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What's News

Business & Finance

Bond markets are bracing for the Fed's unwinding of its easy-money policy, as falling debt prices reflect investors' unease. **A1**

◆ **Tech companies** are powering this year's rally in emerging markets, boosting the MSCI index return to a six-year high of 29%. **B1**

◆ **A venture-capital group** is leading a suit against the Trump administration over delays in an immigration rule for entrepreneurs. **B1**

◆ **Annual premiums** for employer health plans neared \$19,000 this year, as the share of U.S. firms offering coverage declined. **B1**

◆ **Toys "R" Us** filed for bankruptcy protection, undone by its debt load and a shift to online shopping. **B3**

◆ **Activist investors** threatened to block Clariant's deal with Huntsman unless the Swiss chemicals firm explores alternatives. **B3**

◆ **The Nikkei closed** at its highest level in over two years, spurred by talk of an election in Japan. **B10**

◆ **Fox was sued** by a former on-air guest who alleged she was defamed after accusing an anchor of rape. **B3**

◆ **Hedge fund firm Conatus** is closing at the end of the year as its founder runs for governor of Connecticut. **B6**

World-Wide

◆ **Trump threatened** to destroy North Korea if Pyongyang fails to abandon its pursuit of nuclear weapons, delivering the warning during his first U.N. address. **A1**

◆ **Hurricane Maria** thrashed the eastern Caribbean, killing at least one person on Guadeloupe and devastating Dominica. **A4**

◆ **Mexico was rocked** by a 7.1-magnitude quake, the second tremor this month to strike the country. **A4**

◆ **Suu Kyi defended** Myanmar's treatment of Rohingya Muslims and said her government would investigate alleged abuses. **A4**

◆ **Israel said** it shot down an Iranian-made drone that flew over the Golan Heights from Syria. **A4**

◆ **May is facing** dissension from cabinet members as she prepares to deliver a major speech on Brexit. **A3**

◆ **U.K. police** are probing whether a suspect in a London subway blast practiced building the bomb in his foster home's backyard. **A3**

◆ **A Trump attorney** denied unverified allegations about the president's activities and links to Russia. **A5**

◆ **Senate Republicans** reached a tentative budget deal that would set the parameters for a tax plan. **A5**

Inside BROWNE A2 The Glass Ceiling in Xi's China

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Trump Takes Aim at North Korea

U.S. may have 'no choice but to totally destroy' the regime, president says at U.N.

By ELI STOKOLS
AND FARNAZ FASSIHI

UNITED NATIONS—President Donald Trump threatened to annihilate North Korea if the U.S. had to defend itself or its allies against the Pyongyang regime, delivering the dire warning Tuesday during his first address to the United Nations General Assembly.

Mr. Trump referred to a "depraved regime" in North Korea and called its leader, Kim Jong Un, by a nickname he first applied in a Twitter message over the weekend.

"The United States has great strength and patience, but if it is forced to defend itself or its allies, we will have no choice but to totally destroy North Korea," Mr. Trump told world leaders. " 'Rocket Man' is on a suicide mission, not only for himself but for his regime."

The GOP president also excoriated Iran, calling it an authoritarian regime and denouncing the 2015 nuclear disarmament agreement between Iran and six world powers, including the U.S.

That deal, negotiated by Mr. Trump's Democratic predecessor, Barack Obama, was "one



TIMOTHY A. CLARY/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Donald Trump ratcheted up his rhetoric as his speech at the United Nations went on, vowing to crush 'the loser terrorists.'

of the worst and most one-sided transactions the United States has ever entered into," Mr. Trump said. "Frankly, that deal is an embarrassment to the United States and I don't think you've heard the last of it, believe me."

Mr. Trump's speech drew a mixed reaction from delegates. He received applause early in

his speech for defining his "America first" outlook as a way for independent, sovereign nations to cooperate. Israel, a close U.S. ally, applauded his stand on Iran.

"In over 30 years in my experience with the U.N., I never heard a bolder or more courageous speech," Prime Minister Benjamin Netanyahu of Israel

said in a statement issued after the address.

But the antipathy Messrs. Trump and Netanyahu share toward the 2015 Iran nuclear agreement runs counter to the consensus among other world leaders, who see the agreement as working. Some said they found Mr. Trump's language on

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Global Stage

◆ May finds Brexit threats in own cabinet..... A3

◆ Tensions emerge from Russia-Belarus drills..... A3

◆ Myanmar leader defends treatment of Rohingya... A4

◆ Israel says it shot down Iranian-made drone..... A4

Markets Brace for Fed's Unwinding of Easy Money

Bond markets are bracing for a historic moment: the beginning of the end of easy Federal Reserve policy. What comes next is anyone's guess.

By Daniel Kruger,
Akane Otani
and Chelsey Dulaney

The Fed is expected Wednesday to announce it will start unwinding the easy-money policies that it has pursued since the financial crisis.

Many investors are taking the expected Fed action as a vote of confidence that the economy can grow without persistent support. They add that the Fed has signaled its intentions clearly enough that a disorderly debt-market decline similar to the 2013 "taper tantrum" appears unlikely.

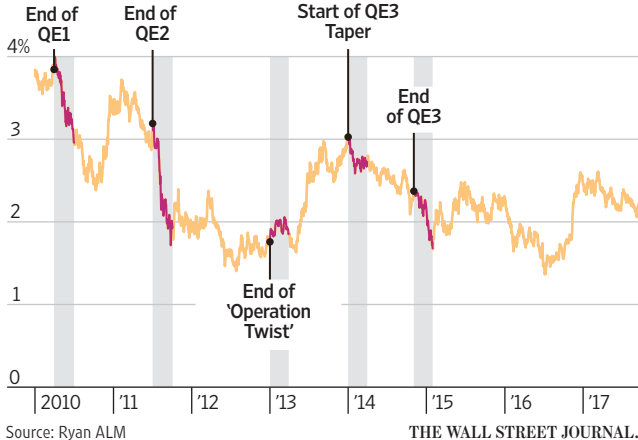
Yet U.S. government-debt prices had fallen for six straight days through Monday, pushing up the yield for the benchmark 10-year U.S. Treasury note to 2.230%. Bond yields rise as prices fall.

The bond slump, the longest since March, reflects in-

Taper Rally

After four of five recent tightening moves by the Federal Reserve, bond yields were lower three months later.

Yield on the 10-year Treasury note



Source: Ryan ALM

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vestors' growing unease ahead of this week's Fed meeting. Investors remain wary that any mistake by the central bank, such as removing stimulus too quickly, could upend months of relative calm. Conversely, if the Fed falls behind and allows inflation to grow too quickly, that could also put the eco-

nomics expansion at risk.

Bond yields tend to rise in periods when the economy is surging, reflecting investors' bets on continued growth. Yet in an economy dependent on consumer debt to finance purchases for everything from homes and cars to televisions,

Please see *FED* page A7

HOW ANTIFA VIOLENCE HAS SPLIT THE LEFT

Group's tactics are creating a rift among liberals about whether to denounce a radical fringe

BERKELEY, Calif.—Thousands of protesters converged on Martin Luther King Jr. Civic Center Park one Sunday late last month to confront far-right activists. Among them were dozens dressed in black with faces masked.

By Ian Lovett,
Jennifer Levitz
and Cameron
McWhirter

Organizers on bullhorns called for the crowd to be "defensive," but matters didn't stay nonviolent for long. Using clubs and wooden shields emblazoned with "no hate," groups of around half a dozen of the masked protesters beat and chased some of the small number of far-right activists who showed up at the "No to Marxism" rally, even though it

had been canceled.

Broadly labeled antifa, for "antifascist," such protesters are part of a loose affiliation of far-left groups and individuals who unite around a willingness to confront, sometimes violently, anyone they perceive to be an agent of racism, anti-Semitism or fascism—whether white nationalists, far-right extremists, or in some cases members of the media or the police they claim protect those groups. At times, antifa activists have been credited with defending peaceful protesters; they have also been criticized as instigators.

Last month, demonstrators wearing black and promising violence in self-defense showed up at major rallies in Charlottesville, Va.,

Please see *ANTIFA* page A6

Leggo My Eggo! One City's Bird-Brained Scheme to Fight Pigeons

* * *

Lisbon's €12,000 birdhouse serves gourmet food to occupants—before robbing them

By PATRICIA KOWSMANN

The pigeon, a ubiquitous civic irritant whose garbanzo-sized brain has made it a byword for witlessness, has received an unexpected public bequest from Portugal's largest city.

Its own safe space. For a cost of €12,000 (\$14,340), Lisbon has restored a towering birdhouse replete with fresh water, gourmet bird food and a wood-paneled interior designed, city officials say, to promote pigeon wellness.

The two-story yellow roost, known as a "contraceptive pigeon house," is part of the city's effort to control its bird population through means that are gentler than other extermination plays, which include gassing them to death and feeding them to reptiles at the zoo.

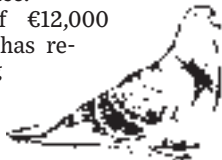
The scheme involves playing pigeons with delicious ground

corn to lure them to luxuriant nests inside the house, where they will eventually forget centuries of human mistreatment. When the unsuspecting birds lay eggs in their nests, caretakers sneak in to replace them with realistic-looking fake ones. To ensure mother pigeons don't get suspicious, at least one real egg is left in place.

Since the house opened, however, its mission seems to have crept beyond population control. Caretakers have equipped the facility, which costs €250 a month to maintain, with a pigeon first-aid station. There's talk of offering additional services such as deworming and, paradoxically, a nursery.

"We want to give the pigeons security and a space that is only theirs," says Joana Antunes, a 28-year-old lawyer who oversees the house with five other volunteers.

Please see *PIGEON* page A6



OMAR TORRES/AGENCE FRANCE-PRESSE/GETTY IMAGES

Mexico Shaken Again By Quake

DESTRUCTION: A strong 7.1 magnitude earthquake struck central Mexico, causing buildings to collapse and people to flee into Mexico City's streets. It was the second powerful tremor to hit the area this month. **A4**

Economic Espionage Fears Grow

By PETER LOFTUS

Samuel Straface thought he was the last one out the door one recent evening at the medical-technology startup he leads in suburban Boston.

But as he passed a glass-walled conference room on the second floor, Dr. Straface says he saw a man he didn't recognize, sitting by himself in front of two open laptops and a tablet device. He continued walking a few steps toward

the exit, but then, feeling uneasy, he turned back.

The man was later identified as Dong Liu, a dual citizen of China and Canada. And his after-hours computing at Medrobotics Corp. is at the center of an economic-espionage case brought by U.S. prosecutors.

Mr. Liu is in federal custody, charged with attempting to steal trade secrets and trying to gain unauthorized access to the company's computer sys-

tem, prosecutors said. If convicted of both charges, he could face a maximum sentence of 15 years in prison.

"Mr. Liu adamantly asserts his innocence and we fully expect he'll be exonerated after a careful review of the evidence," said Robert Goldstein, Mr. Liu's defense attorney. The U.S. attorney's office for the District of Massachusetts declined to comment on the case beyond details in court records.

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WORLD NEWS

Women Remain Late to the Politburo's Party



CHINA'S WORLD

By Andrew Browne

SHANGHAI—The last woman to run China was the Dowager Empress more than a century ago.

On current trends, it could be another hundred years before a woman takes charge again. A country that officially promotes equality between the sexes is a men-only bastion at the very top. No woman has ever climbed as high as the Politburo Standing Committee, which currently has seven members led by Xi Jinping.

The wider Politburo isn't much more inclusive. Since 1949, it has welcomed only a handful of women, most of them wives of top leaders. Mao's wife, Jiang Qing, was a member. So was Zhou Enlai's spouse.

This dismal record will almost certainly go unchallenged during the party's next shuffle in a few weeks. As with so much in the political arena under Mr. Xi, China is heading backward on women's rights. He has compounded an unabashed sexism in senior party ap-

pointments with a broad assault on civil society, including feminist groups. At the same time, Mr. Xi is reviving Confucian values to try to anchor the party's legitimacy in classical tradition. The glass ceiling in politics is now reinforced by a rigidly paternalistic philosophy.

This year, social-media sites lit up in protest after an expert on traditional culture, Ding Xuan, urged chastity for female students in a university lecture. (Ms. Ding also advises that "virtuous" women shouldn't eat and walk at the same time, or cross their arms while talking.) "What? The Qing dynasty is over," one indignant social-media user commented.

Feminist leaders are dismayed. Writing in the Paper, a state-owned news website, the activist Wang Xiaoneng bemoans a conservative backlash against feminists by men who portray them as "objects with claws, a hateful face, bias against men and psychological distortions."

Others think the problem is deeply entrenched attitudes in the party, which the sociologist Li Yinhe argues are widespread around the world. "Among women politicians, the ones with a strong feminist inclination can hardly be selected; only those who don't make men feel threatened can," she wrote in a commentary after the latest U.S. presidential election.



An ethnic minority delegate left a plenary session for the National People's Congress in Beijing in March.

But would more women in the Politburo, or even a female president, really make a difference?

The evidence around Asia is mixed. Although the region has produced more women presidents, prime ministers and opposition leaders than any other in the modern era—Corazon Aquino in the Philippines, Myanmar's Aung San Suu Kyi and South Korea's Park Geun-hye are a few examples—they've done little to advance a pro-woman agenda more generally. Most are widows or daughters of assassinated political figures drafted in by male-domi-

nated parties anxious to cash in on their name recognition and public sympathy.

The first democratically elected female Chinese leader, Taiwan's current President Tsai Ing-wen, breaks that mold. A lawyer, she worked her way up the political ladder. Even so, she is up against the legacy of Confucian thinking on the island. Former Vice President Annette Lu, a pioneer feminist, sought to marry traditional Chinese conceptions of an ideal woman—soft, domestic and chaste—with modern realities. She once described the "new woman" as an educated professional

who "holds a spatula with her left hand, and a pen in her right hand."

Andrea Fleschenberg, the author of "Women and Politics in Asia," says women have been "roaring tigresses" in getting elected but "timid kittens" when it comes to filling the lower ranks of government with other women.

Ahead of China's 19th Party congress next month, when most positions on the Politburo standing committee will turn over—President Xi and Prime Minister Li Keqiang will stay on—the prospects

for change are dim. Women have never made up more than 10% of the party's Central Committee, from whose ranks the Politburo is drawn, writes Cheng Li, an expert on elite Chinese politics at the Brookings Institution.

Only two women serve on the current 25-member Politburo. At least one is set to retire. And, notes Mr. Li, the most important pipeline for female replacements is empty; no woman serves as a party secretary of a province or province-level city.

Outside of the party structure, the National People's Congress—China's legislative body—does a better job: 23% of its members are women, which is the global average for parliaments, according to data from the Inter-Parliamentary Union; the figure for the U.S. Congress is 19%.

At least in theory, hopes for gender equality were higher in the revolutionary era: "Women hold up half the sky," Mao declared. The party still counts freeing Chinese women from the bondage of arranged marriages and bringing them into the workforce as some of its most notable accomplishments.

As Mr. Xi turns back the clock, the state-sponsored All-China Women's Federation is taking note. It piled in with criticism of Ms. Ding's lecture and an article in one of its official publications urged more gender-equality education, arguing that, "Monsters and demons can only live in places where the sun doesn't shine."

TRUMP

Continued from Page One

North Korea alarming. "There was visible shock in the room," one diplomat said. A U.N. official said, "He used the U.N.'s platform to declare war on North Korea."

Mr. Trump also singled out Cuba and Venezuela as civil-rights violators. He said Venezuelan President Nicolás Maduro's government was collapsing, criticizing it in energetic terms.

"The problem in Venezuela is not that socialism has been poorly implemented, but that socialism has been faithfully implemented," he said.

Mr. Trump said the U.S. has applied "tough, calibrated" diplomatic and economic sanctions against Mr. Maduro's government and wanted other countries to add to their weight. "We are prepared to take further action" if needed, he said, but didn't reiterate past threats of military intervention.

Venezuela dismissed the criticism before it was uttered.

"President Trump has a fatal obsession with Venezuela, the product of his white supremacist ideas," the Venezue-



At far left, three seats normally occupied by North Korea's U.N. delegation sit empty while President Donald Trump addresses the General Assembly on Tuesday.

lan government said in a statement issued shortly before the U.S. president's speech. "We will defend our independence with firmness against the attacks of the racist government of the United States."

Mr. Trump didn't criticize China or Russia by name, but implicitly did so by saying he

rejected "threats to sovereignty, from Ukraine to the South China Sea." He also thanked both countries for backing a U.N. resolution imposing new sanctions on North Korea that passed the Security Council with unanimous support.

Mr. Trump said the world faced "both immense promise

and great peril," and its leaders must decide "whether we lift the world to new heights or let it fall into a valley of disrepair."

As his speech went on, the president ratcheted up his rhetoric and left behind the more-unifying tone of his opening remarks, promising to

crush "the loser terrorists" and asserting that some parts of the world "are going to hell."

Sen. Dianne Feinstein of California, the ranking Democrat on the Senate Select Committee on Intelligence, criticized Mr. Trump for using the U.N. "as a stage to threaten war."

"Trump's bombastic threat

to destroy North Korea and his refusal to present any positive pathways forward on the many global challenges we face are severe disappointments," she said. "He aims to unify the world through tactics of intimidation, but in reality he only further isolates the United States."

THEFT

Continued from Page One

Before his arrest, police said Mr. Liu told them he was there to discuss doing business with the company—but Dr. Straface says no one had scheduled a meeting with Mr. Liu.

The case against Mr. Liu is part of a boom in federal prosecutions alleging theft or attempted theft of trade secrets from U.S. companies or firms with American operations. Many of the cases involve a China connection.

In August, at the request of President Donald Trump, the U.S. trade representative launched an investigation into Chinese efforts to secure U.S. technology.

The Chinese government's main information office in Beijing declined to comment, and its intellectual-property administration didn't respond to a request to comment. Government officials in the past have denied allegations Beijing takes part in or encourages the theft of trade secrets.

Medrobotics, of Raynham, Mass., makes a snake-like robot designed to get to hard-to-reach places in the body during minimally invasive surgeries. Each machine costs \$1 million, Dr. Straface said. He declined to disclose annual revenue of the privately held firm, but he said gaining ac-

cess to the design of the product—plus versions under development—would be valuable to a third party.

"I was angry that someone would be so brazen to come into the facility and try to, potentially, allegedly steal from us something I've worked my heart and soul out for," he said in an interview, his first public remarks on the case.

On that evening in late August, Dr. Straface said he introduced himself to Mr. Liu as the CEO and asked who Mr. Liu was and what he was doing in the office.

Mr. Liu mumbled at first, then said he was there to visit the company's head of intellectual property and also the sales director for the European division, according to Dr. Straface.

"At one point he mentioned that he was here to do busi-

ness with the CEO, not seeming to realize he was looking at the CEO," Dr. Straface said.

Dr. Straface stepped outside the conference room and called the police, who arrested Mr. Liu on trespassing charges and also summoned the Federal Bureau of Investigation, which sent agents that night, according to a police report. A bureau special agent assigned to a squad specializing in counterintelligence matters has investigated the Aug. 28 incident, according to an affidavit filed with the U.S. District Court in Boston.

Mr. Liu, 44 years old, told investigators he was a patent attorney for a Chinese firm called Boss & Young Patent & Trademark Law Office, according to court records. Boss & Young, based in Beijing, didn't respond to an email, and a receptionist for

the firm in Beijing said no one by Mr. Liu's name worked at the firm.

Mr. Liu made two initial appearances at hearings in federal court following his arrest but hasn't entered a formal plea. He is being held in Boston, and a trial date hasn't been set.

The entrance to Medrobotics has an outer set of doors that are unlocked during business hours, and a second set of locked doors that require buzzing in, by an employee who monitors the door or an access card, according to Dr. Straface.

Mr. Liu later told police someone had let him through the second set of doors around 5 p.m. on Aug. 28, according to a police report.

Dr. Straface said it didn't appear that Mr. Liu had gotten into sensitive areas of the building that require access

cards. It isn't known where he was at all times; Dr. Straface spotted him about 7:30 p.m.

The firm in Beijing said no one by Mr. Liu's name worked at the firm. Mr. Liu made two initial appearances at hearings in federal court following his arrest but hasn't entered a formal plea. He is being held in Boston, and a trial date hasn't been set. The entrance to Medrobotics has an outer set of doors that are unlocked during business hours, and a second set of locked doors that require buzzing in, by an employee who monitors the door or an access card, according to Dr. Straface. Mr. Liu later told police someone had let him through the second set of doors around 5 p.m. on Aug. 28, according to a police report. Dr. Straface said it didn't appear that Mr. Liu had gotten into sensitive areas of the building that require access cards. It isn't known where he was at all times; Dr. Straface spotted him about 7:30 p.m.

