supposed to motivate drug companies to address diseases that don't have a ready remedy.

An estimated 300,000 people in the U.S. are dealing with Chagas' disease, and benznidazole is tough to get in the U.S. Benznidazole has been used for decades in South America to treat the infection, which can lead to serious heart damage.

Humanigen was known as KaloBios when it was led by Mr. Shkreli. The company fired him and filed for bankruptcy in December 2015 shortly after he was arrested by Federal Bureau of Investigation agents on securities fraud charges.

Chemo Group got the nod from the FDA for benznidazole after working in conjunction with Mondo Sano, an Argentine nonprofit organization, and with the Drugs for Neglected Diseases Initiative, a nonprofit drug-development organization.

Under the arrangement, Chemo Group has committed to make benznidazole affordable and accessible.

Chemo Group's win is a blow to Humanigen, which had already raised a red-flag warning in filings with the Securities and Exchange Commission about its ability to continue as a going concern. In an SEC filing last week, Humanigen said it was assessing its options following the FDA's decision.

—Peg Brickley



'Hotel Transylvania 2' holds the record for a September opening.

MOVIE

Continued from page B1

because of creative differences with Mr. Fukunaga. The studio wrote off about \$4 million it had spent on preproduction, according to a person with knowledge of the matter.

Within two months, New Line hired Andy Muschietti, who made the horror film "Mama," to direct. The film was shot in 2016 with no big-name stars and a budget of \$35 million, reflecting the studio's relatively modest expectations.

The first signs that "It" would be a breakout came in March, when a trailer set a record with 197 million global views on its first day online. Warner's advertising campaign since then—including a longer trailer, footage at Comic-Con and a "haunted house" in Los Angeles—has emphasized the scares but shown only

FINANCE & MARKETS

Carlyle Wins Suit Over Crisis Bond Fund

By MARGOT PATRICK

A judge ruled in favor of Carlyle Group LP Monday in a lawsuit that alleged the buyout firm didn't do enough to save a financial-crisis-era bond fund.

In March 2008, mortgage-bond fund Carlyle Capital Corp., or CCC, collapsed when it couldn't keep financing a \$23 billion portfolio of Fannie Mae and Freddie Mac bonds. Investors in the fund lost their entire \$945 million in capital.

CCC's liquidators in Guernsey, where the fund was incorporated, sued Carlyle Group and several officials alleging they failed in their duties and should have started selling the fund's assets months before it failed.

Funding for the lawsuit came from a burned Carlyle investor, Louis Reijtenbagh.

A trial last year in Guernsey's Royal Court spanned six months and brought Carlyle executives, including co-founder Bill Conway, to the tiny English Channel island to testify.

On Monday, the judge struck down the liquidators' arguments, saying CCC got caught up in unforeseeable events.

She said the suggestion that Carlyle and CCC officials should have done anything significantly different is being "wise with hindsight."

"CCC failed because the depth of the weaknesses in the financial markets was so great that those weaknesses came to threaten, not merely the profits of major investment and commercial banks, but their very viability, and hence to



Carlyle Group's Bill Conway

cause a systematic withdrawal of what had previously been a very normal, stable and reliable form of finance," the Guernsey judge wrote in her decision.

Carlyle Group in a statement said it is gratified by the decision.

Alan Roberts, one of CCC's liquidators, said in an email that the judgment is "obviously disappointing and an appeal will be carefully considered."

A representative of Mr. Reijtenbagh declined to comment.

CCC's failure came the same month Bear Stearns & Co. was taken over by **J.P. Morgan Chase & Co.** Within a few months, a full-blown financial crisis was under way and Lehman Brothers collapsed.

The fund had been listed on Euronext in July 2007, at the tail end of a boom for private-equity groups and hedge funds raising "permanent capital" on stock exchanges that didn't need to be returned to investors. Conditions in the U.S. housing market were already turning, and within a matter of weeks CCC was struggling to stay afloat.

In August 2007, with its own reputation on the line, Carlyle Group had to lend CCC money to make margin calls. The liquidators argued CCC's directors and managers should have considered selling its entire portfolio at that time. They alleged that Carlyle executives refused to have CCC sell assets or restructure that summer because they didn't want to jeopardize an investment by an Abu Dhabi government fund in Carlyle Group.

Some Carlyle Group executives privately expressed misgivings about CCC listing in July 2007 when markets were turbulent, the court heard. But the transaction went ahead anyway.

Beijing Squeezes Smaller Lenders

By CHAO DENG

BEIJING—The future is dimming for smaller Chinese banks, as moves by Beijing to curb financial risks force these lenders to back off from a wave of financial experimentation that had given them new ways to expand.

In recent years, regulators kept interest rates in the interbank market relatively low, allowing lenders to borrow cheaply from one another. Smaller banks, without the substantial deposit pools of their larger brethren, seized the opportunity to raise funds that they plowed into higher-yielding investments, making money on the difference in interest.