The FBI confiscated "an unusual amount of computer equipment" that Mr. Liu had brought with him, including the laptops and tablet and also two smartphones, a smart-

watch, a computer thumb drive, two digital video cameras, several SIM cards and high-capacity storage drives, according to the affidavit. Two Medrobotics employees later said they saw Mr. Liu recording video of a monitor dis-

CORRECTIONS & AMPLIFICATIONS

Patent holders have exclusive rights on an invention for 20 years after the filing date. A Business & Finance article Tuesday about auto-industry patents incorrectly said the exclusive rights period started from the grant date.

Bordeaux, France, produced about 770 million bottles of wine last year. A Mansion article in the Friday-Sunday edition about homes in southwestern France incorrectly said Bordeaux produces almost one million bottles of wine a year.

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

The Economic Cost Of Stolen Secrets

FBI investigations and arrests for industrial espionage and violations of export-control laws, predominantly linked to the Chinese government, rose to an all-time high in 2015, according to a report last year for the U.S.-China Economic and Security Review Commission.

In May, the Justice Department charged two Chinese citi-

zens, four Americans and one Canadian with conspiring to steal trade secrets from an engineering firm on behalf of a Chinese company that makes a marine product for military and civilian use. All seven have pleaded not guilty. In another case, last year, federal prosecutors charged two Chinese citizens and three Americans with conspiring to steal trade secrets from drugmaker Glaxo-SmithKline PLC and to provide them to companies doing busi-

ness in China. Four of the five people pleaded not guilty, and the fifth was never arrested and is considered a fugitive.

Foreign theft of U.S. trade secrets costs the American economy at least \$180 billion a year, according to a report this year from the Commission on the Theft of American Intellectual Property, an independent, bipartisan group co-chaired by Jon Huntsman Jr., a former ambassador to China.

—Peter Loftus

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WORLD NEWS

May Finds Brexit Threats in Own Cabinet

Boris Johnson's article plays down transition period at heart of prime minister's plan

By JENNY GROSS

LONDON—As Brexit negotiations hit a critical juncture, Prime Minister Theresa May is finding some of her biggest adversaries are in London, not Brussels.

Mrs. May is struggling to quell dissension from cabinet ministers as she prepares to deliver a major policy speech on Britain's departure from the European Union, underscoring her tenuous position after a failed election gamble in June left her without a majority in Parliament.

Boris Johnson, Britain's colorful and unpredictable foreign secretary, over the weekend outlined his own vision, undercutting Mrs. May ahead of her closely watched speech in Florence—her first on Brexit in six months—and fueling speculation he is positioning himself to succeed her.

In a 4,000-word piece in the Daily Telegraph, Mr. Johnson said Britain "will succeed mightily" outside the bloc. He

made no mention of a transitional period in which EU rules would continue to apply and revived a discredited referendum promise that a post-Brexit Britain would be able to spend £350 million (\$475 million) more a week on its public health-care system.

Just as the cabinet had coalesced around the idea of a transitional period, Mr. Johnson's intervention underscored the pressure Mrs. May still faces from a Conservative Party contingent that says she should be firmer.

"Boris is Boris," Mrs. May said Monday when asked about Mr. Johnson's article. "This government is driven from the front and we are all going to the same destination because we are all agreed," she told reporters on a flight to Canada, which she is visiting for a day before the United Nations General Assembly meeting in New York.

Mrs. May's cabinet, however, includes ministers on both sides of the Brexit debate, and senior officials have clashed over immigration policy and access to the EU's single market.

The divisions are prolonging uncertainty about what the government wants, said



A column by Boris Johnson, right, fueled speculation he is aiming to succeed Prime Minister May.

Anand Menon, professor of European politics at King's College London.

"Trying to keep the cabinet together when it is profoundly split in all directions is simply delaying the problem rather than solving it," Mr. Menon said.

"This is the moment where she has to say 'This is what I want from the Brexit negotiations, if you don't like it, sod it and get out of my government,'" he said.

He said Mr. Johnson's article, where he laid out his position on issues beyond his for-

eign-policy remit such as taxes and health care, suggests he is jockeying for Mrs. May's job in the long term.

Mr. Johnson challenged Mrs. May's plans on several fronts. While he said the U.K. shouldn't pay for access to the single market and customs

union, Mrs. May hasn't ruled out such payments. Mr. Johnson said much of the £350 million a week some Brexit campaigners have said would be reclaimed from the EU should be spent on the National Health Service, while Mrs. May has avoided questions on the amount of savings and how it would be allocated.

David Norgrove, chairman of the U.K. statistics watchdog, on Sunday wrote in a letter to Mr. Johnson that he was "surprised and disappointed" he used the figure.

"It is a clear misuse of official statistics," Mr. Norgrove said. The figure, widely used by the Leave campaign in the run-up to the referendum, doesn't take into account a substantial U.K. rebate that never leaves the U.K. Treasury, he said, as well as payments from the EU to the U.K.

In 2017, Britain's contribution to the EU was £16.9 billion, but after taking the rebate and other factors into account, the net outflow was £8.1 billion, U.K. government figures show.

Home Secretary Amber Rudd told the British Broadcasting Corp. on Sunday that Mr. Johnson was "back seat driving."

Joint War Games Rankle Belarus, a Key Moscow Ally

By THOMAS GROVE

MINSK, Belarus—War games that Russia and neighboring Belarus are currently staging have sharpened tensions with the West—and exposed a rift between Moscow and its closest military ally.

On paper, Belarus and Russia have a tight alliance. The former Soviet republic, which shares borders with three members of the North Atlantic Treaty Organization, is sworn to come to Moscow's aid in the event of an attack.

But Minsk bristled when Russia sought to move more of its soldiers into Belarus during the joint exercises, which continued Monday as Chinese naval vessels arrived in Russia's far-eastern port of Vladivostok for separate joint exercises. When Russia's defense ministry said that a premier tank unit was rolling toward the Belarus border and that three Russian paratrooper divisions were to land on Belarusian soil, the Belarus defense ministry contradicted that.

"None of this was agreed with Belarus beforehand," said Arseny Sivitsky, director of the Minsk-based Center for Strategic and Foreign Policy Studies, which has ties to the Belarus foreign and defense ministries.

Relations have fallen to such an extent that Russian President Vladimir Putin and his counterpart in Belarus, Alexander Lukashenko, are likely not to meet during the exercises, a break with tradition.

Mr. Lukashenko's spokeswoman told the Belarusian state news service that he wasn't even invited to watch



Video Suggests Russia Hit Vehicles

MOSCOW—Russia's large-scale war games have been lighting up the internet, after video footage emerged that appeared to show a helicopter inadvertently launching rockets toward vehicles parked at a military training range in western Russia.

Russian news websites posted video clips on Tuesday said to be filmed during Zapad, a series of joint military

drills that Russia and neighboring Belarus have held over the past week. The footage appears to show a Ka-52 attack helicopter firing air-to-ground rockets toward a group of vehicles, including a military truck and civilian cars.

Footage posted by the news site 66.ru showed the rockets landing close to the military truck. The smoke from the blast envelops one person in the center of the frame, and the person holding the camera falls to the ground. The independent news site

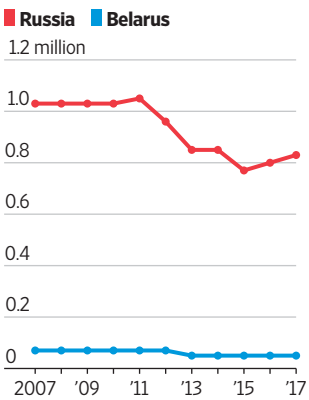
Fontanka.ru posted video of the apparent aftermath, with a military truck with camouflage netting peppered with shrapnel. The tabloid site Life.ru said three people were injured.

The press service of Russia's Western Military District denied the incident, saying, "All the reports on social networks about volleys [fire] on a crowd of journalists, or a large number of seriously wounded are deliberate provocation or someone's personal stupidity."

—Nathan Hodge

Out in Force

The military in Belarus is smaller and weaker than in Russia, which is making large investments in modernizing its forces.



Source: The International Institute for Strategic Studies

THE WALL STREET JOURNAL.

A rocket launcher at a training ground in Belarus fired a projectile during the joint Russian-Belarusian military drill known as Zapad 2017 on Monday. Relations between the two allies have taken a turn for the worse, partly because of tensions over the exercise.

The military drills, set to last until Wednesday, had already increased tensions between Russia and the West. Before the exercises, Western officials and Belarusian analysts said Russia might try to use the cover of the exercises to establish a permanent military contingent on Belarusian soil.

Russia is also carrying out a number of maneuvers on its own territory that involve large numbers of troops, military experts say. Russia hasn't

said how many soldiers are participating in those overlapping exercises, but its Northern Fleet and Southern military district have also been involved in maneuvers since the start of Zapad.

"The exercise is to see how Russia fights a big war against the West and how well other military units can come in to form a second line of defense," a person close to the Russian defense ministry said.

Analysts say participation in such war games is a way for militarily weak Belarus to appease its more powerful neighbor. Mr. Putin has pressured Mr. Lukashenko to allow for the building of a Russian military base on his territory. Mr. Lukashenko has repeatedly refused the request, most recently in February.

But even as ties between Minsk and Moscow show strain, Belarus has increasing strategic importance for Moscow, observers say. NATO has deployed some 4,000 troops in the Baltic region as a deterrent since the Crimea annexation.

While Mr. Lukashenko must please Moscow, analysts say, his government has taken concrete steps in recent years to open up to the West and integrate itself more fully with European and Asian markets.

Belarus liberalized its visa regime early this year, giving visa-free entry to a number of European countries. Minsk refuses to recognize Russia-supported breakaway regions in Georgia or Ukraine and has failed to unequivocally consider Crimea part of Russia.

Such measures have increased Russia's diplomatic isolation, experts say.

U.K. Bomb Suspect Probed For Dry Runs at Foster Home

By JENNY GROSS AND JASON DOUGLAS

LONDON—Police are investigating whether an 18-year-old refugee suspected of planting a bomb on a London subway car practiced building the device in a shed in his foster home's backyard, a Western security official said.

Investigators over the weekend searched the house in Sunbury-on-Thames, a London suburb where neighbors said the young man arrested in connection with the attack had been living. The Western security official confirmed neighbors' description of him as a refugee from the Middle East.

Investigators are sifting through the man's online and phone records for clues on how he was allegedly radicalized and how he learned to build the hydrogen-peroxide-based explosive TATP bomb, the official said.

The improvised device partially exploded on a crowded train during the Friday morning rush hour, leaving 30 people injured in the fifth terrorist attack to hit the U.K. since March.

Investigators want to know how the suspect allegedly learned how to build the device.

Triacetone triperoxide, or TATP, bombs have been used in recent Islamist terrorist attacks in Europe, including this year in Manchester, when suicide bomber Salman Abedi killed 22 people outside an Ariana Grande concert.

Instruction manuals available on the internet or on message groups have paved the way for extremists to build

low-tech bombs composed of household items. Photos of the device showed a white bucket in a bag with wires hanging out of it.

"People don't need to go out to Libya or Syria to learn how to do things," the Western security official said. "The role of the internet is becoming more crucial to our investigations."

It is unclear when the young man arrived in the U.K. and to what extent he may have been connected to terrorist cells. Police also arrested a 21-year-old in connection with the attack, but it wasn't clear how he may have been involved. A judge late Monday granted police additional time to question the two suspects.

There are more than 3,000 known Islamist extremists in Britain, and U.K. intelligence services have the resources to follow only a small percentage full-time, a British intelligence official said.

KENYA

Police Fire Tear Gas at Kenyatta Supporters

Kenyan police fired tear gas on Tuesday at supporters of President Uhuru Kenyatta who were protesting outside the Supreme Court against the invalidation of his Aug. 8 re-election, witnesses said.

The Supreme Court nullified the presidential election on Sept. 1 and ordered the electoral body to hold a repeat vote within 60

days. The court, which issued a majority judgment, said there were irregularities in tallying results of the poll.

David Maraga, the chief justice and president of the Supreme Court, said threats against judicial staff had risen since the ruling.

"Since the Supreme Court delivered judgment...these threats have become more aggressive," Mr. Maraga told a news conference at the Supreme Court, as hundreds of protesters wearing the bright red of Mr. Kenyatta's Jubilee Party gathered outside.



A supporter of President Uhuru Kenyatta and his Jubilee Party stood on top of a sign post in downtown Nairobi on Tuesday.

Opposition leader Raila Odinga, who lost by 1.4 million votes to Mr. Kenyatta in the annulled poll, has said he won't take part in a repeat vote scheduled for Oct. 17, unless some staff at the electoral commission are fired, among other demands.

—Reuters

GERMANY

Outlook for Economy Brightens, Group Says

German economic sentiment picked up markedly in September, a sign financial analysts remain upbeat ahead of Sunday's election, and despite a strengthening euro.

The ZEW think tank said its measure of economic expectations rose to 17 points from 10 points in August. Economists polled by The Wall Street Journal had forecast a slight increase to 12.7 points.

The unexpectedly strong gain was likely prompted by "a steep rise" in bank lending and rising investment by the government and businesses, said Achim Wambach, the head of the ZEW. —Nina Adam

WORLD NEWS

Hurricane Batters Dominica in Caribbean

Maria, a Category 5 storm, heads toward Puerto Rico; officials urge evacuations

By JOSÉ DE CÓRDOBA
AND ANTHONY HARRUP

SAN JUAN, Puerto Rico—Hurricane Maria thrashed the eastern Caribbean on Tuesday, killing at least one person on Guadeloupe and devastating the tiny island nation of Dominica before making a beeline for the Virgin Islands and Puerto Rico.

The eye of the Category 5 storm tore into Dominica on Monday night with maximum sustained winds near 160 miles an hour, ripping away roofs, knocking out electricity and inundating streets and mountainsides with heavy rain.

Hours after the storm hit, Dominica's Prime Minister Roosevelt Skerrit found himself in trouble after the "merciless" wind tore the roof off his home and he had to be rescued, according to a post on his Facebook account.

"So far the winds have swept away the roofs of almost every person I have spoken to or otherwise made contact with," Mr. Skerrit wrote, saying initial reports were of widespread devastation on the island of 74,000 people.

Later he wrote: "So far we have lost all what money can buy and replace."

The prime minister had posted no additional news by early afternoon Tuesday, and calls to the island were unsuccessful.

Maria was the strongest storm on record to hit Dominica, an island that relies heavily on agriculture, offshore banking and some tourism. Tropical Storm Erika killed roughly 30 people there and left hundreds homeless in August 2015.

In 1979, Category 3 Hurricane David killed an estimated 56 people on the island and left three out of every four homes uninhabitable.

Officials in Paris said



LIONEL CHAMOISEAU/AGENCE FRANCE PRESSE/GETTY IMAGES

Debris litters a road in Le Carbet, on the French Caribbean island of Martinique, after it was hit by Hurricane Maria on Tuesday.

Tuesday that the island of Martinique, just south of Dominica, escaped serious damage, but that a communications blackout made it impossible to know the impact on Guadeloupe.

Cleanup crews began work to clear roads and assess damage on Guadeloupe as the storm moved away from the island, where it left 80,000 homes without electricity. The island's prefecture said one person was killed by a falling tree, and two people were reported missing after a vessel capsized off the island of La Désirade.

Jean-Michel Jumez, a local French official, said the storm had caused minimal damage around Pointe-à-Pitre, the administrative center of Guadeloupe.

There is more concern about the islands of Marie-Galante and Les Saintes, which lie closer to Maria's path to the south of Guadeloupe, and officials were still trying to establish contact with those is-

Why This Season Has Been So Intense

The most severe hurricane season in almost a decade is stoked by warmer-than-average Atlantic Ocean currents, weak westerly Pacific winds and turbulent hot tropical air over the Indian Ocean, with no sign conditions will slacken soon, climate analysts and meteorologists say. "It's the trifecta," said atmospheric scientist Jeff Weber, who studies tropical meteorology and climate change at the University Corporation for Atmospheric Research in Boulder, Colo. "The atmospheric conditions are ideal for hurricane formations."

So far, the Atlantic hurri-

cane season has spawned 13 named storms and seven hurricanes. An average season, which runs from June through November, typically produces a dozen named storms, with six reaching hurricane strength.

Three factors are fueling such intensity, experts say. Warm Atlantic water—running two degrees Fahrenheit or so warmer than usual—is the engine that drives these storm systems and boosts their capacity to store more water vapor that can condense into torrential rains.

At the same time, weakening winds from the Pacific have reduced the wind shear that normally saps the strength of developing Atlantic storms. "That is a huge, huge player,"

said Gerry Bell, lead seasonal hurricane forecaster at the U.S. National Oceanic and Atmospheric Administration.

And over the Indian Ocean a tropical rainfall system called the Madden-Julian Oscillation is triggering the formation of the seeds of severe Atlantic storm systems. Its hot, rolling air spins off small atmospheric disruptions that drift across Africa and, in the right conditions, can develop into the beginnings of destructive Atlantic storms.

"Right now we are at the peak of a very active season," said Dr. Bell, "We know there will be more storms—not just more storms forming but more storms threatening" populated areas, he said.

—Robert Lee Hotz

lands, he said. "Communication has been very difficult."

Maria had intensified from a tropical storm to a Category 5 hurricane in just 30 hours, with its top winds increasing

to 160 miles an hour from 65 from Sunday afternoon to Monday night, the National Hurricane Center reported.

After weakening briefly from that landfall, the storm

regained its strength as it moved northwest. Around 2 p.m. ET, the storm was located roughly 110 miles from St. Croix. The Dominican Republic issued a hurricane warning for

Myanmar to Verify Returnee Status

By JAMES HOOKWAY

Myanmar's leader, Aung San Suu Kyi, defended her country's treatment of ethnic-Rohingya Muslims, saying her country had nothing to fear from international scrutiny after more than 410,000 Rohingya fled to Bangladesh over the past three weeks to escape Myanmar's armed forces.

Speaking to foreign diplomats in the national capital Naypyitaw on Tuesday, Ms. Suu Kyi said her government would investigate all allegations of human-rights abuses along her country's western border, and said that Myanmar would allow Rohingya who could prove they had lived in the country to return. "We are ready to start the verification process at any time," she said.

But Ms. Suu Kyi, who holds the post of state counselor, also urged the rest of the world to view the crisis as an opportunity to address all the ethnic conflicts in the Buddhist-majority nation, not just in troubled Rakhine State. Myanmar, she said, had never been "soft on human rights."

Ms. Suu Kyi's government has faced growing international pressure as refugees continue to pour into Bangladesh—many of them without any kind of documentation. Myanmar regards the Roh-



YE AUNG THU/AGENCE FRANCE PRESSE/GETTY IMAGES

Aung San Suu Kyi said her government would investigate abuses.

ingya as illegal immigrants.

Secretary of State Rex Tillerson discussed the plight of Rohingya refugees with Ms. Suu Kyi in a telephone call on Tuesday. He urged the Burmese government and military to facilitate humanitarian aid and to confront allegations of human-rights abuses, State Department spokeswoman Heather Nauert said.

Former colonial ruler Britain warned at the United Nations on Monday that Myanmar, also known as Burma, would face close scrutiny if Ms. Suu Kyi didn't move to end the military's campaign

against the Rohingya.

The U.S. ambassador to the U.N., Nikki Haley, said Washington "continues to urge the Burmese government to end military operations, grant humanitarian access and commit to aiding the safe return of civilians back to their homes."

Other countries, notably India and China, have been supportive of Myanmar's military operations along its western border. Chinese Foreign Minister Wang Yi told U.N. Secretary-General António Guterres in New York on Monday that Beijing "understands and sup-

ports" Myanmar's efforts to step up security in the area, according to a statement from China's Foreign Ministry.

During a visit to Myanmar this month, Indian Prime Minister Narendra Modi blamed the turmoil in Rakhine State on extremists.

The exodus began on Aug. 25 when militants calling themselves the Arakan Rohingya Salvation Army launched a series of coordinated attacks on government outposts in Rakhine State, on the country's western border, killing 12 people.

Myanmar's armed forces responded by torching Rohingya villages and in some instances shooting villagers as they fled toward the border with Bangladesh.

About half of the 1.1 million Rohingya who were recorded to live in the country after a 2014 census remain, many in camps, denied citizenship and the right to travel freely.

Ms. Suu Kyi, a Nobel Peace Prize winner who took over from a series of military-backed governments after landmark elections in 2015, has drawn much of the international criticism. Fellow peace laureates have called on her to speak with the moral authority earned with her own Nobel Prize, awarded in 1991 for resisting military rule.

Mexico Hit by Second Quake Within Weeks

By DUDLEY ALTHAUS
AND SANTIAGO PEREZ

MEXICO CITY—Central Mexico was rocked by a strong 7.1-magnitude earthquake on Tuesday, the second temblor this month to strike the country, sparking panic and driving many thousands into the streets here in the capital and elsewhere.

Mexico's National Seismic Service said the epicenter was near Chiautla de Tapia, a small town in Puebla state, 60 miles south of the Mexican capital. Federal authorities ordered Mexico City's schools to close amid reports that several buildings were heavily damaged in the city center.

Though of lesser magnitude than the quake that hit southern Mexico earlier this month, it was more strongly felt in Mexico's densely populated capital because it occurred closer to the city.

The quake struck on the anniversary of a 1985 earthquake that destroyed large sections of central Mexico City and killed at least 6,000 people. It also came just hours after authorities staged the annual earthquake drill in the capital.

The quake that hit southern Mexico Sept. 7 killed close to 100 people, mostly in Oaxaca state, and destroyed thou-

sands of homes there and in the adjoining state of Chiapas on Mexico's southern Pacific coast.

Photos posted on Tuesday by Mexico's civil-protection agency showed several damaged buildings in the capital, including a primary school. Much of Mexico City is built on an ancient lake bed, making the city shake as if on a bowl of gelatin.

Seismic alarms sounded before the earthquake hit in many parts of the city, allowing people to evacuate buildings, schools and homes.

There were no immediate reports of casualties.

Mexico's President Enrique Peña Nieto canceled an official trip to Oaxaca state meant to review recovery efforts from the earlier earthquake, and returned immediately to the capital.

Gabriel Artera, a waiter at Catamundi, a restaurant and grocery in Mexico City's upscale Polanco neighborhood, said that bottles of liquor fell off shelves and the wait staff ran for cover from the tremor, which felt stronger to him than last week's 8.1-magnitude quake.

"This time it was so much closer, in Puebla, so it felt a lot stronger," he said. "It makes a big difference, how close it is."



ALFREDO ESTRELLA/AGENCE FRANCE PRESSE/GETTY IMAGES

People remove the rubble of a collapsed building after the 7.1 magnitude temblor rattled Mexico City on Tuesday.

Netanyahu, at U.N., Vows to Curb Iran

By RORY JONES

TEL AVIV—Israeli Prime Minister Benjamin Netanyahu told the United Nations General Assembly that his country would act to prevent Iran from establishing a permanent military presence in Syria, the same day the Israeli military said it shot down what it said was an Iranian-made drone.

The Israeli leader also lambasted the landmark 2015 nuclear deal between Iran and six world powers including the U.S., telling the group of nations to "fix or nix" the agree-

ment and echoing a speech by President Donald Trump, who excoriated it.

"Those who threaten us with annihilation put themselves in mortal peril," Mr. Netanyahu said in a direct message to Iran on Tuesday.

The Israeli military earlier Tuesday said it downed an unmanned aerial vehicle with a Patriot missile-defense system over the Golan Heights after it came near but failed to reach Israeli-controlled airspace.

The drone took off from the Syrian capital Damascus on a

reconnaissance mission for Lebanese militant group Hezbollah, an ally of President Bashar al-Assad, the military said.

There was no immediate response to Israel's claim about the downed drone from Hezbollah or the Syrian regime.

The incident is the latest point of tension between Israel and the Iran-backed Syrian regime and Hezbollah.

In his speech, Mr. Netanyahu criticized the nuclear deal as it sets a time frame for winding down, after which Israel fears Tehran will be able

to accelerate development of nuclear weapons.

Mr. Trump, in his own speech to the U.N., called Iran an authoritarian regime and denounced the nuclear deal as "one of the worst and most one-sided transactions the United States has ever entered into."

Other world powers, including European nations, have said Iran is maintaining the nuclear deal and that they are opposed to changing it.

Messrs. Netanyahu and Trump met on Monday to discuss the accord.

U.S. NEWS

Russia Probe Session Delayed

By REBECCA BALLHAUS

WASHINGTON—Michael Cohen, a longtime attorney for the **Trump Organization**, forcefully denied unverified allegations contained in a dossier compiled by a former British intelligence officer about President Donald Trump's activities and connections in Russia.

His comments, made in a statement prepared for an appearance in front of the Senate Intelligence Committee on Tuesday, sparked an immediate backlash as committee leaders said they would reschedule Mr. Cohen's interview in an open session "in the near future."

"We were disappointed that Mr. Cohen decided to preempt today's interview by releasing a public statement prior to his engagement with Committee staff, in spite of the Committee's requests that he refrain from public comment," the committee's chairman, Sen. Richard Burr (R., N.C.), and vice chairman, Sen. Mark Warner (D., Va.), said in a statement. "The Committee expects witnesses in this investigation to work in good faith with the Senate."

In Mr. Cohen's statement, he says his "reputation was

damaged" by the dossier, which senior intelligence officials summarized in an addendum to a classified briefing Mr. Trump received in January about Russian efforts to influence the U.S. presidential campaign.

"In my opinion, the hired spy didn't find anything factual, so he threw together a shoddily written and totally fabricated report filled with lies and rumors," Mr. Cohen says in his statement to the Senate committee. He calls the dossier "riddled with total falsehoods and intentionally salacious accusations."

Among the allegations in the dossier: Mr. Cohen met with Kremlin officials and discussed how to arrange cash payments to hackers working under Moscow's direction against the presidential campaign of Democratic candidate Hillary Clinton.

The Federal Bureau of Investigation has found no evidence that Mr. Cohen traveled to the Czech Republic, where the meeting allegedly took place in August of last year, officials said.

The dossier was commissioned by the political intelligence firm Fusion GPS on behalf of an undisclosed client.

In his statement, Mr. Cohen says he has "never in my life" visited the Czech Republic. In the period the dossier alleges he was in Prague meeting with Kremlin officials, he says he was "in Los Angeles with my son."

Congressional investigators, along with Special Counsel Robert Mueller, are examining Moscow's efforts to interfere with the U.S. presidential election, as well as whether Trump associates colluded in that effort. Mr. Trump has denied any collusion, and Moscow has denied U.S. intelligence agencies' assessment that Russia interfered in the election.



Michael Cohen

Huntsman: No Doubt Moscow Interfered

By PAUL SONNE

WASHINGTON—Jon Huntsman, President Donald Trump's pick for ambassador to Russia, said Tuesday there is no doubt Moscow interfered in the U.S. election last year, in contrast to a president who at times has equivocated on the findings of U.S. intelligence agencies.

Mr. Huntsman, who ran for the Republican presidential nomination in 2012, said during his Senate confirmation hearing Tuesday that he was convinced by the U.S. intelligence community's assessment that Russia interfered in the 2016 presidential election.

"There is no question—underline no question—that the Russian government interfered in the U.S. election last year, and Moscow continues to meddle in the democratic processes of our friends and allies," said Mr. Huntsman, a former Utah governor and ambassador to China and Singapore.

Mr. Trump, a Republican, has at times cast doubt on the intelligence community's assessment on the matter, saying during a July appearance in Poland that he believed Russia was responsible but it "could have been other people and other countries."

Sen. Chris Murphy, a Democrat from Connecticut, pressed Mr. Huntsman on the difference between his unequivocal position on Russia's interference and comments by Mr.

Trump on his Twitter feed and elsewhere casting doubt on the matter.

"How do you represent to the Russians your belief and all of our belief that they unquestionably interfered in the U.S. election when your boss engaged in a fairly intentional campaign to at the very least cloud the issue?" Mr. Murphy asked.

Mr. Huntsman said it was rare to see the director of national intelligence, the director of the Central Intelligence Agency, the head of the National Security Agency and the director of the Federal Bureau of Investigation come together and endorse a conclusion.

"I think that expresses where the facts are with respect to Russia's involvement in our election," Mr. Huntsman said.

He didn't directly address Mr. Trump's position on the matter. Russia has denied meddling in the election.

Mr. Murphy, a vocal critic of Mr. Trump, said he didn't want to "normalize" a situation where diplomats were toeing one line about Russian interference and the president was toeing another.

"I greatly appreciate that people of your capacity are willing to do these jobs but your job is made uniquely hard in a very unprecedented way," Mr. Murphy said.

Mr. Huntsman enjoys support on both sides of the aisle in the Senate and is all but certain to be confirmed.



Jon Huntsman testifies on his nomination to be ambassador to Russia.



Sen. Bob Corker, a Republican from Tennessee, is a pivotal vote on the Senate Budget Committee.

Senate Republicans Reach Tentative Deal on Budget

By RICHARD RUBIN
AND SIOBHAN HUGHES

WASHINGTON—Senate Republicans reached a tentative budget deal that would set the parameters for a tax overhaul being pursued by the party and President Donald Trump.

"There is" a tentative deal, Sen. Bob Corker (R., Tenn.) told reporters.

The comments came as Senate Republicans gathered for a lunch meeting on Tuesday. After the lunch, which Vice President Mike Pence also attended, Mr. Corker said an agreement was likely to be released within hours but declined to offer specific numbers.

Mr. Corker is a pivotal vote on the Senate Budget Committee, where members have been considering writing a budget allowing up to \$1.5 trillion in tax cuts over a decade.

For Republicans, the budget is a prerequisite to passing a

tax bill through the Senate on a simple-majority vote without needing Democratic support.

A budget that creates fiscal room for a tax cut, if adopted, would then be followed by a tax bill that would specify rate cuts and other policy changes that don't exceed that figure.

ber they agree on. Still, they may need to make some of the tax cuts expire after 10 years, leaving decisions to a future Congress they might not control.

Republicans, who often warn about the consequences of increasing federal debt and

"If this was starting with a clean balance sheet, it would be problematic," said Sen. Mark Warner (D., Va.) "But it is exponentially more problematic."

The tax plan itself is still being written. Next week, the top negotiators from the House, Senate and Trump administration are scheduled to release more details about their plans. That group, under pressure from lawmakers who don't want to vote for the budget without knowing more about the tax plan, is still working on exactly what it will say.

After that, the House and Senate would each adopt a budget and reconcile differences between them. Then the House and Senate would each write tax bills that fit the budget parameters. Rank-and-file lawmakers are eager to have input on the tax bills, and the House and Senate plans are likely to diverge before a final negotiation.

A budget is needed to pass a tax bill in the Senate without requiring Democratic votes.

Calling for a tax cut in the budget would let Republicans lower tax rates while making fewer tough decisions on what tax breaks to eliminate to help pay for the cuts.

Republicans contend that some expiring tax cuts would have been extended anyway and that their plan would boost economic growth and generate revenue, reducing the actual impact on the deficit below whatever overall num-

deficits, say that structural changes to the tax system are the best way to increase economic growth.

Democrats accused Republicans of abandoning their claims of fiscal probity and proposing a plan that is risky in a country with \$20 trillion in debt, about \$10 trillion in projected additional deficits over the next decade, and the prospect, eventually, of rising interest rates.

Push on Hospital Inspection Reports

By STEPHANIE ARMOUR

WASHINGTON—The chairman of the Senate Judiciary Committee is pressing for the public disclosure of hospital inspection reports, amid complaints that the nation's largest hospital accreditation group doesn't rigorously enforce health and safety standards.

Sen. Chuck Grassley (R., Iowa) asked federal regulators in a letter Monday to outline specific statutory changes that would be needed to end the confidentiality of inspection reports done by accreditors, including the Joint Commission, a nonprofit organization based in Oakbrook Terrace, Ill.

Mr. Grassley's request follows a Wall Street Journal investigative report that found the Joint Commission typically doesn't revoke or otherwise modify the accreditation of hospitals even when serious safety violations are found.

"Recent news reports have provided additional examples of the Joint Commission's failure to adequately hold accountable facilities that have not properly cared for patients," Mr. Grassley wrote in his letter to Seema Verma, administrator of the Centers for Medicare and Medicaid Services, which oversees health-accrediting organizations. "The Joint Commission appears to be unable to aggressively enforce the necessary standards on all facilities," the senator wrote.

A spokeswoman from the commission didn't respond to requests seeking comment.

In the past, commission officials have said the organization provides comprehensive, effective inspections, and that it works closely with hospitals when necessary to improve their performance. It has said the confidentiality of the pro-



Sen. Chuck Grassley, head of the judiciary panel, said reports of hospital inspections should be public.

cess encourages hospitals to be candid with the commission and that making its reports public would lead to higher costs.

The commission, which accredits almost 80% of the nation's hospitals, is allowed to keep its inspection reports confidential under federal law. That has prompted complaints by consumers groups, some physicians and others that serious problems with some hospitals are kept from the patients who use them.

CMS in August withdrew a draft regulation that would have required health-accrediting organizations, including the commission, to make their inspections available to the public. The agency said it did so because the proposal may appear as if CMS was attempting to circumvent the law.

In the wake of the Journal's investigation into the Joint Commission, Mr. Grassley said he is looking at what changes would need to be made to provisions in federal law to allow the regulation to go forward.

The CMS proposal to make inspection reports public was met with swift backlash from the commission, hospitals and other organizations. The federal government relies on the private accreditors' inspectors, and most states also accept reviews by accrediting organizations in the place of routine inspections.

In issuing its draft rule last year, CMS said it was increasingly concerned about accreditors' performance, specifically their ability to identify problems later found by government inspectors. Hospitals and health organizations pay ac-

crediting organizations such as the Joint Commission to be inspected, which critics argue creates a conflict of interest.

Consumer advocacy groups have long been pressing for the reports to be made public.

The Social Security Act allows hospitals to use either a state inspection or a review by a third-party accreditor to show they meet the standards necessary to receive Medicare. The Journal analysis found that fewer than 1% of hospitals with federal safety violations lost their accredited status in 2014.

In over 30 instances, hospitals retained their full accreditation even though their violations were deemed by CMS so significant that they had caused, or were likely to cause, a risk of serious injury or death to patients.

IN DEPTH

ANTIFA

Continued from Page One
Boston and Berkeley and at President Donald Trump's Phoenix campaign rally. Berkeley is bracing for more clashes starting this weekend, when conservative activists have said they are planning a series of "free speech week" events.
The antifa tactics are testing the liberal movement that has galvanized in opposition to Mr. Trump—creating a rift among its leaders, organizers and demonstrators about whether to denounce a radical fringe, some of whose antidiscrimination objectives, if not tactics, they share.
James Hannon, a psychotherapist and seasoned liberal organizer in Massachusetts who marched at a recent Boston rally against racism, said elements of the antifa movement that use confrontational tactics allow others to blur the line between leftist groups and the hate groups against which they protest.

"The social justice, the peace movement, the left or just progressives really have to start calling out the antifa and say, 'Hey, hey, hey, you don't represent us,'" said Mr. Hannon, 67 years old. "We're surrendering a moral high ground."
Following the Berkeley outbursts, House Minority Leader Nancy Pelosi, a California Democrat, condemned "the violent actions of people calling themselves antifa." Berkeley Mayor Jesse Arreguin, a Democrat, said "progressives need to disavow black bloc," a term used broadly for protesters wearing black who in recent years have used violent tactics like those espoused by some in the antifa movement.
Others on the left, however, are uncomfortable condemning such activists, particularly after last month's "Unite the Right"



'I try not to openly incite violence,' said John Cookenboo, who identifies with antifa.

rally in Charlottesville. Seth Wispelwey, a United Church of Christ pastor, said he and a group of clergy who tried to block white supremacists from entering a city park were attacked and were saved only because protesters he identified as antifa fought back.
"If antifa had not been there," said Mr. Wispelwey, who helped organize the Charlottesville clergy protest, "we could



Demonstrators at the August rally in Berkeley, Calif., during which antifa protesters clashed with far-right activists.

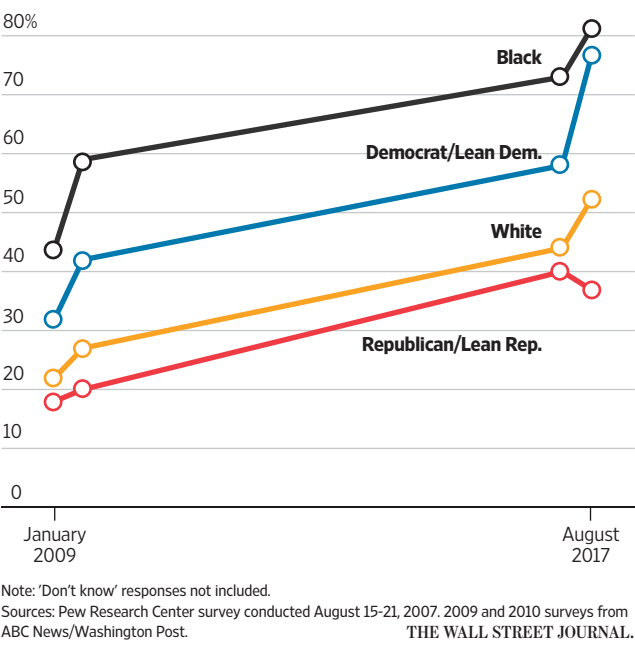
have been trampled."

Conservatives have blamed antifa for violence at a series of recent protests. Mr. Trump has consistently blamed "both sides" after confrontations, including in Charlottesville, where a driver with a history of Nazi sympathies allegedly rammed his car into a crowd, killing a woman.
"Especially in light of the advent of antifa," Mr. Trump said last week, "if you look at what's going on there, you know, you have some pretty bad dudes on the other side also."
Mr. Trump's remarks, in particular after Charlottesville, were criticized by many for not more clearly condemning neo-Nazis and white supremacists. Today, some liberals worry the antifa movement is undermining their efforts by, in effect, appearing to lend some support to the president's claims that both the far left and far right are to blame.
During the civil-rights movement, the Rev. Martin Luther King Jr. and Malcolm X openly clashed over methods. Dr. King espoused nonviolence. Malcolm X pushed a more militant approach. In the late 1960s and early 1970s, groups such as the Black Panthers and Weather Underground condoned violence against authorities to further goals such as ending the Vietnam War.

Arthur Eckstein, a University of Maryland professor who was an activist at that time and wrote a recent book on the Weather Underground, said left-wing groups today are grappling with the same question: How much violence, if any, is acceptable?
Antifa protesters are even more loosely organized than the far-right-wing groups they clash with, but they are united in their willingness to use physical force. And while some groups identify themselves by that name, the term also is used more broadly to describe the tactics used by a range of groups—some of whom may reject the antifa label.
Most people associated with the movement appear to be young men, but women and older activists also take part. Many are involved in other causes, such as socialism or an-

Racial Divide

Percentage of Americans who say racism is a 'big problem' in today's society.



archism. The term also can denote opposition to capitalism.
Some come in groups. Others are lone protesters.
Their protests attract people such as Morgan Bennett, a 26-year-old from Tucson at the gathering outside Mr. Trump's Phoenix rally. Mr. Bennett, who said he "works with kids" for a living, joined a group of others dressed, like him, in all black, most with covered faces. Asked if the group was antifa, he said: "Everyone should be antifascist."
Mr. Bennett called a commitment to nonviolence "a little naive," saying he came unarmed but prepared to use his hands. "We have to defend ourselves."
Tactics of people calling themselves antifa have ranged from shouting down those they deem bigots to more-aggressive measures. Police linked them to damaging property and throwing Molotov cocktails in February demonstrations that led University of California, Berkeley, to cancel an appearance of a speaker who was a Breitbart News Network writer at the time.
These tactics echo those that emerged more than a decade ago among radicals on the political far-left who com-

mitted violence at major demonstrations against world leaders, such as at the 1999 World Trade Organization's meetings in Seattle. Black-garbed protesters clashed there with police and hurled bricks through bank windows.
Brian Levin, an ex-New York City police officer and now director of the Center for the Study of Hate and Extremism at California State University, San Bernardino, said studies show that in the past 15 years, extremists with far-right ideologies, including white supremacists, neo-Nazis and antigovernment extremists, have committed more violence "by a long shot" than have extreme leftists.
But, he added, the resurgence of these competing extremes is increasingly dangerous and is leading to an escalating number of confrontations between the two sides.
Protesters calling themselves antifa often say they are acting defensively and are protecting demonstrators. Many point to antifa's efforts to keep people in Charlottesville safe.
Yet at more-recent protests, such as in Boston and Berkeley, they also initiated confrontations, leading to bipartisan

complaints that antifa is imposing mob rule and denying others their rights to assemble—even though antifa protesters have made up only a small proportion of the crowds.

The Berkeley rally showed the dilemma the antifa movement presents the left. The "No to Marxism in America" event was planned for Sunday, Aug. 27. Groups planning to protest organized counter-rallies.
In the weeks leading to it, some organizers—including the National Lawyers Guild, a protest group called Showing Up for Racial Justice, or SURJ, and representatives of groups identifying themselves as antifa—gathered to discuss tactics, said Dan Siegel, a member of the National Lawyers Guild and longtime leftist organizer.

Jeff Conant, a spokesman for SURJ's Bay Area chapter, said organizers decided against condemning any actions, including "physical confrontations," by demonstrators on the left. "We feel it serves the interests of white supremacists to divide progressive movements," he said.

Organizers took to internet message boards to ask protesters not to initiate any violence.
The right-wing event's organizer called it off two nights before it was to happen. Some sympathizers showed up anyway, and protesters went ahead with their counter-rally.