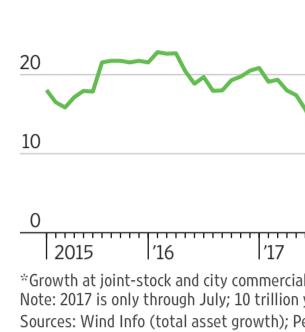
Smaller lenders facilitated a shuttling of capital between banks, as well as to securities and insurance firms. This opened up new financing channels in China's economy, which was one way Beijing had hoped to encourage growth. However, borrowers that benefited from smaller banks' newfound capital often had riskier profiles: They were players more likely to pay higher interest rates on loans, including property developers and already heavily indebted local governments.

The loans the smaller banks took from their peers were often short-term, requiring frequent refinancing and raising the risk of a potential funding crunch because investments that banks made often had longer maturities.

Putting on the Brakes

Smaller Chinese banks' expansion has slowed as Beijing forces them to dial back borrowing from other lenders.

Total asset growth at smaller, regional lenders*

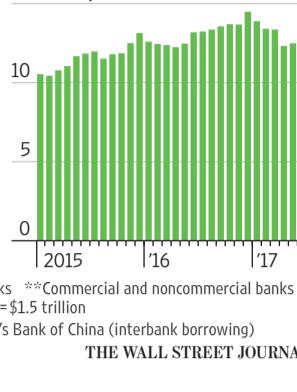


*Growth at joint-stock and city commercial banks

Note: 2017 is only through July; 10 trillion yuan = \$1.5 trillion

Sources: Wind Info (total asset growth); People's Bank of China (interbank borrowing)

Interbank borrowing**



THE WALL STREET JOURNAL.

"Small, medium-sized banks brought in competition but also risk," said Yulia Wan, an analyst at Moody's Investors Service. "The more layers of different types of products, the less transparent the system got."

Economists have long warned about China's use of debt to fuel economic growth. As the financial system grew increasingly convoluted, it became harder for regulators to assess companies and banks' true liabilities and ensure banks set aside enough capital to guard against risk.

Regulators have raised interest rates in the interbank market twice this year, making it more costly for banks to borrow from their peers. Recently, it also began scrutinizing short-

term instruments that smaller banks have issued in the interbank market.

"From the regulators' point of view, banks haven't been innovating but finding tricky ways to get around rules," said Qiang Liao, an analyst with Standard & Poor's.

The tightening has hurt smaller, often regional lenders. Their assets, which include loans and investments, grew 13% in July from a year earlier, roughly half the pace of their expansion in early 2016, according to the data provider Wind Information Co.

Banks overall are dialing back their interbank exposure, according to China's banking regulator, which said interbank borrowing by commercial

banks fell 1.8 trillion yuan (\$275 billion) during the first half of the year, a drop of 2.3% from the end of last year. The China Banking Regulatory Commission didn't give a total or offer historical figures but said it was the first drop since 2010.

Asset growth at China's five largest banks has been slower than at smaller banks, at an annualized 9% in July, but steadier, according to Wind Information.

Large banks are weathering the regulatory tightening better, as they often act as lenders to small banks and stand to benefit from higher rates in the interbank market. **Industrial & Commercial Bank of China** Ltd., the nation's largest lender by assets, said its interest income from extending credit to peer lenders surged 75% in the first half compared with a year earlier.

Meanwhile, net interest margins—the spread between what banks charge on loans and what they pay for deposits—have fallen at smaller and midsize banks. At **China Minsheng Banking** Corp., the measure of profitability fell to 1.4% in the first half from 1.74% last year. The midsize lender said it reduced interbank borrowings by 17% during the first half of the year.

At **Bank of Ningbo** Co., a small city bank in the province of Zhejiang, net interest margin also fell sharply. Its interbank borrowings were down 26% during the first half of the year.

With reduced access to cheap funding, smaller banks are finding it harder to expand.

China Citic Bank Corp., a midsize lender, is even retrenching slightly. Last week, it posted a 4.7% decrease in assets at the end of June compared with half a year earlier.

The bank said it hasn't relied heavily on business in the interbank market, although finding new sources of funding is a challenge. "It's difficult to further expand proprietary deposits," said Fang Heying, the lender's vice president.

Some smaller banks are also earning less fee income as they dial back on sales of high-yielding wealth-management products. The outstanding amount of wealth-management products sold between banks declined by 2 trillion yuan (\$305 billion) in the first half of 2017, according to the banking regulator.

At midsize **China Merchants Bank** Co., sales from wealth-management products to other lenders declined 61% from a year earlier in the first half.

Beijing is giving smaller lenders time to adjust to avoid a potential liquidity crunch. Real interest rates have already gone up, as banks pass on higher costs to their borrowers.

"The government is unlikely to tighten further in the coming months," said Chen Shujin, an analyst with Huatai Securities Co.

—Grace Zhu contributed to this article.

Borrowers Await Post-Brexit Increase in Costs

By NINA TRENTMANN

Small and medium-size firms in Europe are bracing for a post-Brexit hit from their banks. Already vulnerable to rising finance costs, they have few alternatives.

Banks operating in the U.K. could face approximately €15 billion (\$17.8 billion) in restructuring expenses, plus potentially an additional €40 billion in extra capital requirements, according to a study by Boston Consulting Group Inc. and Clifford Chance LLP. Some of these costs could be passed on to companies.

Small and medium-size enterprises are particularly exposed to higher charges, as they often rely on a single bank and lack contingency plans to deal with the fallout from the U.K.'s departure from the European Union. Companies with annual revenue of up to €10 million are defined as small businesses. Medium-size businesses earn maximum revenue of €50 million, according to the European Commission, the union's executive branch.