John Cookenboo, a 28-year-old warehouse worker, and Vincent Yochelson, a 23-year-old line cook, came to the Berkeley protest from neighboring Oakland with body armor, helmets and shields they had bought on eBay. They said they had hoped they wouldn't need the gear.

"I'm not going to let my friends get beat over the head or pepper sprayed," said Mr. Yochelson. "I'm going to do what I can to protect them."

Though the young men both identified as antifa, they said they weren't part of any organized group. This loose structure makes protests such as the one in Berkeley hard to control. The protesters are all dressed alike, but no one is in charge. Much of the coordination, Mr. Cookenboo said, is done by word-of-mouth and on closed internet message

boards using pseudonyms.
"I try not to openly incite violence," Mr. Cookenboo said. "I don't feel like, at the end of the day, that accomplishes too much."
Nonetheless, there was violence. One young man pepper sprayed a group of masked protesters who appeared to be antifa and was quickly set upon and beaten by at least five people dressed in black, one of them using a shield fashioned from a plastic trash can. When the young man was on the ground, another black-clad activist kicked him.
Protesters in dark get-ups set off smoke bombs, toppled police barricades and smashed the cameras of some journalists and bystanders. "You do it again, I'll break your phone," a man in a Spider-Man mask told a Wall Street Journal reporter who was taking photographs.
City officials said 13 people were arrested and two hospitalized. After the event, organizers and some demonstrators said those who behaved aggressively didn't represent the majority and that things went well. "It went wonderfully," said Turha Ak, a leader of Community Ready Corps, a group devoted to fighting white supremacy, though he acknowledged "some situations here and there." He said that he didn't identify as antifa but that "they were there to protect the crowd, just like in Charlottesville."

Mayor Arreguin of Berkeley disagreed: "We saw a large group of black-clad extremists who really turned a peaceful protest on its head."
Some activists on the left, leery of mayhem, said they would no longer march with groups they call antifa. Samantha Pree-Stinson, a Green Party candidate for the Minneapolis City Council, said she finds the movement too unpredictable.
At a March antiracism rally in Minneapolis, she said, activists chanted "punch a Nazi in the face" and lighted on fire a scarecrow dressed as a white nationalist. "The people who end up taking the rap for it are black organizers," said Ms. Pree-Stinson, 36, who described herself as a black Latina.

In Boston, masked counter-protesters distributed fliers titled "WHY ANTIFA?" The leaflets criticized the "liberal" approach of believing that elections, courts, the Constitution, a free press and other institutions would "prevent things from going too far." They called for "uncompromising militancy" against fascists and said antifa "must force their hate out of public spaces by any means necessary."
The approach worries Democratic political consultant and activism trainer Stefanie Cox, 35, who joined more than 30,000 in Boston to counter a "free speech" rally. The initial lineup of attendees overlapped with headlines at the deadly Charlottesville rally. Organizers said the event had no links to white supremacy.

Boston's police commissioner said the event was overwhelmingly peaceful. Ms. Cox agreed but said she felt unsettled at times by aggressive, masked activists.
"I had never felt unsafe because of my own side before," said Ms. Cox. "I really think we have to ask ourselves, 'Are we helping to put down white supremacy, or are we helping to give them talking points?'"

PIGEON

Continued from Page One
"Pigeons deserve and need dignity and quality of life," she says.

Across Europe, cities have been experimenting with pigeon eradication methods that are somewhat more sophisticated and humane than chasing them around with giant nets.
Barcelona created feeding centers where machines dispense contraceptive corn. Paris spends €22,000 a year on nesting areas where pigeon eggs are shaken so they won't develop. The U.K.'s Pigeon Control Advisory Service advises "using a non-lethal and holistic approach" to reduce pigeon numbers. This includes covering the eggs with paraffin oil to keep them from hatching.
In Lisbon, where city officials say the bird population is above the normal level of five for every human, pigeons swarm cafes in search of table scraps. Their droppings clog the city's statues and coat its antique architecture.
The city acquired some of Barcelona's contraceptive corn

but quickly discovered that Lisboner pigeons ignored it in favor of discarded fast food. A pilot program to feed pigeons to zoo reptiles seemed like a win-win until it drew complaints from animal rights groups.
A glorious-sounding plan to release falcons to hunt the city's pigeons also hit a snag. "The sight of predators devouring pigeons in front of kids at the park was just too much," said Victor Vieira, Lisbon's director of public hygiene.
The contraceptive birdhouse, which opened as a pilot program in the northwestern neighborhood of Benfica, has a bright future. The city plans to open 23 more pigeon houses—one for each of its districts—aiming to build the next seven of them for €75,000.
The obvious question, of course, is whether coddling pigeons is an effective way to hold down the population. So far, only a dozen pigeons have moved into the house, and Mr. Vieira said the hygiene office still gets 300 to 400 calls a month from citizens whose homes, cars and clothing have been slathered in droppings.
Cristina Saiago, who is fighting a losing battle to keep



bird feces off the flowers hanging from her balcony, is one of many Lisboners whose view of the birds is considerably less munificent. "Pigeons are flying rats," she said.
Regina Gato, a retiree who lives in Benfica—the site of the first birdhouse—said it took only days for a recently renovated fountain there to become crusted in pigeon poop. "I just want authorities to sort it out," she said. "I'm very animal friendly, but don't we kill pigs, cows and chickens without flinching?"
Miguel de Sepulveda Vel-

oso, a member of Movimento Fórum Cidadania Lisboa, a civic group that seeks to safeguard Lisbon's historic buildings from hazards—including bird droppings—said he thinks treating pigeons as if they were humans is a bit much. "Pigeons are a plague and should be treated as such," he said.
A few years ago, Ms. Antunes, the caretaker, said she first noticed the plight of pigeons when she was volunteering to help stray cats and dogs. She began rescuing some of the birds but discovered they had no support network. "I



Pigeons in Lisbon, left. Inside the contraceptive pigeon house, birds lay eggs (above left) that are replaced by fakes (above right) to control their population.

couldn't find organizations that accepted them," she recalled.
In 2015, Ms. Antunes delivered a speech at an animal rights march in Lisbon, calling for pigeon protections. That attracted followers who helped her found a pigeon rights group called "For the Life and Dignity of the Pigeons."
"I realized how affectionate and intelligent they are," Ms. Antunes said. "They are very sensitive creatures."
Her proposal to create the shelters was met with resistance by neighborhood councils responsible for overseeing

them, said Celia Costa, who coordinates the project for city hall. The technique's adoption, she added, was "far from being consensual."
Pigeon caretakers have clashed with the city at times. Their demand to install a fire alarm and video surveillance to protect the birds from potential saboteurs was rejected. When the city tried to equip the house with a data-gathering sensor, Ms. Antunes and her cohorts nixed the idea, saying the devices emitted harmful radiation.
Since the shelter opened in May, the birds haven't flocked to it. A dozen of the house's 63 total nests are occupied. As a result, only 111 eggs—including some found outside the house—have been confiscated. The city continues to catch and gas the birds, killing anywhere between 20 and 400 on a given day for a cost of €500.
Nevertheless, Ms. Antunes and her caretaker colleagues are already planning the next phase of pigeon-pampering. "Soon we want to get a box to house the babies, to raise them and make sure they like it here enough to lay their own eggs," she said.

U.S. NEWS

Latest Push For ACA Repeal Picks Up Speed

BY STEPHANIE ARMOUR
AND SIOBHAN HUGHES

WASHINGTON—A last-chance push by Republicans to scrap the Affordable Care Act is gaining momentum but still faces formidable odds because some key moderate GOP senators are wavering in their support just days before a possible vote.

The reinvigorated drive to repeal most of the ACA has the backing of Senate Majority Leader Mitch McConnell, who wouldn't commit Tuesday to bringing the legislation to the Senate floor for a vote. Both the White House and Republican leaders Tuesday sought to sideline bipartisan negotiations on a health overhaul that have been under way for weeks because of concerns the talks compete with the repeal effort.

Mr. McConnell said on Tuesday the Senate leader-

ship was "in the process of discussing" whether to hold a vote on the latest bill, which would unwind much of the 2010 Affordable Care Act, known as Obamacare.

"If we were going to go forward, we would have to act before Sept. 30," Mr. McConnell told reporters. "We are in the process of discussing all of this. Everybody knows that the opportunity expires at the end of the month." He was referring to the short shelf life of the procedural tool that allows Republicans to pass bills through the Senate with a simple majority.

GOP Senators met Tuesday to discuss the repeal bill from Sens. Lindsey Graham (R., S.C.) and Bill Cassidy (R., La.) and two hearings are planned next week. The White House also threw its muscle behind the legislation, with Vice President Mike Pence saying Tuesday that the administra-



Sen. Lindsey Graham, center, with other GOP senators including Roy Blunt, John Cornyn, John Barrasso, Bill Cassidy, Majority Leader Mitch McConnell and John Thune on Tuesday. The reinvigorated drive to repeal most of the health law has the backing of Mr. McConnell.

tion is "all in" on the effort.

The bill still faces the same challenge that sank a July repeal effort: Moderate Republicans worry the proposal goes too far in rolling back the current health law.

The measure could win Senate approval only under a

process known as reconciliation, which allows bills to pass with 50 votes plus a tie-breaking vote by the vice president, instead of the usual 60. Reconciliation is set to expire Sept. 30, giving backers a narrow window.

The legislation would

largely turn over federal funding for the ACA to states that could then set up their own health systems. It would funnel money now used for the ACA's Medicaid expansion and premium subsidies to block grants to states, which could use the funds to shape

the health-care system within their borders.

The sponsors hope it can overcome the objections that derailed earlier GOP proposals by giving states significant flexibility rather than imposing a broad national approach.

FED

Continued from Page One

any policy that increases borrowing costs poses the risk of curbing the expansion.

The market's ambivalence heading into the Fed's meeting highlights the stakes. The central bank has helped engineer a more successful rebound from the financial crisis than many analysts would have thought possible. But at a time of near record stock indexes, bond yields far below Wall Street's expectations at the start of the year and a declining dollar that continues to vex investors, the prospect of a textbook unwinding of expansive monetary policy seems almost too good to believe.

"There's always some risk

that unwinding the balance sheet is going to be negative for risk assets," said Vassili Serebriakov, a currency strategist at Cr dit Agricole. "We know what the plan is, but it's possible it has a different impact than what the market expects."

In 2013, then-Fed chief Ben S. Bernanke indicated the central bank could soon end its quantitative-easing program. Treasury rates shot higher in what investors called the "taper tantrum" and the 10-year yield almost doubled to 3% by year-end.

Twenty-one percent of investors say a policy misstep by the Fed or the European Central Bank represents the biggest tail risk to the markets, according to a Bank of America Merrill Lynch survey conducted Sept. 1 to Sept. 7 of

214 investors with \$629 billion in assets under management.

Gary Pollack, head of fixed-income trading at Deutsche Bank Private Wealth Management, has shifted Treasury portfolios into shorter-term securities. He attributed his move to "expectations longer-term that yields are going to rise."

The Fed meeting could also prompt repositioning around the globe.

Others worry about the impact of the Fed's moves on a bull market in its ninth year. They warn the unwinding could gradually pressure stock valuations, which are often calculated relative to bond yields, as well as corporate-

earnings growth—a key driver of stocks' gains this year. Utilities shares, often thought of as bondlike because of their relatively hefty dividends, are likely to underperform if yields rise, Goldman Sachs said.

Not all stocks would necessarily suffer. A rise in Treasury yields could benefit bank

five occasions when the central bank has ended or begun reducing a stimulus program since 2010, the yield on the benchmark 10-year Treasury note was lower three months later as the economy struggled.

More recently, investors dumped global government bonds this summer after comments from the ECB, Bank of England and Bank of Canada fueled concerns that central banks around the world would move away from less-accommodative monetary policy.

The Fed meeting could also prompt repositioning around the globe. A tick-up in inflation last week sparked new bets the central bank will raise interest rates in December, which many saw as unlikely at the start of the month.

Emerging-market assets, which have rallied this year in

part due to the Fed's cautious stance, are particularly vulnerable to tighter U.S. policy. Lower U.S. rates typically drive investors into emerging markets such as China and Mexico by making their bonds, stocks and currencies more attractive. Their dollar-denominated debts also become cheaper to pay back as the U.S. currency falls, while the commodities that many developing nations export—often priced in dollars—become more affordable to international buyers.

The MSCI Emerging Market Currency Index has gained 9.3% this year through Friday, setting a fresh three-year high this month, as the dollar has tumbled 8.1% against a basket of major peers. MSCI's index of emerging market stocks has soared 29% this year.

Cabinet Splits on Refugee Figures

BY FELICIA SCHWARTZ
AND LAURA MECKLER

President Donald Trump's cabinet is divided over where to set the limit on refugee admissions for the coming year, with the Homeland Security Department pushing to lower the cap to 40,000, and the State Department and Pentagon wanting to keep it at 50,000, according to current and former U.S. officials.

Mr. Trump is expected to receive a final recommendation from the cabinet on Wednesday, with a final decision due by the start of the fiscal year on Oct. 1, according to officials.

Mr. Trump has already lowered the cap once. A year ago, former President Barack Obama

said the U.S. would accept as many as 110,000 refugees in 2017. After taking office, Mr. Trump revised that to 50,000 and sought to suspend refugee admissions altogether to re-view vetting procedures.

The State Department, Pentagon and others are arguing that there are humanitarian and national-security reasons for accepting a robust number of refugees, and are pushing to maintain the ceiling at 50,000. They also point to economic benefits.

The economic argument is backed up in a draft report written by the Department of Health and Human Services that was ordered as part of implementing the president's executive order, which has been written but not yet submitted to the White House.

The report found that refugees have a net positive fiscal impact on the government, when considering taxes paid, as well as benefits collected.

Specifically, over 10 years, refugees generated \$63 billion for the federal, state and local governments combined. When refugees and their nonrefugee spouses and children are considered, they are still a net benefit to the federal government, but a net cost to state and local governments.

Trump administration officials disputed the findings. White House spokesman Raj Shah said the draft was leaked by "someone with an ideological agenda, not someone looking at hard data." He provided what he said was the accurate HHS report, which he said was the version formally submitted to the State Department.

It concluded refugees draw down more benefits from HHS programs than members of the general U.S. population do. It didn't make estimates or account for taxes paid by refugees. "Refugees with few skills coming from war-torn countries take more government benefits from the Department of Health and Human Services than the average population," Mr. Shah said. The report he provided tallied the total cost over 10 years of HHS programs supporting or benefiting refugees at more than \$96 billion.



Refugees were welcomed in Los Angeles in June, as President Donald Trump's travel ban went into effect.

U.S. WATCH

ECONOMY

Housing-Market Data Paint Mixed Picture

U.S. single-family housing starts continued to edge higher in August, in what could be the last snapshot of the market's health before the cleanup from major hurricanes begins to skew construction activity.

Overall housing starts slipped 0.8% in August from the prior month to a seasonally adjusted annual rate of 1.18 million, driven by continued steep declines in multifamily building, the Commerce Department said Tuesday.

Single-family starts, however, rose 1.6% in August, even as

starts for buildings with two or more units fell 6.5%.

The report offers a mixed picture of a market in which single-family construction is gradually improving while multifamily construction is declining significantly due to an oversupply of apartments in many urban markets.

Residential building permits rebounded in August. Permits, which typically lead starts by a month or two, rose 5.7% to a 1.3 million annual rate last month.

Permits fell 1.5% for single-family houses but jumped 19.6% last month for apartment buildings and other multifamily buildings.

—Laura Kusisto
and Ben Leubsdorf

MEDICINE

U.C. Irvine Receives \$200 Million Pledge

The University of California, Irvine, landed a \$200 million pledge from the co-founder of Broadcom Corp. and his wife to establish a new health sciences college focused on integrative health. The donation, the school's largest ever, will fund the launch of a program that incorporates medicine, nursing and pharmacy studies, as well as public health and alternative and complementary treatments. Henry and Susan Samueli had previously given about \$70 million to UC Irvine.

—Melissa Korn

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WORK & FAMILY | By Sue Shellenbarger

Apps Target the College Quandry

Dozens of digital tools aim to help students find their dream school

THE COLLEGE SEARCH can be an ordeal fraught with anxiety and confusion, and dozens of free web-sites and mobile apps are vying to help students find the college of their dreams.

The digital tools can help students consider more choices, including little-known colleges that may have a lot to offer, says David Hawkins, a senior executive at the National Association for College Admission Counseling, Arlington, Va. But they also risk confusing students who lack adult guidance or distracting them from important priorities, college counselors say.

Many websites and apps ask students a lot of questions to generate college lists, but only a few invite them to have a little fun with the process. The iOS app Admittedly quizzes users on their preferences for such factors as walkability or weather. An article on the app headed, “The mountains are calling and I must go,” suggests 10 campuses in hilly terrain. (Admittedly recently launched on the web as my-Options.)

The College Fair, a mobile app launched in 2016 under the name Schoold, asks users for academic and personal data, then claims to use Netflix-like algorithms to fine-tune college lists. The app also posts whimsical rankings such as “Beyonce’s Short List” of schools the pop star might like, and “Places Where the Professors Know Your Name.” The app has been downloaded 1.2 million times, says Allison Winston, president of Kickwheel, its owner. More than one-third of teens do most of their college research on smartphones, research shows.

College Fair employs six coaches who chat online with students. Few teens receive much counseling: the average public high-school counselor’s caseload is 490 students. And many are skeptical at first, asking, “Is this a bot? I don’t want to talk to a bot,” says Kickwheel CEO Joe Ross.

Fifteen-year-old Alara Kilic of Glen Ridge, N.J., chatted on the app with coach Jadelin Felipe, who has a master’s degree and 11 years’ experience in university admissions and other student services. Ms. Kilic, a high-school sophomore, says Ms. Felipe helped her plot a path toward medical school, as well as decide to take three honors classes this semester rather than four. “I’m very happy with that decision,” Ms. Kilic says.

Ms. Felipe says she encourages students who are stressed by the college search to focus on academic paths they’re drawn to naturally, asking, “What do you love doing?”

Two-thirds of high-school juniors have used a college-planning website, up from about 50% a decade ago, says Kim Reid, an analyst at Eduventures, a Boston research firm. “They’re using them as a sorting mechanism, to narrow down a confusing array of possi-

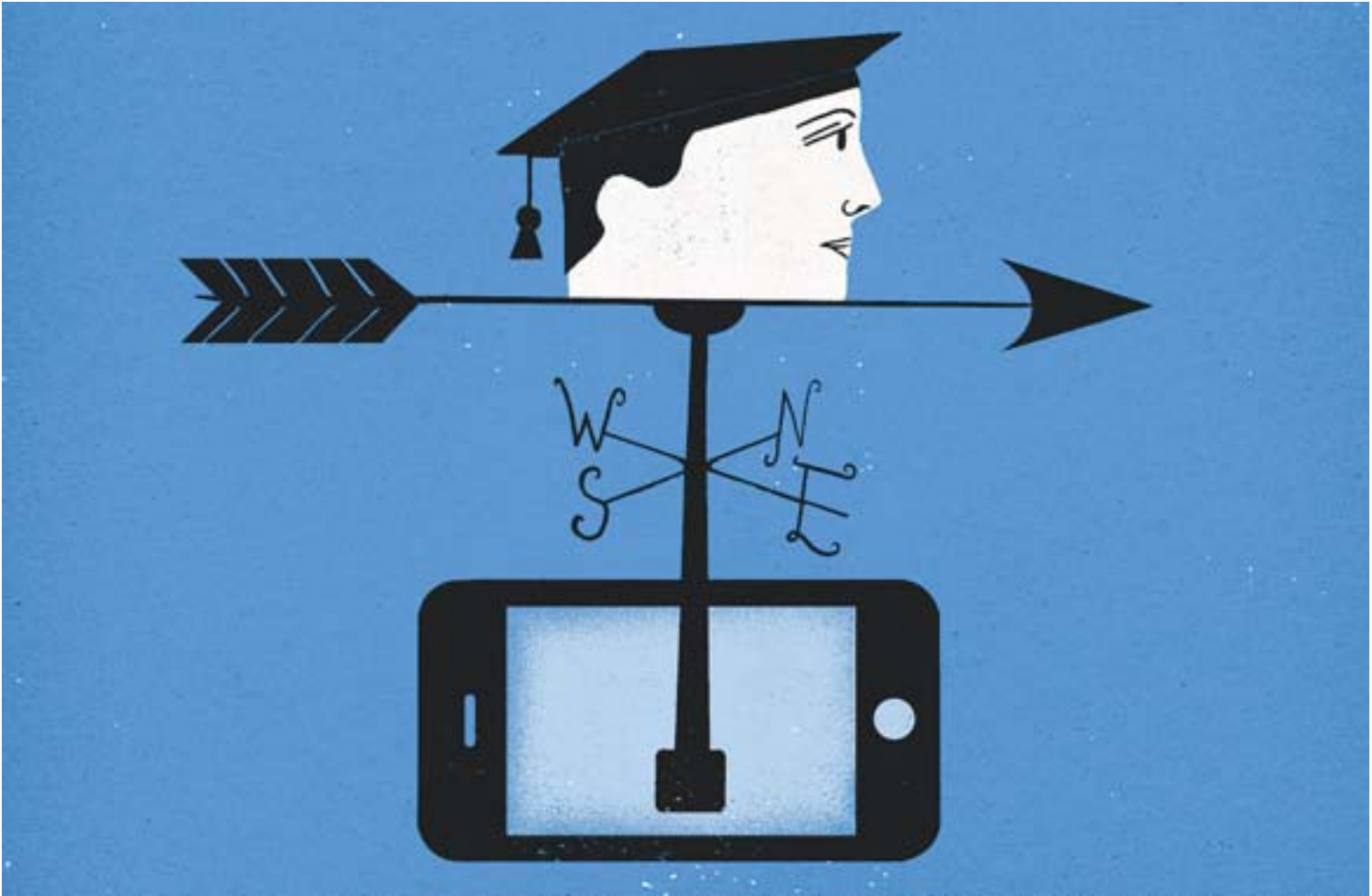


ILLUSTRATION BY HANNA BARCZYK; SHERRY HOROWITZ

bilities,” she says.

Educational consultant Jill Madenberg of Lake Success, N.Y., says college-planning apps and websites can be a good place to start a search, but students should base final decisions on campus visits, self-exploration and discussions with parents, adult mentors or counselors about their interests and potential majors. An extensive website called BigFuture, by the nonprofit college-planning concern The College Board, has helpful tools linking students’ interests with potential majors, careers and colleges, says Ms. Madenberg, co-author with her 19-year-old daughter Amanda of “Love the Journey to College.”

Amanda used a site called Naviance to plan where to apply. The Naviance program, owned by the Cincinnati-based education software company Hobsons, offers a wealth of college- and career-planning tools, but it’s available only to students whose schools subscribe, including about 40% of U.S. public high-school students. It’s well-known for its ‘scatterplots’—dot diagrams charting the grades and test scores of students from the same high school who applied to a particular college in the past and showing whether they were admitted. Seeing where your grades and test scores appear in relation to others’ helps students estimate their chances of admission. Amanda Madenberg says the site helped her figure out which colleges to consider “reach” vs.

Apps and websites vie to help students’ college search. Below, Jill Madenberg and her daughter Amanda, who used Naviance to plan where to apply.



safety schools.

It isn’t wise to spend too much time comparing yourself to peers, however, says Amanda, who is now a sophomore at Cornell University. “It’s easy to feel worse about yourself after doing that.”

Some digital tools offer access to current students at target colleges. A unique website called AdmitSee, founded in 2013 by two law-school students, allows users who buy a monthly subscription to see advice and essays from stu-

dents currently enrolled at schools of interest. This can be helpful for students applying to elite schools, says Timothy Jaconette, a Santa Cruz, Calif., college counselor. “If you read a lot of them, you can get a pretty good idea of what Harvard is looking for,” he says.

A free Pittsburgh-based site called Niche posts Yelp-like college reviews and rankings. Users can find students’ answers to questions they might not ask on a campus tour, such as, “How hard is

this school, really?” Mr. Jaconette says.

Rankings risk distracting teens from attributes that might make an unranked college a perfect fit, counselors say. And users of some sites risk being swamped by mass-marketing spam. It’s important to examine websites’ privacy policies and consider opting out if asked to authorize contact by third-party vendors.

Some 4 in 5 teens and parents say they trust the information on college-planning websites, according to a 2017 survey of 4,274 students and 2,138 parents led by Eduventures and Ruffalo Noel Levitz, a Cedar Rapids, Iowa, provider of enrollment-management services, but wise use requires a critical eye. Websites and apps that offer students’ odds of admission or projected income after graduation are sometimes based on incomplete data or on small samples. Their projections should be taken as ballpark guesses rather than gospel.

Parchment, a site that stores users’ transcripts, test scores and other credentials, creates scatterplots showing admission odds, using data from past Parchment users. But it’s transparent about the reliability of its projections, including a confidence rating based on the past accuracy of its projections for that school, says Matthew Pittinsky, CEO of the Scottsdale, Ariz., company and co-founder of the education software company Blackboard Inc.

MY RIDE | By A.J. Baime

A RARE 1966 WOLSELEY SOUPED UP BY HEINZ



Brad Swiggart’s Wolseley is one of 57 given away in a contest in the U.K. in 1966 sponsored by Heinz.

Brad Swiggart, 63, a financial adviser from Lincoln, Neb., on his 1966 “Heinz 57” Wolseley Hornet, as told to A.J. Baime.

In the mid-1960s, Heinz launched a contest in Britain. The entry form, which appeared in magazines, read “57 Unique Cars to Be Won!” after the company’s “57 Varieties” tagline that it still uses today.

Contestants had to match a Heinz soup flavor (Cream of Celery, Cream of Green Pea) with the picnic item that best went with it (Liver Sausage Salad, Beefburgers). Contestants who got the matches right were put in a drawing, and 57 cars were given away.

The convertible cars were custom-built by a British company called Crayford, based on a model called the Wolseley Hornet. The vehicles came with a picnic basket, a Max Factor cosmetics tray, a tea kettle and the same carpeting used in Rolls-Royces. Nowhere did the vehicle say Heinz.

I bought my Heinz 57 Wolseley at a Barrett-Jackson auction in Scottsdale, Ariz., in 2009 for \$9,625. I would have paid double that amount. Through a car club, I was able to obtain a photograph of what I believe to be the origi-

nal winner getting the keys from a Heinz soup representative at a dealership in 1966.

Today there are reportedly 41 of the original 57 cars in existence, and last fall, I went to a 50th reunion in Birmingham, England. There were about 10 Heinz 57 owners there. It was so much fun, I am planning to go back to another Heinz car gathering this fall.

I have a small collection of unique cars, and for what it’s worth, this one is my wife’s favorite, because its story is so surprising. In fact, the story is so unique I had a board made up with it all spelled out, because every time I drive this car, I end up having to tell the story over and over. (That gets old.)

The car is right-hand drive, and the original engine was replaced before I bought it with a more powerful 1275-cc one, also a British motor from the 1960s.

I’ve been asked every question under the sun. What is my favorite Heinz soup flavor? Tomato. Would I consider selling the car? No way.

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

LIFE & ARTS

ART

Next Stop on The Art Circuit: Saskatoon

The \$63 million Rемаi Modern hopes to put Canadian contemporary art on the map

BY KELLY CROW

SETTLED AMONG the wheat fields and mineral mines of the Canadian plains, the city of Saskatoon is hardly a hotbed for contemporary art. Yet having watched art lovers descend on out-of-the-way locales like Arkansas’ Bentonville and Colombia’s Bogota, Saskatoon is determined to join the global circuit this fall.

For bait, the Canadian government spent \$63 million on a 130,000-square-foot, Jenga-like museum complex sheathed in copper and glass called Rемаi Modern. The space, designed by Toronto firm KPMB, is named after a local collector, Ellen Rемаi (pronounced “RAY-mee”), who gave additional funds and art. It opens Oct. 21 in downtown Saskatoon.

The inaugural show, “Field Guide,” will survey some of Canada’s best-known contemporary artists like Vancouver’s Stan Douglas, Ian Wallace and Jeff Wall while also playing up the museum’s intentions to commission and show international art—a local-global mix that’s become the norm for destination museums.

“Our art may speak with a Canadian accent, but we need to be fully engaged with the international scene,” said director Gregory Burke.

Mr. Burke said the museum will be the first in Canada to show Mr. Douglas’s “Secret Agent,” a 2015 film about a terrorist plot loosely inspired by a Joseph Conrad novel. The film plays in snippets across six screens arranged so that viewers can walk in and around the scenes.



The effect is hypnotic, like “being inside the movie,” Mr. Burke added.

The museum also plans to showcase Mr. Wallace, a pioneering conceptual photographer known for shooting everyday city scenes and hanging them beside monochrome canvases—a combination that serves as a visual segue from painterly abstraction to street photography. One signature example in the show is 2011’s “At the Crosswalk IX,” in which images of two businesspeople at a Vancouver intersection face each other across a pair of blue and gray canvases. The show will also include a lightbox image of a blacked-out window by Mr. Wall, a former student of Mr. Wallace.

Mr. Wallace said Canadian artists aren’t typically as curious about exploring their national identity as U.S. artists—or museums—so Rемаi’s focus could help shape the art world’s perspective on Canadian art, including its indigenous and expatriate artists. “We don’t wave the flag that much,” Mr. Wallace said, “but re-



The museum, above, was designed by Bruce Kuwabara. The collection includes Ryan Gander’s ‘Attempt at a facsimile of Pablo Picasso’s Portrait of Jacqueline accoudée,’ left, and a film still of ‘The Secret Agent’ by Vancouver artist Stan Douglas, below.

gionality matters. It makes the work authentic.”

In the future, watch for the museum to organize shows that tease out the who-knew role that Saskatoon’s University of Saskatchewan campus played when it invited major abstract-expressionist critic Clement Greenberg to host artist workshops in the nearby Emma Lake area. The retreats were later led by major artists like Barnett Newman and Donald Judd in the 1950s and 1960s.

Minimalist Agnes Martin was also born just outside of town, making her paintings of pale lines a “top priority” on the museum’s wishlist, Mr. Burke said. For now, he said the museum is paying homage by showing the Martin-like drawings and “Dear Agnes” diaries of a local artist, Tammi Campbell.



The museum also invited several rising-star artists like Pae White and Ryan Gander to interact with the new building and the roughly 8,000-piece modern art collection it inherited. These include 406 Pablo Picasso linocut prints donated by Ms. Rемаi, once the biggest set in private hands.

Mr. Gander’s “FieldWork” instal-

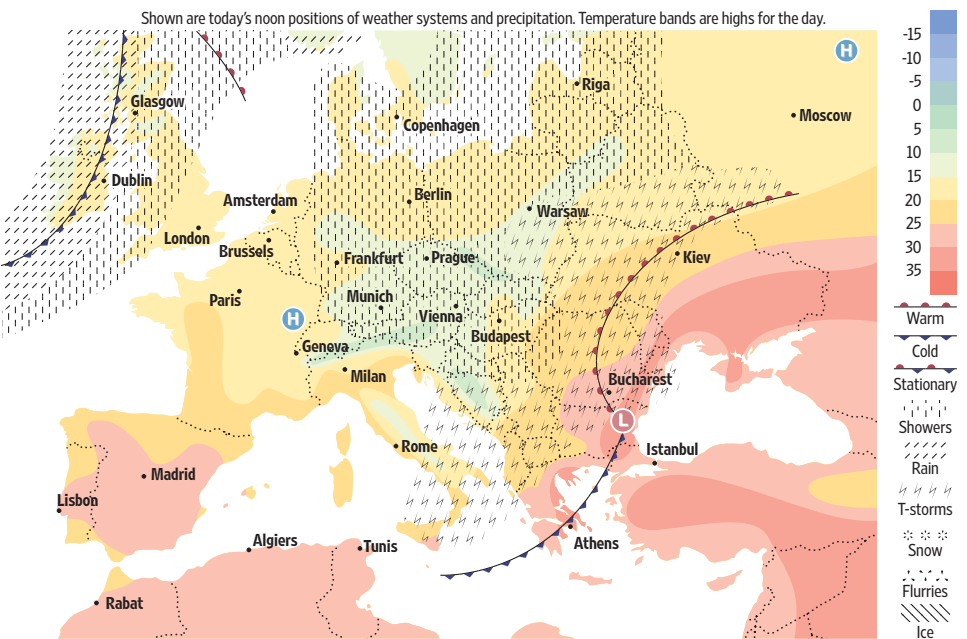
lation is more subtle but no less complicated: He will set a chair facing what appears to be a shop window that will feature an object, like a gutted Teddy bear or a black balloon, rolling past on a hidden conveyor belt. One of these 34 items will be a metal spike, the kind waitresses use to pile up paid receipts. Instead of meal orders, Mr. Gander will impale 148 copies of Picasso self-portraits that

he painstakingly copied from actual Picasso prints in the museum’s collection.

Mr. Gander said he initially approached the idea of copying Picasso as a lark, but the task took longer—and took more out of him—than he anticipated. “When you’re wrestling with Picasso, you have to take it seriously,” he said.

CLOCKWISE FROM TOP: ADRIEN WILLIAMS; STAN DOUGLAS/DAVID ZWIRNER, NY; RYAN GANDER/COLLECTION OF REMAI MODERN

Weather



Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	17	10	pc	18	10	pc
Anchorage	13	8	s	11	10	sh
Athens	32	22	s	27	20	s
Atlanta	30	21	pc	31	21	pc
Baghdad	46	27	pc	45	26	s
Baltimore	30	18	s	30	16	s
Bangkok	34	25	t	33	25	sh
Beijing	29	14	s	30	16	pc
Berlin	16	7	sh	17	8	pc
Bogota	20	9	pc	20	9	r
Boise	15	5	sh	13	3	pc
Boston	22	18	r	23	15	pc
Brussels	17	9	pc	19	10	pc
Buenos Aires	25	11	pc	14	7	r
Cairo	36	24	s	36	23	s
Calgary	11	1	r	7	-1	c
Caracas	31	25	pc	32	26	pc
Charlotte	31	19	pc	31	19	pc
Chicago	32	21	pc	31	21	s
Dallas	36	25	s	35	24	pc
Denver	27	11	s	30	12	s
Detroit	27	17	pc	29	17	s
Dubai	40	31	s	41	30	s
Dublin	17	7	r	15	8	c
Edinburgh	18	11	sh	15	7	r
Frankfurt	17	6	sh	19	7	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	17	5	pc	20	8	pc
Hanoi	32	25	pc	32	25	pc
Havana	32	21	pc	31	21	pc
Hong Kong	32	27	pc	32	28	pc
Honolulu	31	24	pc	31	24	s
Houston	32	24	pc	32	23	t
Istanbul	32	22	s	27	19	s
Jakarta	33	23	c	34	24	pc
Johannesburg	27	12	s	27	13	pc
Kansas City	31	21	s	31	22	pc
Las Vegas	33	20	s	28	16	s
Lima	19	15	c	19	15	pc
London	18	12	pc	18	8	sh
Los Angeles	25	18	pc	23	15	pc
Madrid	28	13	s	29	15	pc
Manila	32	27	t	32	26	t
Melbourne	19	12	pc	20	8	pc
Mexico City	24	15	pc	24	14	pc
Miami	33	25	pc	32	25	pc
Milan	24	9	pc	23	10	s
Minneapolis	25	13	t	28	23	pc
Monterrey	33	22	pc	33	22	pc
Montreal	25	13	c	24	12	s
Moscow	17	10	pc	16	9	sh
Mumbai	30	26	r	30	26	pc
Nashville	31	21	pc	32	20	pc
New Delhi	36	26	s	32	24	c
New Orleans	32	23	pc	31	23	t
New York City	27	20	pc	28	19	pc
Omaha	28	16	s	32	23	s
Orlando	32	21	pc	32	23	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	26	12	pc	25	12	s
Paris	18	8	pc	20	10	pc
Philadelphia	29	20	pc	30	18	s
Phoenix	38	24	s	36	23	s
Pittsburgh	27	17	pc	29	16	s
Port-au-Prince	34	24	pc	34	25	t
Portland, Ore.	15	10	r	17	9	sh
Rio de Janeiro	29	20	s	29	20	s
Riyadh	41	24	s	41	24	s
Rome	21	11	pc	22	12	s
Salt Lake City	24	9	pc	13	7	c
San Diego	23	19	pc	22	19	sh
San Francisco	21	14	pc	23	15	s
San Juan	28	26	r	31	27	r
Santiago	19	6	s	23	7	s
Santo Domingo	32	24	pc	30	25	r
Sao Paulo	28	16	s	30	17	s
Seattle	15	9	r	17	9	sh
Seoul	24	16	s	26	15	pc
Shanghai	23	21	sh	23	22	r
Singapore	30	25	t	30	26	pc
Stockholm	13	5	sh	14	7	c
Sydney	20	11	pc	25	14	pc
Taipei	36	27	pc	36	27	pc
Tehran	31	19	s	31	19	s
Tel Aviv	29	23	s	30	24	s
Tokyo	27	20	c	27	21	pc
Toronto	26	16	pc	26	15	s
Vancouver	16	8	r	17	9	sh
Washington, D.C.	31	20	s	31	19	s
Zurich	16	4	sh	18	5	s

The WSJ Daily Crossword | Edited by Mike Shenk

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FENDING OFF | By Samuel A. Donaldson

Across	21 Bananagrams piece	42 Omar of “Shooter”
1 Clip contents	22 Tel. add-on	43 Abbr. on country mail
5 Clear the snow again	23 Secret wish for the cheese course?	44 Lose sleep
11 “Shiny Happy People” band	27 Alternative to NYSE	45 Short post
14 Clancy character played by Baldwin, Ford, Affleck and Pine	30 Plumbing connector	47 That, in Tijuana
15 Aziz of “Master of None”	31 Co-founder of Death Row Records	49 Without exception
16 Martinique, par exemple	32 Lady of the Haus	50 Shearings from Norfolk?
17 Result of using yarn for stitches?	34 Head lines?: Abbr.	55 Dallas-to-Houston dir.
19 Sportscasting legend Scully	36 “The African Queen” screenwriter James	56 Oscar nominations, informally
20 Island nation once governed by Germany	37 Rototill some recently acquired grazing land?	57 Gets a closer look at
		61 Saxophonist Beneke
		62 Queen with an unusual diet?

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

65 Org. for Nadal, Murray and Federer	26 Does a barista’s job
66 State since 1948	27 Commonly
67 Golden Globe winner for “Chicago”	28 Tony-winning title role for Robert Morse
68 Youngster in the Hundred Acre Wood	29 Speed-dating event for businesses and job seekers
69 Must	33 Let off the hook?
70 Buds on spuds	35 Boxer’s warning
Down	36 Thus
1 Sacred chests	38 Agreeing to participate
2 Bird in the startling family	39 Just three or four, say
3 Seriously impair	40 Slender swimmer
4 Leading	41 Bookbinder’s tool
5 Carly Jepsen’s middle name	45 Jim Parsons, e.g.
6 It might be bitter	46 Aware of
7 Attention-getters	48 Move like molasses
8 Big name in portable hard drives	51 Saga language
9 Maker of the Deep Sweep 5000	52 “Do ___ to eat a peach?”: T.S. Eliot
10 Burr on a knife	53 Putin ally
11 Mouth location	54 Beaver home
12 Magic potion	58 Mind
13 Luke, to Obi-Wan, e.g.	59 Simple
18 Account	60 Doesn’t fold, perhaps
24 Mountain nos.	63 Theater array
25 Helm heading	64 Progressive spokesperson

Previous Puzzle’s Solution														
RAID	IPOD	SIRI												
ALDA	TRUE	TENON												
HOOK	SHOTS	RECUR												
STLOUIS		COYOTE												
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PLANK	WORKOUTS													
ALONG	ADAMEN	ROB												
PAWS	RITGID	GAUL												
TIE	GUTEN	SISSY												
TREASURE	ESTATE													
CRISPS	PAN													
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CEASE	SWORDFISH													
UNSER	PIAPA	ILLIE												
SUSIS	AXIEL	ROAM												

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OPINION

REVIEW & OUTLOOK

The Fed’s Long March to Normal

The Federal Reserve this week, at long last, may announce plans to begin unwinding its nearly nine-year experiment with unconventional monetary policy known as quantitative easing. The move is welcome, even if it brings more financial volatility, because for the sake of the economy and its own credibility the Fed needs to return to a more modest view of central banking.

Financial markets seem to be anticipating the decision without angst, and for that the Fed deserves some credit. Chair Janet Yellen and her colleagues have signaled the move well in advance, including what is an agonizingly slow wind down in its \$4.5 trillion balance sheet. The Fed has said it expects to pare that by only \$10 billion a month for three months, then \$20 billion for another three, before rising to \$50 billion a month within a year. This means the return to monetary normalcy won’t arrive before 2021 or 2022 at the earliest, assuming no recession along the way.

This reflects the Fed’s inherent caution and perhaps a belief in its own QE advertising. Keep in mind how former Chair Ben Bernanke sold the concept: By buying long-duration Treasurys and mortgage securities, the Fed would drive down bond yields and force investors into riskier assets as they searched for yield.

This was supposed to lift asset prices and spur faster economic growth. The faster growth never arrived—despite Fed predictions for years that 3% annual GDP growth was right around the corner—in what has been the slowest modern expansion on record. But prices have risen in stocks, real estate, emerging-market plays and other assets.

If the Fed calls that a success on Mr. Bernanke’s terms, then shouldn’t the reverse happen as the Fed unwinds? That is, as the Fed unloads long-duration bonds, will investors sell some of those riskier assets to buy the Treasurys and mortgage debt the Fed won’t be buying? Will we see naked bodies if the tide recedes in some asset classes?