A recent increase in bank overdraft fees was an early

sign for Richard Crocker of what could happen. The owner of Lantoom Quarry Ltd., a construction-materials company in Cornwall, England, said he fears banks will pass on the costs of Brexit.

"It will be more expensive for us to get finance once the U.K. has left the bloc," Mr. Crocker said.

Such a move would reverse a trend of falling costs since the end of the financial crisis. U.K. banks in June charged SMEs an average of 3.89% for an overdraft facility and 3.12% for a loan, according to the Bank of England. A year ago, the rates were 4.11% and 3.36%, respectively.

Still, 18 months ahead of Britain's exit in March 2019, some lenders have started tightening again.

Matt Hocking, founder of Leap Ltd., a graphic-design firm, recently argued with his bank over a £15,000 (\$19,334) overdraft facility. Co-Operative Bank PLC wanted to end it, according to Mr. Hocking.

"The incident was an early warning for us," he said. "It pushed us to store larger cash reserves." The bank said it



SHON DAWSON/BLOOMBERG NEWS

doesn't comment on individual customers.

Lantoom's Mr. Crocker decided to scale back on investments, as do other British businesses. Around £30,000 earmarked for a new project went into a bank deposit instead.

The slowdown in investment is starting to show. U.K. GDP growth came in at 0.3% in the second quarter, much lower than in previous quarters,

according to the Office for National Statistics. Investment is forecast to remain low for the remainder of this year and in 2018. The eurozone, by contrast, grew by 0.6%.

Businesses all over Europe, not just the U.K., will carry the burden of higher financing costs. In Ireland, the Small and Medium Enterprises Association has noticed a step-up in pressure, Chief Executive Neil McDonnell said. "Banks have

started assessing the exposure of our members to Brexit risks," he said.

"It is difficult to see how the cost environment would not be negatively affected."

British firms face an additional challenge: After Brexit, loans and other funding provided by the European Investment Bank and other EU bodies will no longer be available to them.

Despite pledges by the U.K. government, there are doubts whether funds will be replaced.

Faced with the prospect of higher costs, SMEs could seek alternatives to bank finance.

But, alternative sources of funding don't necessarily come cheap. Mr. Hocking last year took out a £30,000 loan with Funding Circle Ltd., a peer-to-peer platform, but now regrets the move. At 9.6% interest, the loan is expensive, Mr. Hocking said. Funding Circle said that an average rate of 10% is "competitive".

For the foreseeable future, the goal is to self-finance Leap: "We don't want to rely on external finance providers anymore," Mr. Hocking said.

Good Times Arrive In European Banking

By REBECCA BYRNE

The stars may be aligning for European banks.

The sector has outperformed the broader market this year and with valuations still "undemanding," analysts think there could be more gains to come.

A brighter outlook for earnings is a major reason behind the optimism. In the second quarter, European banks were the single largest contributor to the market's overall profit growth, accounting for around 40% of the total, according to Deutsche Bank AG.

Analysts at J.P. Morgan Chase & Co. note that 75% of banks have seen their earnings-per-share forecasts revised higher since the start of the year. Estimates for 2017 have climbed by more than 5%, beating the broader market, while projections for next year have risen, too.

And while cost cutting has played a role in the improved performance, analysts point out that the majority of profit growth in the latest quarter came from higher revenues. A stronger economy has been good for lending, and more borrowers are keeping up with their loan payments, they say.

Profitability has also been helped by lower provisions for bad loans after banks reduced

toxic assets on their balance sheets.

Expectations for a withdrawal of monetary stimulus from the European Central Bank have proven a powerful tailwind as well. Many economists expect the bank to signal the end of easy money in the autumn, potentially causing a spike in bond yields, which are closely correlated with bank shares.

J.P. Morgan predicts German bund yields will more than double this year.

Potential banking-law overhauls in the U.S. have given analysts another reason to be upbeat on European lenders. Proposals from the U.S. Treasury in June "strongly hint at a less-onerous regulatory environment for foreign banks," according to Deutsche Bank.

Of course, there are risks to the outlook. UBS Group AG points out that a delay in ECB tapering could hit the sector hard. Geopolitical threats, such as continued saber-rattling from North Korea, could also encourage investors to seek haven assets at the expense of riskier investments.

Bank shares have risen more than 6% this year. But many analysts say the sector is still attractive.

"European banks look slightly cheap," said Credit Suisse analyst Jan Wolter.

EY said its revenue growth in the latest year had been aided by its investments in increased hiring and advanced technologies like analytics, artificial intelligence and robotics.

EY's workforce grew 7.3% during the year to more than 247,000, and the firm now employs 18,000 data and analytical professionals.

Growth was also boosted by increased demand for the firm's work among companies seeking help in coping with the continued slow-growing global economy and the rapid pace of technological and business change, EY said.

"It's clear just that businesses need our services," said Mark Weinberger, EY's global chairman and chief executive, in an interview with The Wall Street Journal. "I think the demand for digital and data strategies and operating improvements, the demand to use that in growth across the

world, will continue."

EY and other major accounting firms are international networks of private partnerships that disclose only their revenues, not their earnings.