If we knew the answer, we’d be rich, but there’s certainly a chance for more financial volatility as investors react. This concern may explain the Fed’s slow unwinding, especially as it now pays such close attention to the stock market. The Fed seems to fear the effect of any stock correction on the “wealth effect,” even if corrections are useful in heading off investor manias that can become bubbles. (See the dot-com Nasdaq, year 2000.)

The effect on the real economy may be more sanguine, and in that sense the Fed’s timing is fortuitous. The world’s major econo-

mies are all growing at once for a change, and bank balance sheets in the U.S. are strong. The Trump Administration and Congress are moving toward what we hope is a pro-growth tax reform. The dollar has weakened considerably so there is little fear that monetary tightening will lead to an overvalued greenback. Inflation is contained, though it bears watching.

As David Malpass has argued on these pages, paring the Fed balance sheet might even be a growth stimulus. The Fed’s postcrisis policies have favored big business and governments that have been able to borrow at bargain rates. But that has meant less credit to the rest of the economy, especially small businesses that create most new jobs. Fed policy has also favored the affluent who have financial assets at the expense of savers and the middle class. Reversing all this could unleash more bank lending and perhaps more small-business hiring.

We are using “might” and “could” here because no one really knows. No central bank in a large, modern economy had previously embarked on such a vast bond-buying experiment, and thus none has ever tried to unwind it. Some modesty is warranted.

* * *

Yet that is all the more reason for the Fed to begin the long march back to normalcy. Whether or not you think its post-2008 exertions succeeded, they have taken the Fed far from its legal mandate.

Its purchase of mortgage securities in particular are a form of credit allocation that distorts financial markets and investment decisions. Its meddling in the long bond market abetted federal-government borrowing by disguising the long-term cost of debt repayment. The Fed offered a free lunch for the Obama Administration with the bill presented to future Presidents and taxpayers.

The Fed needs to shrink these financial and political footprints. History shows central bankers have a hard enough time guiding interest-rate policy without producing either inflation or recessions. The longer they are viewed as economic maestros, or the wizards of helicopter money, the more they are able to distort investment decisions and hijack economic policy from elected political actors.

One danger of this QE experiment is that too many in the political class and inside the Fed are already eager to call it a success and repeat it during the next recession. Historically slow growth and tepid income gains during an eight-year expansion aren’t our idea of success, and they don’t justify a Fed that continues to dominate economic decision-making.

crats are in the minority on Capitol Hill.

But dozens of young people instead rushed the stage and began chanting, “we are not a bargaining chip” and “all of us or none of us.” They also demanded a “clean bill” without any provisions for additional border security, as Mr. Trump said he wants.

Perhaps before they’re granted legal status, these kids should be required to understand how America works. If they want legal status under the U.S. Constitution, Congress must pass a law and Republicans now have a majority. This requires compromise, and Mrs. Pelosi is trying to cut a deal that will stop these protesters from being deported. They’re fortunate that a requirement of legal status isn’t an IQ test.

These days, no good compromise goes unpunished.

Pelosi Faces Her Constituents

Now Nancy Pelosi knows how Charles Murray, or any conservative speaker at Berkeley, feels. The U.S. House Minority Leader was confronted by angry protesters in San Francisco Monday as she and two other California Democrats sought to explain her tentative agreement last week with President Trump to provide legal protection to young undocumented immigrants.

The event was intended as a call for U.S. Congress to pass the Dream Act that would protect some 700,000 so-called Dreamers from being deported. And you’d think that Mrs. Pelosi would be thanked for getting Mr. Trump to move off his campaign rhetoric and support legalization—especially when Demo-

Burma’s leader sides with the military against ethnic minorities.

Aung San Suu Kyi and the Rohingyas

Burma’s elected leader Aung San Suu Kyi on Tuesday dismissed accusations that her country’s military is ethnically cleansing minority Rohingyas. She says soldiers are exercising restraint as they respond to terrorist attacks, most Rohingya communities have been unaffected by the violence in Rakhine state, and there have been no armed clashes since Sept. 5.

The facts on the ground tell a different story. More than 400,000 Rohingyas, almost half their population in Burma, have fled into Bangladesh—most of them since Sept. 5. They came with few or no possessions, sometimes walking for days to cross the border or risking their lives on overcrowded boats.

The refugees say Burmese soldiers raped and murdered family members and burned their villages. Satellite photos show that about 80 Rohingya villages across an area 100 kilometers wide were burned, and the smoke from more fires is visible from inside Bangladesh. The United Nations’ top human-rights official calls the violence “a textbook example of ethnic cleansing.”

International supporters of Ms. Suu Kyi are shocked by her indifference to the Rohingyas’ suffering, but they shouldn’t be. “The Lady,” as she was portrayed in the 2011 film, may have acquired a reputation as a human-rights campaigner during her fight for democracy against the Burmese junta. But even then she made clear that she was a Burmese nationalist in the mold of her father, Gen. Aung San, who founded the country. She endorsed military actions against other minority insurgencies while atrocities were occurring.

Regarding the dark-skinned and Muslim Rohingyas, Ms. Suu has always refused to call them by the name they have used for centuries. Her government now labels the Rohingyas “Bengalis” to emphasize that they don’t deserve Burmese citizenship.

The collapse of the Aung San Suu Kyi myth may help the world see Burma’s political transition more clearly. After the military ceded some power to the elected government in 2015, most political prisoners were released and the media briefly flourished. But in the past year Ms. Suu Kyi’s government has begun to crack down on dissent, jailing journalists who cover ethnic minorities sympathetically.

The eruption of violence against the Rohingyas in 2012 may have been instigated by the military as a way to undermine Ms. Suu Kyi’s National League for Democracy. Speaking up for the Rohingyas risked losing her popularity with most of the Buddhist-majority Burmese population.

Instead Ms. Suu Kyi has joined the generals riding the nationalism unleashed by anti-Rohingya violence. This is upsetting to those who believed she would lead her country into a more enlightened age. But Burma is a deeply divided country traumatized by decades of military dictatorship and isolation. Its civil wars are likely to get worse before they are resolved.

This means Burma’s neighbors will have to take a tougher approach with Ms. Suu Kyi’s government to deter the mistreatment of ethnic minorities. Otherwise the country’s instability will continue to spill across their borders.

Winning Again Is Merkel’s Easiest Task

By Walter Russell Mead

Berlin

As Sunday’s German election approaches, sighs of relief can be heard across Europe. When much of the world seems to be spinning out of control, Germany remains reassuringly dull. Angela Merkel is all but certain to return for a fourth term as chancellor. Although many votes remain undecided, her Christian Democrats (and their Bavarian allies, the Christian Social Union) have a healthy lead. The only question appears to be whether Mrs. Merkel will renew her coalition with the center-left Social Democrats or turn to smaller parties in its place.

The European Union establishment—shaken by Brexit, staggered by Donald Trump, challenged by Russia and worried about the rise of populist and nationalist parties around the Continent—wants stability above all, and Germany seems to be the only country that can keep Europe on an even keel.

This is a major historical shift. From the rise of Bismarck in the 1860s through World War II, Germany kept European politics on the boil. As recently as 1990, both British Prime Minister Margaret Thatcher and French President François Mitterrand tried to stop unification in its tracks. Unable to block it, Mitterrand insisted that Germany bind itself to the rest of Europe by giving up the deutsche mark for the euro. Then-Chancellor Helmut Kohl agreed and promised to build a “European Germany” rather than a “German Europe.”

A generation later, Thatcher and Mitterrand might feel their fears were justified. Politically and economically, Germany has become the most powerful and successful EU member state: In today’s Europe, all roads lead to Berlin. Yet as nervous as Germany’s strength makes some of its neighbors, the real question is whether Berlin can meet the expectations they are placing on it. Germany might look relatively strong, but the world may be expecting more than the Germans are willing or able to give.

The economies of Southern Europe, still struggling with the fallout from the 2008-09 financial crisis, look to Germany for relief. The Baltic states and Poland look to Germany for European leadership against Russia. France wants Germany to accept it as the co-leader of Europe—an ambition that makes countries like Poland and Italy suspicious. German diplomats labor to pacify the Balkans and take the front line in Europe’s growing confrontation with Turkey’s President Recep Tayyip Erdogan. EU officials in Brussels look to Germany for leadership in dealing with the legal and political challenges

populist governments in Poland and Hungary pose to European institutions. The Trump administration wants Germany to increase military spending, to reduce its trade surplus, and to do more to lead the North Atlantic Treaty Organization. Britain wants Germany to ease the path of Brexit.

Chancellor Merkel’s fourth term will not be easy. Even if her party scores a decisive victory at the polls, she will face serious constraints. The Alternative für Deutschland—a populist, nationalist and anti-euro party—is running third in national polls and seems certain to enter the Bundestag. That would be the first time in postwar German history that a far-right party has been seated in the national legislature.

The world may be expecting more than Germany is able to deliver.

The AfD usually runs strongest in the former East Germany, where many factories closed following unification and wages still lag. But recently the AfD has made inroads in the prosperous west. It now holds seats in the legislatures of 13 of Germany’s 16 states.

The danger for Mrs. Merkel and the German political establishment is that issues like migration and reform of the eurozone trigger the kind of populist backlash that feeds antiestablishment parties like AfD and Die Linke, successor to the East German Communist Party.

The economic outlook is also mixed. Looking ahead, it isn’t clear how long the old manufacturing economy can continue to underwrite German success. The automobile industry faces disruptive changes with an impending shift toward electric and autonomous vehicles. China continues to move up the value chain, increasingly looking to compete for the high-value-added precision work over which German industry has long reigned supreme. Automation will continue to put pressure on manufacturing employment, even in Germany. And with protectionist winds blowing worldwide, Germany’s export-oriented economic model may struggle to repeat past success.

Mitterrand and Thatcher opposed German reunification because they feared a rich and powerful Germany would dominate Europe. Today, their successors must hope that Germany remains both powerful and rich enough to lead. The alternatives are grim.

Mr. Mead is a fellow at the Hudson Institute and a professor of foreign affairs at Bard College.

A Confederacy of Dunces



MAIN STREET
By William McGurn

glory that he could order taken down.

Instead, he had to content himself with the announcement, days after last month’s deadly protest in Charlottesville, that the violence there had led him to order a 90-day review of “all symbols of hate on city property.”

Alas for the mayor, the Confederate pickings in his Yankee city are slim. The president of Bronx Community College found busts of Jackson and Lee and removed them. The Episcopalians took down two plaques commemorating a maple tree that Lee planted outside a now-closed church when he was stationed at Brooklyn’s Fort Hamilton in the 1840s. The tree itself lives, despite its Confederate roots.

Polls show most Americans oppose the removal of Confederate memorials, at least by mobs or politicians winking at them. Even so, the vandals are ascendant. In recent days, Francis Scott Key joined a list of statuesque notables, from Joan of Arc to Wall Street’s Charging Bull, that have been toppled or otherwise despoiled.

Mr. de Blasio is hardly the only pol to grandstand here. But as mayor of the nation’s largest city—and America’s self-styled progressive-in-chief—his eagerness helps illuminate why these hunts for hate hold such an attraction for the Democratic left.

One big reason is that the left’s identity politics isn’t about healing old wounds. It’s about picking at them. Is there anyone in New York who believes a de Blasio panel rummaging through the city’s monuments for evidence of “hate” will contribute to either greater reconciliation or a deeper appreciation for the complexities of the Civil War?

Second, even where the charge of hate is outrageous, the accusation puts political opponents on the moral defensive. Look at the Southern Poverty Law Center. Most of Washington understands the SPLC’s hate designations are arbitrary and political. But in a confir-

mation hearing earlier this month for Amy Barrett, an eminently qualified nominee for the Seventh U.S. Circuit Court of Appeals, Sen. Al Franken berated her for having appeared before an SPLC-designated “hate group.”

The “hate group”? The Alliance Defending Freedom, a religious-liberty outfit whose “hate” turns out to be holding traditional Christian views on marriage and sexuality.

Still, the last reason driving Mr. de Blasio to the soapbox may be the most telling: Railing at dead white hateful males is lots more fun than doing the hard work required to improve city life for New Yorkers.

If Mr. de Blasio were truly looking to tear down monuments that actively contribute to racial injustice, he would find plenty in his city. These include a failing public school system in which only a small fraction of African-American students test at grade level; a new, state-mandated \$15 minimum wage, which will further price young black men out of jobs; and the misguided welfare programs that undermine the black family.

Compare this state of affairs with what Joel Kotkin’s Center for Opportunity Urbanism found when it looked at the best cities for racial minorities to get ahead. The center ranked cities by homeownership, entrepreneurship and median household income. When it crunched the numbers, 13 of the top 15 cities for African-Americans turned out to be in the former Confederacy.

That might be embarrassing, if the mayor were interested in improving actual outcomes. Instead, His Honor is now caught up with a new, non-Confederate target: the Christopher Columbus statue high atop a column on Columbus Circle. After the speaker of the city council, Melissa Mark-Viverito, suggested Columbus should come down too, Mr. de Blasio refused to rule it out, generating a whole new controversy.

In the post-Charlottesville press conference that got him into so much trouble, Mr. Trump pointed to the Robert E. Lee statue, whose removal was the ostensible reason for the initial Charlottesville protest, and suggested George Washington might well be the next week’s target. “Where does it stop?” he asked.

Mayor de Blasio and fellow progressives have given their answer: It doesn’t.

Write to mcgurn@wsj.com.

OPINION

Russia Is but One of Ukraine’s Many Problems

By Judith Miller

Kiev, Ukraine
Ukraine will soon enter the fourth year of a low-intensity war with Russia. More than 7% of its territory remains occupied by its aggressive neighbor. Will Ukraine survive as a free, independent, pro-Western nation?
“It’s 50-50,” a veteran European diplomat who knows the region well told me this weekend in Kiev. His gloomy assessment was echoed by many of the 350 current and former officials, academics, businessmen and journalists attending the 14th

It has overcome challenges that would have destroyed a less determined country, but there’s trouble ahead.

annual Yalta European Strategy conference, a two-day gathering sponsored by pro-Western oligarch Victor Pinchuk that has become a popular stop on Europe’s conference circuit. While Ukrainian President Petro Poroshenko expressed confidence in his country’s future, concerns surfaced repeatedly at the meeting’s sessions and more often in quiet, candid conversations.

To its credit, Ukraine has overcome challenges that could have destroyed a less determined country. Russia’s invasion and illegal annexation of Crimea in 2014 and its continuing occupation of part of the Donbas region, Ukraine’s eastern industrial heartland, initially threatened to turn the country into a finan-

cial and political basket case. After the invasion, gross domestic product fell 17%, inflation soared to more than 60% and Ukraine’s currency lost nearly 60% of its value.

Yet after two years of contraction, Ukraine’s economy stabilized in 2016 and has started growing again. According to World Bank projections, it will grow by 3.5% in 2018 and 4% in 2019. Moody’s recently upgraded Ukraine’s creditworthiness from stable to positive. And this week, Ukraine is returning to the sovereign-debt market by issuing \$2.5 billion in new Eurobonds, the most important reflection to date of its remarkable recovery.

Much of this is due not only to Western aid and \$17.5 billion from the International Monetary Fund, but to government reform that has boosted investor confidence. Since Mr. Poroshenko’s election in 2014, Ukraine has adopted a business-friendly tax code, closed failing banks and recapitalized others, raised domestic-energy tariffs and enacted a more transparent public-procurement system. It has negotiated a free-trade agreement with the European Union, and in June Ukrainians began enjoying visa-free travel to EU countries.

Ukraine is no longer dependent on Russian natural gas, which before 2013 accounted for more than 99% of its supplies. Finally, the country boasts a cantankerous free press and vibrant civil society, empowered by the Euro-Maidan Revolution, the mass public protests in Kiev’s main square in 2014 that prompted the corrupt, pro-Russian President Viktor Yanukovich to flee the country.

Yet all is not rosy. Corruption remains endemic and the pace of reform has slowed. Ukraine’s civil ser-



Petro Poroshenko at the Ukrainian Parliament on Sept. 7.

vice ranks second-lowest in effectiveness in Europe, just above Moldova, according to the World Bank Governance Indicators. Government pledges of land reform and the privatization of some of the 3,300 state enterprises haven’t been implemented. Discontent is widespread and growing.

“The government has done a lot, but not enough,” Svitlana Zalishchuk, a young member of Ukraine’s Parliament, told participants at the conference.

“Reform postponed,” warned Suma Chakrabarti, head of the European Bank for Reconstruction and Development, “is transformation [to a post-Soviet society] postponed.”

In 2014, under heavy pressure from Western governments and the IMF, Ukraine’s government created a new independent National Anti-Corruption Bureau. Kiev also empowered a special prosecutor, who

has since opened hundreds of corruption cases.

Yet VoxUkraine, a nonpartisan research group critical of the government, asserted that due to corruption in the court system, only three senior officials have actually been jailed since 2016. Prosecutor General Yuri Lutsenko told the conference that three bribe-takers were being prosecuted every day, but even he complained about the delay in creating a special anticorruption court.

Mr. Poroshenko is himself the subject of many corruption rumors and complaints. “The president has not helped overcome corruption,” Ms. Zalishchuk asserted last week. Storefronts featuring the chocolate brand Roshen, which helped make Mr. Poroshenko an oligarch, are ubiquitous in the capital. And despite the war, the president stopped making chocolate in Russia only after President Vladimir Putin moved to shut his fac-

tory down. Several Ukrainians told me they think their president views his office as a business opportunity first and foremost.

Ukraine spends \$5 billion, or 5% of GDP, on defense. Mr. Poroshenko’s appointment of two former business partners to key posts related to military spending has sparked war profiteering charges. “The president is one of the main beneficiaries of the defense budget,” Oksana Syroyid, a member of Parliament, told the Kyiv Post.

If demography is destiny, Ukraine has another cause for concern. In this country of 45 million, the annual death rate exceeds the number of live births. Martin Schumacher, the German CEO of wholesaler Metro Cash & Carry Ukraine, estimates that as many as 200,000 Ukrainians, often young and skilled, emigrate each year. “There is virtually no immigration,” he said. A tech worker can make three times his Ukrainian salary in Poland. In Germany, he added, salaries are almost 10 times higher.

The number of young political activists is shrinking as well, said Aivaras Abromavicius, Ukraine’s former minister for economic development and trade. Whereas 60 of the country’s 3,000 graduates of Western schools had senior posts in government a year ago, only about 10 do today. Young activists have become discouraged about the prospects of reform from within, Mr. Abromavicius told me after a conference session. “There are islands of reform and hope,” he said, “but we need more of them.”

Ms. Miller is a contributing editor of City Journal and a Fox News contributor.

Kill the Tax Loopholes, Including One for ‘Low-Income Housing’

By Chris Edwards
And Vanessa Brown Calder

As tax reform begins to wind its way through the American legislative process, President Trump shouldn’t forget his call last month to get “rid of the loopholes and complexity that primarily benefit the wealthiest Americans and special interests.” Resistance to eliminating these features of the tax code will be stiff, but the more such unjustified breaks are eliminated, the more tax rates can be cut.

Consider the Low Income Housing Tax Credit, created by the 1986 tax reform. This \$9 billion credit masquerades as an antipoverty program, but it mainly subsidizes developers, investors and the financial industry.

To stimulate low-income housing construction, the U.S. government allots a share of tax credits to the states, which dole them out to selected developers. The credits cover part of the construction costs of

multifamily housing projects. The developers must cap rents for a share of the units, so the benefits of the tax credit are meant to flow to tenants in the form of lower rents.

Yet the developers usually sell the credits to banks and investors, often using syndication companies as intermediaries. The investors, developers and middlemen—not poor families—end up grabbing most of the benefits.

Gregory Burge of the University of Oklahoma estimated in a 2010 study that the value of the rent savings for tenants was a mere 35% of the value of the tax benefits going to developers. Economists Edward Glaeser and Joseph Gyourko concluded two years earlier that the low-income housing credit “is not very effective along any important dimension—other than to benefit developers and their investors.”

Although the credit subsidizes a lot of construction, it mainly displaces private building that would have occurred without the program.

A 2005 study in the Journal of Public Economics by Todd Sinai and Joel Waldfogel found that half or more of housing would have been produced even without the credit. And a 2010

Developers and investors, not the poor, benefit most from the credit. It should not survive tax reform.

study for the Journal of Public Economics by Michael Eriksen and Stuart Rosenthal found that as much as 100% of development subsidized by the credit is offset by declines in private development.

The housing credit is also a prime target for abuse. Earlier this year a National Public Radio reporter profiled a Miami-area business that stole \$34 million from 14 low-income-credit housing projects by submitting in-

flated construction cost data to the government. Another Miami company discussed by NPR stole \$4 million from four projects by the same method.