The firm's U.S. revenue rose 6.7% in the latest year. Geographically, the firm's strongest growth came in the Asia-Pacific region, where revenue rose 11.3% in local-currency terms.

Emerging-markets revenue nearly 9%.

As in the past several years, EY's consulting businesses showed much stronger growth than its more-mature core auditing business. Revenue at the firm's transaction advisory services unit jumped 15.5% in local-currency terms, and advisory revenue rose 10.4%, compared with a 4% revenue increase in the assurance unit, which handles auditing. Revenue in EY's tax-services business rose 7.9%.

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CAM-GTF Limited OT MUS 08/25 USD 308853.70 2.2 -2.3 6.7

For

MARKETS DIGEST

Nikkei 225 Index

19508.25 ▼183.22, or 0.93%

High, low, open and close for each trading day of the past three months.

Year-to-date 52-wk high/low All-time high

20230.41 16251.54 38915.87 12/29/89

▲ 2.06%

65-day moving average

Session high

Session open ▶ Close

Close ▶ Open

Session low

20500
20000
19500
19000
18500
18000
17500

May June July Aug.

Bars measure the point change from session's open

STOXX 600 Index

374.20 ▼1.94, or 0.52%

High, low, open and close for each trading day of the past three months.

Year-to-date 52-wk high/low All-time high

396.45 328.80 414.06 4/15/15

▲ 3.54%

65-day moving average

Session high

Session open ▶ Close

Close ▶ Open

Session low

395
390
385
380
375
370
365

May June July Aug.

S&P 500 Index

Data as of 4 p.m. New York time

Last 23.86 24.71

Trailing P/E ratio 23.86 24.71

P/E estimate * 18.85 18.57

Dividend yield 2.00 2.11

All-time high: 2480.91, 08/07/17

2476.55 Market Closed

High, low, open and close for each trading day of the past three months.

Year-to-date 52-wk high/low All-time high

2386.45 2328.80 2414.06 4/15/15

▲ 3.54%

65-day moving average

Session high

Session open ▶ Close

Close ▶ Open

Session low

2500
2475
2450
2425
2400
2375

May June July Aug.

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 4 p.m. New York time

Region/Country Index Close NetChg % chg

World The Global Dow 2847.27 -6.92 -0.24

MSCI EAFE 1932.39 -5.98 -0.31

MSCI EM USD 1083.35 -8.01 -0.73

Americas DJ Americas 597.32 -0.14 -0.02

Brazil Sao Paulo Bovespa 72125.68 202.57 0.28

Canada S&P/TSX Comp 15191.60 ... Closed

Mexico IPC All-Share 50848.37 -232.48 -0.46

Chile Santiago IPSA 3910.59 -19.73 -0.50

U.S. DJIA 21987.56 ... Closed

Nasdaq Composite 6435.33 ... Closed

S&P 500 2476.55 ... Closed

CBOE Volatility 10.13 ... Closed

EMEA Stoxx Europe 600 374.18 -1.96 -0.52

Stoxx Europe 50 3042.25 -16.12 -0.53

Austria ATX 3245.22 -14.18 -0.44

Belgium Bel-20 3884.47 -16.95 -0.43

France CAC 40 5103.97 -19.29 -0.38

Germany DAX 12102.21 -40.43 -0.33

Greece ATG 808.88 -9.78 -1.19

Hungary BUX 37465.26 -254.64 -0.68

Israel Tel Aviv 1390.55 6.64 0.48

Italy FTSE MIB 21790.62 -67.94 -0.31

Netherlands AEX 516.27 -1.91 -0.37

Poland WIG 65038.75 -169.73 -0.26

Russia RTS Index 1091.83 -8.75 -0.80

Spain IBEX 35 10243.20 -82.30 -0.80

Sweden SX All Share 556.09 -3.14 -0.56

Switzerland Swiss Market 8864.46 -77.16 -0.86

South Africa Johannesburg All Share 56312.85 -200.61 -0.35

Turkey BIST 100 110010.49 ... Closed

U.K. FTSE 100 7411.47 -27.03 -0.36

Asia-Pacific S&P/ASX 200 5702.00 -22.60 -0.39

China Shanghai Composite 3379.58 12.46 0.37

Hong Kong Hang Seng 27740.26 -212.90 -0.76

India S&P BSE Sensex 31702.25 -189.98 -0.60

Japan Nikkei Stock Avg 19508.25 -183.22 -0.93

Singapore Straits Times 3230.97 -46.29 -1.41

South Korea Kospi 2329.65 -28.04 -1.19

Taiwan Weighted 10569.87 -24.95 -0.24

Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners

Country/currency Mon in US\$ per US\$ YTD chg

Americas Argentina peso-a 0.0579 17.2025 8.8

Brazil real 0.3189 3.1357 -3.7

Canada dollar 0.8056 1.2413 -7.7

Chile peso 0.001601 624.60 -6.7

Colombia peso 0.0003410 2932.13 -2.3

Ecuador US dollar-f 1 1 unch

Mexico peso-a 0.0560 17.8581 -13.9

Peru so 0.3089 3.2375 -3.4

Uruguay peso-e 0.0347 28.810 -1.8

Venezuela bolivar 0.098789 10.12 1.3

Asia-Pacific Australia dollar 0.7950 1.2579 -9.4

Chinese yuan 0.1534 6.5204 -6.1

Source: Tullett Prebon, WSJ Market Data Group

London close on Sept. 4

Country/currency Mon in US\$ per US\$ YTD chg

Hong Kong dollar 0.1278 7.8255 0.9

India rupee 0.0156 64.0050 -5.8

Indonesia rupiah 0.000750 13334 -1.4

Japan yen 0.09123 109.62 -6.3

Kazakhstan tenge 0.02953 338.90

Macau pataca 0.1237 8.0822 2.1

Malaysia ringgit-c 0.2342 4.2705 -4.8

New Zealand dollar 0.7174 1.3935 -3.5

Pakistan rupee 0.0095 105.100 0.7

Philippines peso 0.0196 51.126 3.1

Singapore dollar 0.7374 1.3561 -6.3

South Korea won 0.0008840 1131.16 -6.4

Sri Lanka rupee 0.006560 152.43 2.7

Taiwan dollar 0.03327 30.053 -7.4

Thailand baht 0.03017 33.150 -7.4

Source: Tullett Prebon, WSJ Market Data Group

US\$ vs. Mon in US\$ per US\$ (%)

Country/currency Mon in US\$ per US\$ (%)

Bulgaria lev 0.6092 1.6414 -11.7

Croatia kuna 0.1607 6.2235 -13.2

Euro zone euro 1.1920 0.8390 -11.7

Czech Rep. koruna-b 0.0457 21.885 -14.8

Denmark krone 0.1603 6.2398 -11.7

Hungary forint 0.003893 256.86 -12.7

Iceland krona 0.009542 104.80 -7.2

Norway krone 0.1282 7.7976 -9.8

Poland zloty 0.2810 3.5585 -15.0

Russia ruble-d 0.01731 57.785 -5.7

Sweden krona 0.1258 7.9516 -12.7

Switzerland franc 0.1045 0.9574 -6.0

Ukraine hryvnia 0.0386 25.9250 -4.3

U.K. pound 1.2933 0.7732 -4.5

Source: SIX Financial Information/WSJ Market Data Group

US\$ vs. Mon in US\$ per US\$ (%)

Country/currency Mon in US\$ per US\$ (%)

Bahrain dinar 2.6522 0.3771 -0.03

Egypt pound-a 0.0567 17.6260 -2.8

Israel shekel 0.2799 3.5731 -7.1

Kuwait dinar 3.3156 0.3016 -1.3

Oman rial 2.

FINANCE & MARKETS

China Ban on Coin Offerings Hits Bitcoin

BY CHAO DENG

BEIJING—Chinese authorities banned a type of fundraising using cryptocurrencies like bitcoin, dealing a blow to startups and other businesses that seized on the relatively new method of raising capital.

China's central bank, cyberspace administration and banking, securities and other regulators Monday declared what are known as initial coin offerings illegal and ordered fundraising activities to "cease immediately."

The ban wasn't a surprise for the industry, coming after a financial-technology industry association last month called for more stringent regulation of initial coin offerings, or ICOs. In recent days, authorities ordered inspections of ICO platforms, according to a document reviewed by The Wall Street Journal, and a handful of those platforms said they would stop providing services



SPA ASIA/ZUMA PRESS

Bitcoin's price was down 8% Sunday. The cryptocurrency is often used to pay for initial coin offerings.

for the offerings.

Even so, prices for bitcoin and ether, two digital currencies that Chinese investors have pumped into ICOs, tumbled late Monday after the ban, falling as much as 8% and 20%, respectively.

The government move

should "help cool down the market and sweep away bad actors," said Jehan Chu, whose cryptocurrency hedge fund Kenetic Capital has invested in Chinese ICOs. He said he hoped regulators would allow some forms of digital currency financing

later. "I don't think they're trying to kill it."

Chinese regulators have waged a multifront campaign against financial risks this year, after a rapid run-up in corporate debt and a proliferation of new, risky investment products, often sold to individuals

via the internet. Scrutiny from Beijing is rising as Chinese leaders count down to a Communist Party congress next month that will reshuffle senior portfolios.

Virtual currencies have been among Beijing's targets, being seen as a potent tool for scammers and a potential way for Chinese to move money offshore and circumvent the government's capital controls.

Chinese bitcoin exchanges, under prodding by the country's central bank, have adopted practices to prevent money laundering and other fraudulent activity.

The value of bitcoin and other digital currencies has soared this year to records, and initial coin offerings have taken off.

Akin to crowdfunding, an ICO involves a firm, usually a business associated with the digital-currency sector, issuing tokens that investors can buy with digital currency and

can one day exchange for a product or service. Celebrity endorsements of coin offerings, including by boxing champion Floyd Mayweather, have helped promote such fundraisers in the U.S., which doesn't have set rules on ICOs.

While no official fundraising figures are available, New York-based research firm Smith & Crown estimated that coin offerings this year had raised more than \$1 billion as of early July.

In China, businesses raised 2.6 billion yuan (\$397 million) in the first half of the year, according to a survey by the National Committee of Experts on the Internet Financial Security Technology, an industry group. It said that 90% of the fundraising was done through bitcoin and ethereum, and that more than 100,000 individual participants were investing in the ICOs.