The NPR report concluded that “little public accounting of the costs exists, even among government officials and regulators charged with monitoring the program.” This is consistent with a 2015 Government Accountability Office report, which concluded that federal oversight of the credit is “minimal.” The U.S. government has audited the low-income credit activities of less than 20% of state housing agencies.

This credit is the exact sort of corporate tax loophole that Congress should repeal in exchange for a lower corporate-tax rate. Instead the Senate Finance Committee held a hearing this summer to explore *expanding* the credit.

Members are swayed by lobbyists such as the chairman of the National Association of Home Builders, who claimed at the hearing: “If we want

to provide affordable rental housing for lower-income households, it is financially impossible to do so without a subsidy.”

That isn’t true. To increase supply, Americans need fewer local zoning regulations that inflate housing costs, not more federal subsidies. A 2005 study found that restrictive regulations have doubled the price of housing in places such as San Jose, San Francisco and Manhattan. Numerous academic studies suggest that zoning reduces the supply of multifamily housing, which hits low-income families the hardest.

Housing affordability is a serious problem in many cities, but the low-income credit is a misdirected federal solution for a local problem. GOP tax reformers should put it—and other loopholes like it—on the chopping block.

Mr. Edwards is director of tax policy studies at the Cato Institute, where Ms. Calder is a housing policy analyst.

Higher Education’s Latest Taboo Is ‘Bourgeois Norms’

By Heather Mac Donald

To the list of forbidden ideas on American college campuses, add “bourgeois norms”—hard work, self-discipline, marriage and respect for authority. Last month, two law professors published an op-ed in the Philadelphia Inquirer calling for a revival of the “cultural script” that prevailed in the 1950s and still does among affluent Americans: “Get married before you have children and strive to stay married for their sake. Get the education you need for gainful employment, work hard, and avoid idleness. . . . Eschew substance abuse and crime.” The weakening of these traditional norms has contributed to today’s low rates of workforce participation, lagging educational levels and widespread opioid abuse, the professors argued.

The op-ed triggered an immediate uproar at the University of Pennsylvania, where one of its authors, Amy Wax, teaches. The dean

of the Penn law school, Ted Ruger, published an op-ed in the student newspaper noting the “contemporaneous occurrence” of the op-ed and a white-supremacist rally in Charlottesville, Va., and suggesting that Ms. Wax’s views were “divisive, even noxious.”

Half of Ms. Wax’s law-faculty colleagues signed an open letter denouncing her piece and calling on students to report any “bias or stereotype” they encounter “at Penn Law” (e.g., in Ms. Wax’s classroom). Student and alumni petitions poured forth accusing Ms. Wax of white supremacy, misogyny and homophobia and demanding that she be banned from teaching first-year law classes.

Ms. Wax’s co-author, Larry Alexander, teaches at the University of San Diego, a Catholic institution. USD seemed to be taking the piece in stride—until last week. The dean of USD’s law school, Stephen Ferruolo, issued a schoolwide memo repudiating Mr. Alexander’s article

and pledging new measures to compensate “vulnerable, marginalized” students for the “racial discrimination and cultural subordination” they experience.

USD’s response is more significant than Penn’s, because it’s more surprising. While USD has embraced a “social justice” mission in recent decades, the law school itself has been less politicized. It has one of the highest proportions of non-leftist professors in the country—about a quarter of the faculty. Mr. Ferruolo, a corporate lawyer with strong ties to the biotech industry, presented himself until recently as mildly conservative.

If USD is willing to match Penn’s hysterical response to the Wax-Alexander op-ed, is there any educational institution remaining that will defend its faculty members against false accusations of racism should they dissent from orthodoxy?

Two aspects of the op-ed have generated the most outrage. Ms. Wax and Mr. Alexander observed that cultures are not all “equal in preparing people to be productive in an advanced economy.” Their critics pounced on this statement as a bigoted, hate-filled violation of the multicultural ethic. In his response, Penn’s Dean Ruger proclaimed that “as a scholar and educator I reject emphatically any claim that a single cultural tradition is better than all others.”

But that wasn’t the claim the authors were making. Rather, they argued that bourgeois culture is better than underclass culture—specifically, “the single-parent, antisocial habits, prevalent among some working-class whites; the

An op-ed praising 1950s values provokes another campus meltdown—from the deans on down.

anti-acting white’ rap culture of inner-city blacks.” The authors’ criticism of white underclass behavior has been universally suppressed in the stampede to accuse them of “white supremacy.”

The op-ed’s other offense was extolling the 1950s for that decade’s embrace of bourgeois virtues. “Nostalgia for the 1950s breezes over the truth of inequality and exclusion,” five Penn faculty assert in yet another op-ed for the student newspaper. In fact, Mr. Alexander and Ms. Wax expressly acknowledged that era’s “racial discrimination, limited sex roles, and pockets of anti-Semitism.”

None of the professors’ high-placed critics have engaged with any of their arguments. Mr. Ferruolo’s schoolwide letter was one of the

worst examples. The dean simply announced that Mr. Alexander’s “views” weren’t “representative of the views of our law school community” and suggested that they were insensitive to “many students” who feel “vulnerable, marginalized or fearful that they are not welcomed.” He didn’t raise any specific objections to Mr. Alexander’s arguments or even reveal what the arguments were.

Instead, he promised more classes, speakers and workshops on racism, more training on racial sensitivity and a new committee to devise further diversity measures. Stronger racial preferences will most certainly follow.

The implication of this bureaucratic outpouring is that the law-school faculty is full of bigots. In reality, Mr. Alexander and his colleagues are among the most tolerant people in human history, and every USD law student is among the most privileged—simply by virtue of being at an institution with such unfettered intellectual resources. The failure of administrators such as Mr. Ferruolo to answer delusional student narcissism with obvious truth is an abdication of their responsibility to lead students toward an adult understanding of reality.

What are university administrators and faculty so afraid of? The Wax-Alexander op-ed confronted important issues responsibly and with solid grounding in social-science research. Each of these administrative capitulations sends a message to professors not to challenge the reigning ideology. The result is an ever-more monolithic intellectual environment on American campuses, where behavioral analyses of social problems may not even be whispered.

What happens to America if those banned ideas turn out to be true?

Ms. Mac Donald is a fellow at the Manhattan Institute and author of “The War on Cops” (Encounter, 2016).

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THE WALL STREET JOURNAL.

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Euro vs. Dollar 1.1984 ▲ 0.25% **FTSE 100** 7275.25 ▲ 0.30% **Gold** 1306.20 ▼ 0.01% **WTI crude** 49.48 ▼ 0.86% **German Bund** yield 0.455% **10-Year Treasury** yield 2.239%

Tech Fuels Emerging-Markets Rally

Investing there gets closer to that in developed world; some say surge is overdone

By JULIE WERNAU

A small group of technology shares are pushing major stock indexes to new highs. That has been true for a while with the S&P 500. Now it is playing out the same way in emerging markets.

Tech companies have powered this year's rally in the developing world, helping the MSCI Emerging Markets In-

dex's performance rise 29%, the highest in six years.

Top performers include South Korea's **Samsung Electronics Co.**, Taiwan's **Semiconductor Manufacturing Co.**, and fast-growing Chinese e-commerce companies **Alibaba Group Holding Ltd.** and **Tencent Holdings Ltd.**

The emerging-markets tech sector's return this year, at 54%, is nearly double the overall index year to date, according to MSCI.

The rise of technology companies represents a major reversal from earlier years, when banks, utilities and commodities producers dominated

stock trading in the developing world. In 1995, when global investing in emerging-markets stocks started to take off, tech shares accounted for only 1.5% of the index, according to MSCI.

The technology sector of the MSCI Emerging Markets Index is up 54% this year.

Now, tech companies make up about 27% of the emerging-markets index, according to the latest figures. That is slightly more than U.S. tech

stocks' share of the S&P 500's market value, which was nearly 24% at the end of August.

"Emerging markets are past that first stage of growth where you're just industrializing and building roads," said

investing in the developed world, these stocks are increasingly subject to the same global consumer trends as those in the U.S.

For some investors, this makes these companies a less expensive way to buy into a global technology rally. Emerging-markets tech shares are trading at roughly 20.4 times their past 12 months of earnings, compared with 24.5 times for tech stocks in the U.S., according to MSCI.

"What's driving the stock-price growth really is earnings growth," said John Vail, chief global strategist at Nikko Asset Management. *Please see RALLY page B2*

Venture Capital Takes On The U.S.

By DOUGLAS MACMILLAN

A group representing U.S. venture-capital investors is leading a lawsuit against the Trump administration, claiming it took illegal steps to prevent an immigration policy that would have helped foreign-born founders stay in the U.S. to build startups.

In a legal complaint filed Tuesday, the National Venture Capital Association, along with other plaintiffs, claims the Department of Homeland Security violated rules around administrative procedures when it delayed the start of the International Entrepreneur Rule one week before the regulation was scheduled to go into effect in July, according to a copy of the complaint reviewed by The Wall Street Journal.

The rule, enacted in the final days of the Obama administration, would have let foreign entrepreneurs apply to work in the U.S. if their startup raised \$250,000 from established U.S. investors, or showed other compelling evidence of potential for rapid growth. The DHS said July 10 that it would delay the effective date of the program by eight months, a period in which it said it would obtain public comment "regarding a proposal to rescind the rule."

The venture-capital association's lawsuit, filed in the District Court of Washington, D.C., argues that the administration violated the Administrative Procedure Act by failing to solicit public comments before deciding to delay the foreign-founder rule. The group seeks to reverse the delay and permit all entrepreneurs meeting the rule's requirements to start applying for temporary work status to build startups in the U.S.

A spokesman for the Department of Homeland Security declined to comment on the pending litigation.

The agency said in July that it planned to rescind the rule, in part because managing a foreign-entrepreneur program would take up resources it needs to carry out its existing immigration programs.

The lawsuit is the first against the government by the National Venture Capital Association, which represents hundreds of top VC firms. It reflects a widening rift between many technology-industry leaders and the Trump administration on immigration and

Please see SUIT page B2

HEARD ON THE STREET

By Stephen Wilmot

Are Pricey Pirelli Tires Worth an Offering?

Car tires can be surprisingly glamorous. But investors may be better

off waiting before buying into the Italian tire manufacturer **Pirelli**.

The Milanese company is due to relist its shares early next month, less than two years after Chinese state-owned chemical group **ChemChina** took it private for €7.1 billion (\$8.49 billion). The pricing bracket announced last week values the company at between €6.3 billion and €8.3 billion, but the comparison with 2015 isn't exact. ChemChina combined Pirelli's industrial-tire division, which then contributed about 12% of operating profits, with its own to leave a smaller business focused exclusively on car tires—and increasingly on exclusive ones (\$7.5 billion and \$9.9 billion).

Pirelli supplies iconic Italian brands like Ferrari and Lamborghini, but it also specializes in the extra-wide tires sold with SUVs and on premium cars like Mercedes and BMW. This business in particular has been racing, underpinning a bullish business plan that forecasts annual revenue growth at or above 9% until 2020.

The disproportionate growth of more profitable high-end tires should boost Pirelli's margins. Pirelli has an excellent database of where luxury cars are bought, which tends to be where their tires are replaced, notes David Shaw, chief executive of Tire Industry Research.

That is all well and good, but the latest results don't play into management's pitch: Profits rose less than 1%. Rising rubber costs pushed Pirelli's raw-materials bill up 28.6% in the first half compared with the same period last year, squeezing margins. The company will eventually pass most of the extra cost onto customers, but this could weigh on growth if some trade down to cheaper tires.

New ventures were another headwind. The company is developing "smart" tires—products with sensors that can feed data back to the driver.

As the wider automotive industry competes with Silicon Valley technology, notably electric and self-driving cars, such costs may become more common in a sector that hasn't changed much in decades.

It could take time for the market to work out what premium Pirelli deserves. Cautious investors should wait until the dust settles.



Investors this year have jumped on deals for assets in an offshore region whose fields peaked around 2000. A platform off Scotland.

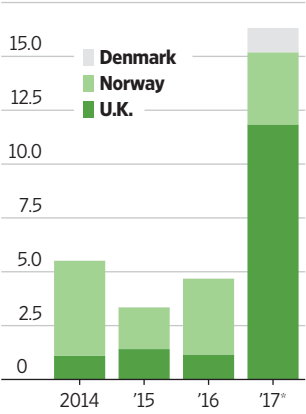
North Sea Oil Undergoes a Revival

Rising Tide

A flurry of deals in the North Sea is stoking optimism about the region.

European energy M&A

\$17.5 billion



*2017 data through August

Source: Wood Mackenzie

THE WALL STREET JOURNAL.

By SARAH KENT

LONDON—For more than a decade, the North Sea's once-booming oil sector was mired in decline. Against the odds, it has emerged as an unlikely bright spot in today's stormy global energy industry.

Investors have sunk more than \$16 billion so far this year into European deals for assets mostly located in the North Sea, a flurry that far outstrips energy deal activity in all but American shale country and Canada's oil sands, according to Edinburgh-based energyconsulting firm Wood Mackenzie. The biggest deal came last month, with **Total SA's** \$5 billion purchase of **A.P. Moeller-Maersk's** North Sea-focused oil-and-gas business.

The deal was a sign major oil companies are still willing to invest significant amounts

in the region, where confidence is reviving as oil prices stabilize and costs come down. Many are refocusing on relatively new areas. Meanwhile, private-equity funds are buying up aging assets and infrastructure, seeing opportunity in operations that have become more marginal for some of the bigger players.

Royal Dutch Shell PLC is planning to spend \$600 million to \$1 billion a year in the North Sea in the coming years, while **BP PLC** expects to double its production there by 2020. Norway's **Statoil ASA** has greenlighted production from a new North Sea field that, at its peak, could pump more oil than the entire nation of Ecuador, a member of the Organization of the Petroleum Exporting Countries.

"We see the North Sea turning things around," BP Chief

Executive Bob Dudley recently told an oil conference in Aberdeen, Scotland, the center of the British oil industry.

The activity opens a new chapter for the vast oil-producing region in the waters separating Great Britain from Northern Europe.

Last year, the U.K.'s North Sea energy industry was described as "at the edge of a chasm" by trade association Oil & Gas UK as low oil prices hammered investment in a region full of aging, depleted fields. At its peak around 2000, the North Sea produced oil in amounts similar to Saudi Arabia, but output has fallen by around 34% since then, a trajectory that only recently began to reverse.

The region still faces significant challenges. Despite all the M&A activity, only a hand-

Please see ENERGY page B2

Cost of Employer-Provided Health Plans Keeps Rising

By ANNA WILDE MATHEWS

The average cost of health coverage offered by employers pushed up toward \$19,000 for a family plan this year, as the share of firms providing insurance to U.S. workers continued to edge lower, according to a major survey.

Annual premiums rose 3% to \$18,764 for an employer plan in 2017, from \$18,142 last year, the same rate of increase as in 2016, according to an annual poll of employers performed by the nonprofit Kaiser Family Foundation along with the Health Research & Educational Trust, a nonprofit affiliated with the American Hospital Association.

The trend of relatively gradual premium increases has continued for several years, with the growth of premiums damped by a shift toward bigger out-of-pocket costs for employees in the form of high deductibles—a move that slowed this year, as average deductibles were roughly flat compared with 2016.



The annual survey showed that the share of firms providing health insurance slipped in the U.S.

Still, the rise of premiums over time has resulted in family health plans that can annually cost more than a new car, with the cost split between firms and employees. Employees paid on average \$5,714, or 31%, of the premiums, for a family plan in 2017, according

to Kaiser.

For an individual worker, the average annual cost of employer coverage was \$6,690 in the 2017 survey, or 4% higher than last year, with employees paying 18% of the total.

Another trend was also sus-

tained in the 2017 survey: a decline in the share of employers offering health insurance despite a labor market that shows signs of tightening—at least in certain regions and sectors. The move has been driven by a drop-off among the smallest firms.

This year, 53% of employers in the survey offered health benefits, down from 56% last year and 61% in 2012. Just half of firms with three to 49 workers offered health insurance this year, the first time the share reached that threshold. Five years ago, 59% of companies in that category offered health benefits.

Gary Claxton, a vice president at the foundation, said that the overall cost of insurance appears to be driving small firms, particularly those with low-wage workers, to stop offering health benefits. Indeed, among small employers that didn't offer health insurance, 44% said the biggest reason for not providing the benefit was its cost. "It's harder for them to maintain coverage when it's so expensive," Mr. Claxton said.

However, among small employers that didn't provide health coverage, 16% did give workers some money they could use toward purchasing a plan themselves.

Kaiser foundation officials *Please see INSURE page B2*

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RALLY

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set Management Americas, Inc., whose firm has been buying Asian tech stocks. "It comes from the domestic economy, which is adopting the internet in general and even more rapidly than the Western world."

Michael Lippert, portfolio manager of Baron Opportunity Fund, is also bullish on Internet-related companies globally, with investments in Alphabet Inc., Amazon.com Inc., Alibaba and Tencent.

"Data's the new oil," said Mr. Lippert. "The tech leaders of yesterday sold you a product—software or hardware—and then they disappeared. They didn't have a connection to you. They couldn't personalize their service."

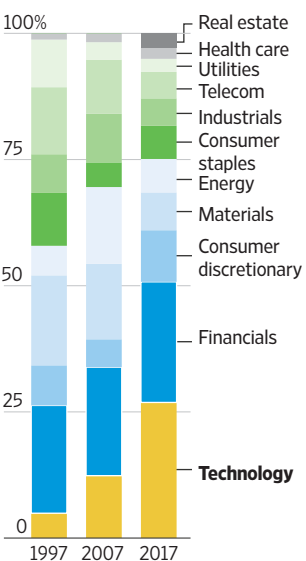
But some money managers say the tech rally in developing countries looks overdone. The \$65 million **ICON Emerging Markets Fund** has lightened up on holdings such as Alibaba and Tencent, "which have reached a euphoric type of position in the minds of many investors," said Rob Young, a manager of the fund. These stocks are highly sensitive to earnings growth, and if there is any slight deceleration, the stocks get hammered, he said.

Ben Laidler, a global equity strategist at HSBC, said investing in emerging markets hasn't changed all that much, even if the type of companies is different.

Turning Techy

The technology sector makes up about 27% of the MSCI Emerging Markets Index, up from 5% in 1997.

Sector weightings



Note: All data are as of the end of August. Source: MSCI
THE WALL STREET JOURNAL.

He is overweight emerging-markets technology because he thinks it is still a bet on growth in the developing world. In China, the biggest equity market in emerging markets, 71% of tech-sector revenues are from within the country, Mr. Laidler noted.

"Acceleration of growth in China has been a big part of the tech sector," he said. "Tech is increasingly developed by China."

—Carolyn Cui contributed to this article.

SUIT

Continued from the prior page
other issues.

Scores of tech executives, including prominent tech investors John Doerr of Kleiner Perkins Caufield & Byers and Reid Hoffman of Greylock Partners, signed a letter issued last month urging President Trump to preserve Deferred Action for Childhood Arrivals, a five-year-old program that offers a reprieve from deportation to nearly 800,000 people brought to the U.S. as children—known as "Dreamers." Mr. Trump earlier this month set an end date for that program, but he has since met with congressional leaders in hopes of passing legislation legalizing undocumented Dreamers.

The International Entrepreneur Rule had won bipartisan support, but its critics said it would grant a class of immigrants temporary "parole"

rather than a visa, potentially creating confusion about their status, and raise risks around doing business with companies whose roots in the U.S. are uncertain.

Among those who planned to apply for temporary parole status under the rule were Atma and Anand Krishna, co-founders of a business-payment startup called LotusPay. The brothers are U.K. citizens but have primarily built their business in India, according to the complaint. They have had to put off plans to expand into the U.S. because they have been unable to obtain any other type of visa to remain in the country.

The Krishnas, along with two other tech startups with foreign founders or executives, joined the venture-capital association lawsuit, arguing that Mr. Trump's delay of the International Entrepreneur Rule caused them harm by taking away a potential opportunity for them and their businesses.

Walgreens Deal Earns Clearance

By BRENT KENDALL
AND AUSTEN HUFFORD

Walgreens Boots Alliance Inc. received regulatory approval to acquire nearly 2,000 stores from **Rite Aid** Corp., but only after the number of stores to be purchased in the deal was again trimmed to allay antitrust concerns.

Walgreens will now buy 1,932 Rite Aid stores for \$4.38 billion, a far cry from the original \$9.4 billion deal for about 4,600 stores struck in 2015.

Shares of Rite Aid were down 15% at \$2.31 Tuesday afternoon. Walgreens was off 2% at \$80.98.

Rite Aid will continue as a stand-alone company, operating about 2,600 stores, six distribution centers and its pharmacy-benefit manager, EnvisionRx. Its chief executive, John Standley, said on Tuesday the sale provides the company with a "more profitable store footprint" and stronger balance sheet as it engineers a turnaround.

The Federal Trade Commission spent roughly 18 months investigating the companies' broader plan to merge and harbored an array of concerns about the effect on competition. In the face of continued FTC objections, the two companies scrapped their merger plans in June, agreeing instead that Walgreens would settle for acquiring about 2,200 Rite Aid stores.