—Grace Zhu and Yifan Xie contributed to this article.

Havens Gain After North Korea Test

BY MIKE BIRD
AND ESE ERHERIENE

Investors moved into haven assets and sold stocks following North Korea's largest-ever nuclear test, prompting U.S. President Donald Trump to denounce the country as a hostile rogue nation.

Just before European markets opened, South Korea's Defense Ministry reported that North Korea was again preparing for a possible missile launch.

Still, analysts said the moves were relatively muted and pointed to past market reactions to North Korean missile and nuclear tests, which have quickly been reversed.

The Stoxx Europe 600 index ended the day down 0.5% to

374.20, after falling by as much as 0.7% earlier in the session. Japan's Nikkei Stock Average closed 0.9% lower.

U.S. equity futures were hit, too, with the S&P 500 and Dow Jones Industrial Average each down 0.3%. Most U.S. financial markets were closed Monday for Labor Day.

"In general, investors have been rewarded for ignoring recent political risks and taking a long-term view; that's what we recommend to our clients," said Tilmann Galler, global market strategist at J.P. Morgan Asset Management.

"Overall you need to recognize and take into account the overall fundamentals for the market, the economic and earnings growth we've seen in recent quarters," he added.

North Korea's acceleration of both its nuclear and missile

programs has presented Mr. Trump with his biggest foreign-policy crisis. In the wake of the latest escalation, the U.S. said it was drawing up new economic sanctions.

The Japanese yen came off its initial lows and fluctuations in Asian markets were more pronounced Aug. 29, when North Korea fired a missile over a main Japanese island for the first time since 2009.

As trading ended in Europe, the dollar was down 0.6% against the yen, with the dollar-yen pair at ¥109.5. The Swiss franc, another haven currency, was up 0.8% against the dollar.

In other haven assets, New York spot gold prices were up 0.7% to \$1,340, after rising by slightly over 1% to touch 11-month highs earlier in the ses-

sion.

Investors and analysts have struggled in recent weeks to weigh up how much of a market reaction the escalating tensions between the U.S. and North Korea should warrant, and have generally advocated caution against selling.

Analysts at Citigroup suggested the reaction to the provocations may not last. "Such market moves tend to be short-lived, as typically tensions defuse quickly," the analysts wrote in a research note Sunday.

"Unless the global response to this test raises the probability of a military strike," they added, "this time may play out similarly."

On Monday, South Korea's Kospi fell as much as 1.7%, though it quickly pared declines and ended down 1.2%,



HEON-KYU/REX/SHUTTERSTOCK

while the South Korean won slid 0.7% against the U.S. dollar.

Elsewhere, Hong Kong's Hang Seng Index fell 0.8% and Australia's S&P/ASX 200 closed down 0.4%.

Oil and gas prices were mixed Monday, as some refineries came back online following Hurricane Harvey, which

shut down a sizable portion of U.S. capacity.

U.S. bond markets were closed Monday. Yields on 10-year German bonds eased, falling from 0.38% at Friday's close to 0.37% in European trading.

—Suryatapa Bhattacharya contributed to this article.

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MARKETS

Stock Investors Hedge as Autumn Nears

A typically choppy season for market has participants readying for a bout of volatility

By GUNJAN BANERJI

U.S. stock investors have been unfazed this year by everything from North Korean missile launches to the congressional debt ceiling deadline.

Now, as the most turbulent season for equities looms, hedging activity and money flows indicate that investors are starting to doubt that markets can only climb higher.

Some have protected against losses from this year's biggest winners. The number of bearish versus bullish options on the tech-heavy PowerShares QQQ Trust exchange-traded fund reached a two-year high in August. The most held contracts on a popular ETF that tracks high-yield bonds are bearish.

Some are wagering groups that have struggled, like small-cap companies, will continue to post losses. Speculators' net bearish futures positions on Russell 2000 index stocks last month reached the highest level since 2008, data from the Commodity Futures Trading Commission show.

People yanked funds from U.S. stocks for 10 straight weeks through Aug. 23, the longest such streak in 13 years, according to data from Bank of America Merrill Lynch. Last week, they added money back into U.S. equities.

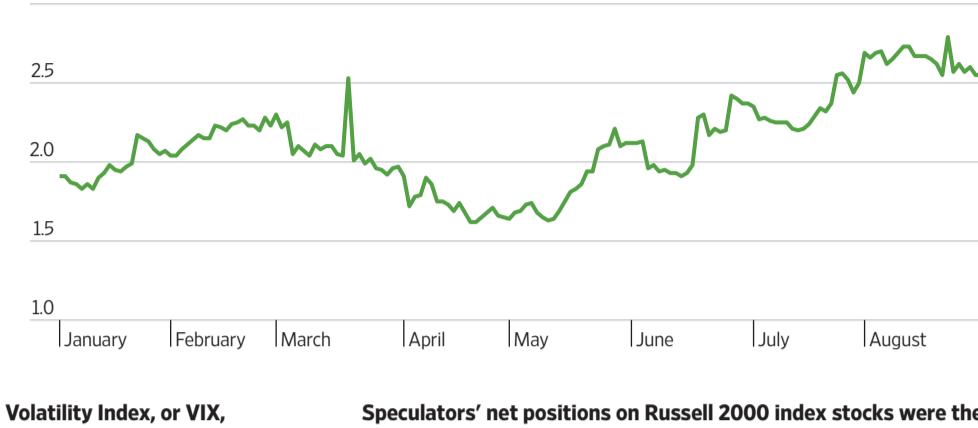
"We've gone from a period of potential complacency to one of caution over the last few weeks," Stewart Warther, New York-based derivatives strategist at BNP Paribas said in an interview in August.

After a stretch when political risks were largely ignored, investors are growing increasingly wary of them in recent weeks, Mr. Warther said.

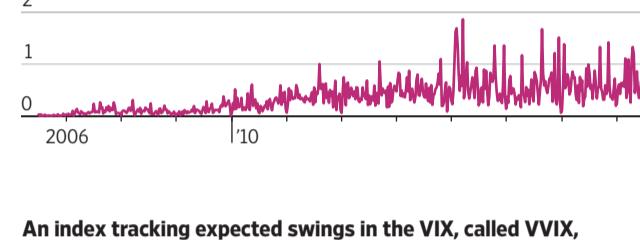
Taking Precautions

Hedging activity is picking up as the most volatile season for U.S. stocks gets under way.

The ratio of bearish options to bullish ones has climbed on the tech-heavy PowerShares QQQ Trust.



Trading of options on the CBOE Volatility Index, or VIX, surged to a record in August.

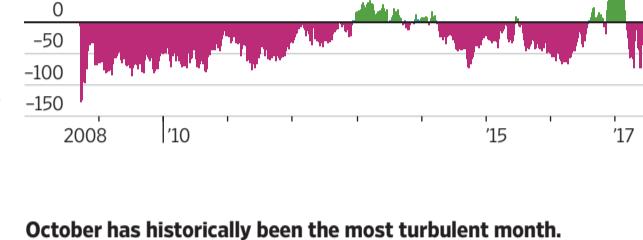


An index tracking expected swings in the VIX, called VVIX, recently spiked to its highest since 2015.

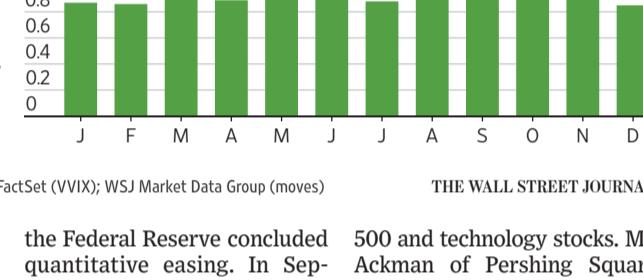


Sources: Trade Alert (ratio, VIX options); Commodity Futures Trading Commission (positions); FactSet (VVIX); WSJ Market Data Group (moves)

Speculators' net positions on Russell 2000 index stocks were the most bearish since 2008.



October has historically been the most turbulent month.



THE WALL STREET JOURNAL.

week, while the CBOE Volatility Index, which tracks volatility in stocks and is called VIX, fell 10% last week, its third consecutive week of declines.

Meanwhile, the U.S. dollar has already unwound its post-election gains and Treasury prices have risen, pushing yields down, according to a Barclays PLC August note.

This could be because hedging hasn't always paid off.

"The things we expect to react don't always react reliably" in selloffs, wrote Pravit Chintawongvanich, New York-based derivatives strategist at brokerage Macro Risk Advisors, in an Aug. 24 note.

Hedges on a high-yield bond fund were "nearly useless" in August 2015, he wrote, even as the S&P 500 tumbled 10% within just four days. In January 2016, when the benchmark equity index plummeted 10%, "VIX hedges were disappointing," he wrote.

Still, during the 16-day U.S. government shutdown in 2013, the fear gauge VIX soared as high as 20 from 13.

The VIX recorded some outsize moves relative to the S&P 500 in August. The two are typically inversely correlated. Recently, a measure of expected swings in the gauge itself, known as VVIX, hit the highest level since August 2015, when U.S. equity markets swooned after China unexpectedly devalued the nation's currency.

Political news appears to be triggering market moves and has led to increased volatility, although it remains low relative to history, said Tobias Hekster, the Chicago-based co-chief investment officer of True Partner Advisor, which manages \$350 million in volatility strategies.

"For the first time people got scared about a political impact," said Mr. Hekster. "In the past, we've had a lot of political grandstanding. This year, it looks like it's going to be worse."

HEARD ON THE STREET

Email: heard@wsj.com

WSJ.com/Heard

Delphi Auto Could Be a Tech Play

OVERHEARD

The Clock Is Ticking For the ECB

There is only so long a difficult conversation can be avoided.

The European Central Bank has been emphasizing persistence and patience on its monetary policy. But with the path of the ECB's bond-purchase program set only until the end of December, the pressure to lay out plans for 2018 is building.

The stumbling block for the ECB is the euro, which has risen steeply. That is likely to dent the ECB's new inflation forecasts, making communication about policy trickier. Many other developments, however, point toward a eurozone that no longer needs the ECB to hold the accelerator to the floor.

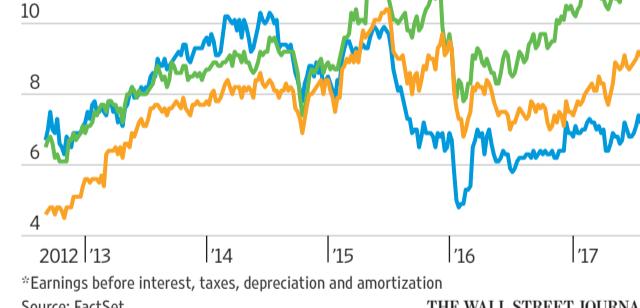
Growth remains robust, and financial conditions have stayed loose despite the stronger euro.

Still, the account of the ECB's July meeting showed the sensitivity of markets to the slightest shift in communication. Even silence can move markets these days, however. ECB President Mario Draghi steered clear of talking about monetary policy in his much-awaited speech at Jackson Hole in August, but the euro rose, topping \$1.20.

Patience on policy also bears risks. While the euro's rise has drawn attention, other markets have been calmer. The 10-year German government-bond yield, at 0.38%, is well off its highs for the year—which looks odd in the face of stronger growth. There could yet be a tantrum to come for bonds, and an ECB that appears too cautious now could store up trouble for the future.

The ECB might play for time in September, but that will put the focus on October: The lull in bond markets can't last. —Richard Barley

Fork in the Road



*Earnings before interest, taxes, depreciation and amortization

Source: FactSet

year by BMW, Intel and sensor specialist Mobileye.

Delphi's stock jumped 11% on the day it announced the spin and has continued to rise since. The valuation boost inherent in the deal, which will likely close early next year, is now probably priced in. If the SpinCo ends up at an earnings multiple similar to that of powertrain specialist BorgWarner, while the RemainCo is re-rated in line with electronics group TE Connectivity, the companies' combined enterprise value would be about \$29 billion, in line with Delphi's current valuation.

Yet this calculation may underestimate the upside to come at the RemainCo. An electronics company focused almost purely on rapidly digitizing automotive applications will be a real rarity. As the acquisitions of Mobileye by Intel and Harman by Samsung over the past year have shown, big tech wants a piece of the car industry.

Without the burden of its engine business, Delphi could become its next target.

—Stephen Wilmot

engines, become the norm.

But electric cars still pose a long-term existential challenge to the SpinCo, and the uncertainty surrounding the pace of transition may limit the multiple at which it trades. This is a key reason for the spinoff, which will leave behind a company focused entirely on electric systems and software.

This "RemainCo" should then act as a good proxy for developments in automotive technology. The bulk of sales

currently come from electrical systems—cabling, connectors and the like—which will do nicely as cars become ever more like computers on wheels.

Yet Delphi's RemainCo also has stakes in rapidly growing niches, such as the radar and camera systems that help drivers reverse, park and stay in their lane. Such gizmos will eventually make cars autonomous; Delphi is a "systems integrator" for the driverless-car project formed last

about 7% of the number of smartphones sold in that time. Furthermore, only a portion of that is smartwatches as IDC also counts other wearable devices in that mix.

A range of lower prices and more functions should raise their appeal. There is some precedent for that. The first iPod came along in late 2001. The iPod sold lightly in its first two years as it started at \$399 (about \$550 in today's dollars) and only worked with a Mac computer. Expanding the compatibility to Windows and lowering the price juiced the business significantly; iPod sales exploded from 939,000 units in fiscal 2003 to 4.4 million the following year.

The smartwatch industry is only a few years old and has

Smartwatch makers probably won't see that kind of jump so quickly, but most are moving in the right direction, targeting introductory prices of \$300 or less while adding more functions. New devices from both Fitbit and Garmin add more health-tracking features as well as the ability to pay for transactions.

How each firm will do over the next year remains to be seen. Apple doesn't report watch sales, but that business is expected by analysts to account for just 2% of the company's revenue for the fiscal year ending September, according to FactSet. Garmin's high-end Fenix watches have been among the strongest

parts of its business of late, but the company is also diversified with other businesses such as navigational gear for boats and airplanes.

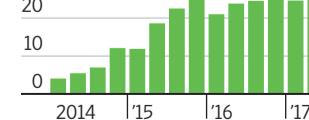
Fitbit, meanwhile, is almost entirely dependent on wearable devices. The Ionic watch launching in October will need to play a big role in helping the company return to growth following a year of sales declines. Fitbit's stock price has jumped about 5% since its announcement, though the shares are still about one-fifth what they were worth before the company debuted its first smartwatch, called the Blaze, in early 2016. That should at least leave much less value to burn.

—Dan Gallagher

Uptick Ahead for Smartwatch Market as Features Improve

Wind Up

Global unit sales of wearable devices, quarterly



Sources: IDC

THE WALL STREET JOURNAL.

been a niche market so far.

IDC estimates that global sales of wearable technology totaled 110.5 million units over the trailing 12-month period ended June 30. That is

about 7% of the number of smartphones sold in that time. Furthermore, only a portion of that is smartwatches as IDC also counts other wearable devices in that mix.

Smartwatch makers probably won't see that kind of jump so quickly, but most are moving in the right direction, targeting introductory prices of \$300 or less while adding more functions. New devices from both Fitbit and Garmin add more health-tracking features as well as the ability to pay for transactions.