After further discussions with the FTC, the companies dropped about 250 more stores from the transaction, Rite Aid said Tuesday. Wal-



Walgreens will buy nearly 2,000 Rite Aid stores for \$4.38 billion under a scaled-back transaction.

greens will gain stores located primarily in northeastern and southern U.S.

With those concessions, the FTC brought its review to a close and granted antitrust clearance for the deal, over the objections of a Democratic commissioner.

Walgreens Chief Executive Stefano Pessina said the deal "is expected to help us achieve enhanced, sustainable growth while enabling us to broaden our reach and provide greater access to convenient, affordable care in more local neighborhoods across the United States."

The deal has been approved by the boards of both companies and doesn't require a

shareholder vote. Store transfers will start in October, with the goal of completing the transition in the spring of next year. Walgreens also paid a \$325 million termination fee to Rite Aid.

The FTC has been reviewing the drugstore chains' proposed transaction short-handed.

There are only two current commissioners on the five-member commission, one Republican and one Democrat. Both commissioners had objections to the original merger proposal, but their views diverged on the scaled-back transaction.

Acting Chairwoman Maureen Ohlhausen, a Republican,

said Tuesday the stores being sold are located in areas where the two pharmacy chains aren't significant competitors.

Ms. Ohlhausen said she believed Rite Aid "will remain a robust competitor in the areas where its presence matters in the formation of retail pharmacy networks, and it will retain most or all of its stores in those areas."

The Democratic commissioner, Terrell McSweeney, disagreed with the FTC's move to clear the deal. She said the store sales would eliminate Rite Aid's presence in certain geographic regions, leaving just Walgreens and CVS Health Corp. to compete.

Internet Legal Shield Faces Pressure

By JOHN D. MCKINNON
AND DOUGLAS MACMILLAN

WASHINGTON—A key Senate committee chairman on Tuesday urged internet companies to help forge legislation to combat online sex trafficking, pressuring the technology industry to get behind an effort it has largely opposed.

Commerce Committee Chairman John Thune (R., S.D.) stopped short of endorsing a bipartisan measure that has been gaining steam in the Senate. That legislation would roll back the sweeping legal immunity that websites enjoy under federal law, and enable victims and local prosecutors to take legal action against sites that knowingly facilitate trafficking.

Mr. Thune suggested Silicon Valley firms need to be involved in finding a compromise that both sides could accept. "I believe that these companies—like the rest of us—have an obligation to do more," Mr. Thune said in his opening statement at a congressional hearing Tuesday on the issue.

At the end of the hearing, he said to an internet trade association representative who appeared as a witness: "I



John Thune and other U.S. senators are targeting sex trafficking.

would encourage you and the companies that you represent...to figure out if there's a way" to agree on legislation. "We need to provide clarity," he added.

The legislation stems from concern that current federal law—adopted in the 1990s to help the fledgling internet grow—has led to an epidemic of online sex trafficking in recent years, mainly through classified-ad sites such as backpage.com.

Escort ads on such sites often have served as thinly disguised solicitations for prostitution, and sometimes involve

underage victims, according to anti-trafficking advocates.

But Backpage has successfully shielded itself from legal action by victims as well as state prosecutors by citing the federal immunity law. The company declined to comment on Tuesday's hearing.

Legislation sponsored by Sens. Rob Portman (R., Ohio) and Richard Blumenthal (D., Conn.) has gained 30 co-sponsors since being introduced in early August. It would roll back the 1990s federal shield, at least for online companies that knowingly facilitate sex trafficking.

ENERGY

Continued from the prior page
ful of new developments have been approved this year. And a record number of proposals to dismantle existing infrastructure were submitted in the first half of this year, according to Wood Mackenzie.

But the stabilization in oil prices, some new oil and gas discoveries and the emergence of private-equity money have helped create a sense of optimism across the North Sea industry not seen since prices crashed in 2014.

Private-equity funds have built up war chests totaling \$15 billion for North Sea acquisitions, Wood Mackenzie said. Companies backed by funds including **EIG Global Energy Partners**, **Carlyle Group** and **CVC Capital Partners** have al-

ready bought sizable asset packages in the region.

Among the largest, after Total, was the \$3.8 billion deal made in January by **Chrysaor Holdings** Ltd., the EIG-backed oil company, for a chunk of Shell's North Sea assets. Shell is now focused on maintaining its North Sea output at around 150,000 barrels a day into the late 2020s.

"The North Sea is in a window of opportunity," Linda Cook, chairman of Chrysaor and chief executive of EIG's investment vehicle, **Harbour Energy**, said in an interview. "We intend for this to be the first of many acquisitions in the region."

BP has also approached potential buyers about its North Sea oil assets—although, like Shell, it says it remains committed to the region.

In fact, BP and other major oil competitors say that they are looking at growth in the

North Sea, especially in an area west of the Shetland Islands that was once considered too difficult to develop. **Chevron** Corp. is sitting on one of the region's largest undeveloped fields, which the company says it is working to advance this year.

\$15B

Private-equity funds' total war chests for North Sea acquisitions

Total's deal last month is evidence that big oil companies continue to see value in the region. It marked the biggest North Sea-weighted deal in more than a decade, according to Wood Mackenzie, and was Total's largest purchase since

the oil-and-gas megamergers at the turn of the century.

The oil-price downturn over the past three years has forced oil producers to make deep cost cuts and driven down prices for contractors and services. Those changes are starting to show results.

BP has slashed its average production costs in the North Sea from a peak of more than \$30 a barrel in 2014 to less than \$15 a barrel at present. By the end of the decade, the company expects that to come down to below \$12 a barrel, Mr. Dudley said last week.

Shell's costs have fallen by 60%—a reduction matched at competitors, said Steve Phimister, the company's U.K. production director.

"The thing that has differentiated the North Sea is that we've been using that downturn to right the ship," Mr. Phimister said.

sharply from \$802 in 2012. This year, 28% of covered workers were enrolled in high-deductible plans that can be paired with savings accounts that aren't taxed, compared with 29% last year and 19% five years ago.

Drew Altman, chief executive of the Kaiser foundation, said it is too soon to tell if the growth in deductibles would quickly resume next year, or if

employers are reluctant to keep pushing the tactic.

"We'll have to watch it," Mr. Altman said. "It's possible it's playing itself out or reaching some kind of natural limit."

One factor that had helped encourage the adoption of higher-deductible plans, a tax in the Affordable Care Act on high-cost employer coverage, is now slated to take effect in

2020. But it has drawn opposition from both Democrats and Republicans. Employers may be assuming that it is unlikely the tax will ever hit, easing the urgency on ratcheting up deductibles.

The Kaiser survey was conducted between January and June of this year and included 2,137 randomly selected employers that responded to the full telephone survey.

BUSINESS NEWS

Toys ‘R’ Us Files for Bankruptcy

Chain joins retailers unable to adapt to the changing market; some stores to close

BY LILLIAN RIZZO
AND SUZANNE KAPNER

Toys “R” Us Inc., the rain-bow-colored toy emporium that for decades was the go-to spot for birthday and holiday gifts, filed for chapter 11 bankruptcy protection late Monday, undone by its hefty debt load and the rapid shift to online shopping. As part of the restructuring process, Toys “R” Us plans to close some underperforming stores, according to people familiar with the matter. Its remaining locations would be re-configured to be more experienced-based, incorporating amenities such as in-store play areas, they said.

The U.S. company expects most of its stores will be open for the holidays, using \$3 billion in bankruptcy financing to continue buying merchandise and funding its operations, the people said.

The company, which operates about 1,600 stores around the world, was a classic example of a “category killer,” a huge specialty store with low prices that squeezed independent shops. It swallowed up several rivals that themselves filed for bankruptcy protection, including FAO Schwarz and Kay Bee Toys, a mall-based chain that liquidated hundreds of stores before it was sold.

“They are the last major free-standing toy retailer in the U.S.,” said Jim Silver, the chief executive of TTPM, a website that reviews thousands of toys each year for consumers. As the testing ground for new products, Toys “R” Us often identified hits before rivals, as it did with Zhu Zhu pets in 2009, Mr. Silver said.

But like many other big-box chains, including now-defunct Borders, Circuit City and



The big-box chain succumbed to competition from Wal-Mart, Target and more recently Amazon. A Toys 'R' Us in New York's Times Square.

Sports Authority, Toys “R” Us struggled with the rise of discounters such as Wal-Mart Stores Inc. and Target Corp., and more recently, Amazon.com Inc. It was late to develop and expand its e-commerce business and placed big bets on licensed toys for “Star Wars” and Lego movies that missed expectations.

Toys “R” Us was purchased for \$6.6 billion in 2005 by Vornado Realty Trust and private-equity firms Bain Capital and KKR & Co., and remains heavily indebted from the buyout. That has limited its ability to invest in growth initiatives such as e-commerce.

Monday’s filing in U.S. Bankruptcy Court for the Eastern District of Virginia was triggered by vendors and suppliers tightening terms with Toys “R” Us ahead of the important holiday selling season, which accounted for 40%

Toy Makers Adjust To Retailer’s Woes

The fallout from Toys “R” Us Inc.’s bankruptcy filing ends weeks of uncertainty for the toy industry while creating a new challenge for toy makers just ahead of the busy holiday season. But the fallout might be limited for big toy makers, analysts said.

The retailer plans to continue operating most of its locations, the bankruptcy isn’t expected to spark widespread liquidation sales, and manufacturers can shift sales to other retailers.

of its \$11.5 billion in revenue last year. For the past several years, the company has lost money in each quarter except

Toys “R” Us is “not as big a sales channel for toy companies as many think, though still material,” said BMO Capital Markets analyst Gerrick Johnson in a research note Tuesday. According to Mr. Johnson, the retailer accounts for 9% of **Hasbro** Inc.’s sales, 11% of **Mattel** Inc.’s, 12% for **Jakks Pacific** Inc. and 15% for **Spin Master** Corp. Mattel and Hasbro, as well as **Lego** A/S, are also among Toys “R” Us’s biggest unsecured creditors.

Uncertainty surrounding the chain’s future led suppliers to hold off on shipments, Mr. Johnson wrote, so the \$3 billion in bankruptcy financing the company has lined up now

gives them confidence to resume them in time for the holiday shopping season.

Jefferies, in a research note Tuesday, said that toy companies are already redirecting business to big-box stores and online retailers such as **Amazon.com** Inc., **Wal-Mart Stores** Inc., **Target** Corp. and **Costco Wholesale** Corp.

“We will continue to support Toys ‘R’ Us as they restructure their business,” said Spin Master Chief Operating Officer Ben Gadbois in an emailed statement, adding that Toys “R” Us is “an important part of the toy industry.”

—Michelle Ma and Saabira Chaudhuri

the holiday quarter.

Toy makers **Mattel** Inc. and **Hasbro** Inc. are among Toys “R” Us’s biggest unsecured

creditors. Mattel is owed more than \$135 million, while Hasbro is owed \$59 million, according to court papers.

Fox News, Host Face Lawsuit

BY JOE FLINT

Scottie Nell Hughes, a former on-air guest on the Fox News Channel and Fox Business Network, alleged in a lawsuit that she was blacklisted by the network and defamed after accusing an anchor of rape and assault.

The suit, filed Monday in federal court in New York, stems from her earlier allegation that she was raped and assaulted by Fox Business Network anchor Charles Payne, on whose show she often appeared.

Ms. Hughes also claims that after making a formal complaint to a law firm retained by Fox News, the network leaked her name to the media and disseminated emails that suggested she and Mr. Payne had a consensual relationship.

Besides Fox News and Mr. Payne, the suit’s other defendants include Fox News general counsel Dianne Brandi and spokeswoman Irena Briganti, and the cable channel’s parent company, **21st Century Fox** Inc.

Through his attorney, Mr. Payne denied the allegations.

“My client Charles Payne vehemently denies any wrongdoing and will defend himself vigorously against this baseless complaint. We are confident that when the evidence is pre-

sented in this case, Mr. Payne will be fully vindicated and these outrageous accusations against him will be confirmed as completely false,” said Jonathan Halpern, a partner at the law firm of **Foley & Lardner** LLP.

The allegations by Ms. Hughes are the latest claim of sexual misconduct at Fox News. The suit was filed by attorney Douglas Wigdor, who has filed several other claims against the network for clients alleging sexual harassment and discrimination.

The allegations are the latest claim of sexual misconduct at Fox News.

Fox News denied that it retaliated against Ms. Hughes. Network spokeswoman Jessica Jensen said in a statement that covered all defendants: “The latest publicity stunt of a lawsuit filed by Doug Wigdor has absolutely no merit and is downright shameful. We will vigorously defend this.”

21st Century Fox and Wall Street Journal parent **News Corp** share common ownership.

Ms. Hughes appeared as a

network contributor from 2013 to 2016. She alleged that Mr. Payne made sexual advances toward her, and that in July 2013 he raped and assaulted her in a New York hotel room after pressuring his way in. The suit says she was too shocked and ashamed to speak out and didn’t tell anyone about the alleged incident. Thereafter, she was coerced into a sexual relationship by him in exchange for career benefits, the suit alleges.

After Ms. Hughes broke off the relationship, she claims her appearances on Fox News and Fox Business were reduced substantially and she says the network ultimately blacklisted her. She worked on CNN as a political analyst during the 2016 campaign.

When her manager raised the matter this year with Paul Weiss Rifkind Wharton, the law firm working with 21st Century Fox on such claims, that set in motion a series of events that led to a press report leaking her identity and reporting on a consensual affair between her and Mr. Payne, the suit alleges.

Fox News suspended Mr. Payne from his Fox Business duties in July. He was recently reinstated to his anchor position, after the network said it had completed its review, providing no further comment.

CBS Offer Nets Ten Network

BY ROB TAYLOR

CANBERRA, Australia—Creditors of Australia’s **Ten Network Holdings** Ltd. accepted an increased offer for the insolvent broadcaster from **CBS** Corp., rejecting a rival proposal from media moguls Bruce Gordon and Lachlan Murdoch, and handing the U.S. media giant a victory as it seeks to expand its international reach.

CBS sweetened its bid by offering more money to unsecured creditors, lifting the overall value of the deal to around 209.7 million Australian dollars (US\$166.9 million), according to Ten Network’s administrator, insolvency spe-

cialists KordaMentha. The deal could be completed by October, Mark Korda said, if it receives foreign-investment approval from the Australian government as expected.

The revised CBS bid for Ten Network came after Messrs. Gordon and Murdoch, who made a fresh offer for the network last week, lost a court challenge to the proposed deal on Monday. The court decision cleared the way for the creditors’ vote on Tuesday.

KordaMentha had previously recommended CBS’s initial proposal, saying the deal offered the best value. Messrs. Gordon and Murdoch may still challenge the deal through a court appeal.

Ten Network last year posted losses of A\$157 million and was placed into voluntary administration in June, with debts of A\$609 million.

New York-listed CBS, Ten Network’s biggest unsecured creditor, launched a bid for the company with plans to introduce its on-demand streaming service in Australia on a trial basis.

The offer derailed a joint bid from Mr. Murdoch—**21st Century Fox** Inc.’s executive chairman and co-chairman of News Corp, which publishes The Wall Street Journal—and his business partner Mr. Gordon, who controls a company that owns regional broadcasting licenses across Australia.

Clariant Deal in Jeopardy

BY BRIAN BLACKSTONE

ZURICH—A group of U.S. activist investors threatened to vote against the proposed merger between Swiss chemicals company **Clariant** AG and U.S.-based **Huntsman** Corp. unless alternatives are explored, jeopardizing a deal that would create a \$15 billion chemicals giant.

“We remain convinced, and increasingly so, that the proposed merger is detrimental to Clariant shareholders,” said the controlling investors in White Tale—which owns 15.1% of Clariant, making it the largest shareholder—in an open letter to the Swiss company’s board.

White Tale said the proposed merger also prevents Clariant from pursuing multiple alternative and immediate opportunities to unlock value for its shareholders.” It said, for instance, that Clariant could sell its plastics and coatings business “at an attractive valuation with minimal tax leakage.” It urged Clariant to hire an investment bank to evaluate alternatives to the deal.

White Tale comprises investment funds **40 North Latitude Master Fund** Ltd., controlled by U.S. investors David Winter and David Millstone; and **Corvex Master Fund** Ltd., controlled by well-known activist investor Keith Meister—all of whom signed the letter.

Clariant on Tuesday said it “does not agree” with the statements in the open letter. The Clariant board “reconfirms its decision that the planned merger is the best value creating option for all stakeholders and will, therefore, not deviate from the binding agreement,” the company said.

Clariant has said it expects the deal to close around the end of the year.



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PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

iPhone 8: Upgrade’s Improvement Is Slight

The iPhone 8 reminds me of the fifth Transformers movie—you know it’s new, though you can’t for the life of you figure out how it’s different. On its face, the 8 looks like an iPhone from 2014.

And like another sequel, the best thing about the iPhone 8 is that it’s entirely avoidable. Normally, iPhone owners have one decision to make: Is it an upgrade year or not? But this fall, you have real options. Apple’s selling the \$700 iPhone 8, the jumbo \$800 iPhone 8 Plus and the totally redesigned \$1,000 iPhone X, not to mention five older (and cheaper) iPhones.

If you follow the Goldilocks Principle, an iPhone 8 might seem like a sensible choice. It has a new camera and processor, yet doesn’t cost quite as much as the fancy-pants X.

But let’s stop taking electronics advice from a girl who robs bears. Putting the iPhone 8 through its paces for the past week, I learned Apple should have called it the iPhone 7s. (The company skipped the “s” model this year, calling it a “new generation.”) The iPhone 8 is a good smartphone, but only a slight improvement, mostly in the camera department.

Let me propose a different iPhone purchasing strategy:

Because of Apple’s staggered rollout, I haven’t had opportunity to test the iPhone X. But for anyone considering buying an iPhone 8, here is how it measures against an iPhone 7.

Glass Back

From the front, it’s harder to tell the difference between the 7 and 8 than to ID an Olsen twin. But look on the back, and you will see it’s made of glass rather than metal.

The glass might remind you of the iPhone 4, one of the most iconic Apple designs. But I’m not sold. The iPhone 7’s glossy black finish gives it a contiguous surface, like a pebble smoothed by the ocean. The iPhone 8 shows seams where the glass touches the aluminum band, making it feel a little like a knockoff. And there’s no denying it looks dated compared with the curved glass on rival Samsung’s Galaxy S8 (\$720), which takes the screen all the way to the edge.

Wireless Charging

There is a practical reason for the glass: It enables the 8’s standout new capability, wireless charging. No, you can’t beam power to it from across the room. You have to place it on a Qi-compatible charging pad, sold separately for \$40 and up.

It works...just OK. While convenient, it isn’t fast. The \$60 Mophie brand pad I tested required me to put the phone in just the right spot. One time, I plopped it down and later found my battery almost depleted because the phone was sitting slightly off-center. Apple’s working on improving that with a new design, but it won’t arrive until next year.

I have long criticized Apple for not embracing wire-



MARCIO JOSE SANCHEZ/ASSOCIATED PRESS

The iPhone 8’s glass back enables wireless charging, but it requires exact placement on the pad.

less charging. Hopefully, now that it has, the tech will become more widely available.

How about battery life? Apple claims there is no improvement. In my stress tests versus the iPhone 7, I squeezed about 15 more minutes out of the 8—for a total of 10 and three-quarter hours. The 8 Plus lasted about 11 hours.

New Cameras

Perhaps you spotted me last weekend running around San Francisco taking the

same photo on four different phones: the dual-camera 8 Plus, 7 Plus and Samsung Note 8 as well as Google’s older single-camera Pixel XL. Some 1,500 shots later, I preferred most of the ones from the rear iPhone 8 Plus camera, which is similar (though not exactly the same) to the one on the iPhone X.

A larger, faster, sensor and new processing helps the iPhone 8 capture more saturation and contrast—sunsets are less hazy and faces look sharper. In low-light situations, it retains

more detail than the Note 8. It was as if all the shots had been given a boost in Instagram. And while I have avoided using the flash on past iPhones, the 8’s was smart enough to actually improve my shots.

Faster Processor

I’ll spare you the details about the iPhone 8’s 6-core A11 Bionic CPU, which it shares with the iPhone X. Just know this: In some benchmarks, it scores as well as Mac laptops.

What can you do with a phone that fast? Those new camera tricks, plus high frame-rate 4K video, wouldn’t be possible without it. And it never hurts to try to futureproof the computer you use most. But the bottleneck on the apps I use most often is internet speed, not the processor. Aside from some 3-D games, I couldn’t find many apps that require so much horsepower today.

Apple is pushing hard into visually intense augmented-reality apps, but all the ones I tried worked nearly as well on the iPhone 7 running iOS 11.

Hard to Justify

How many of those changes really matter to you? Few of them address my core smartphone concerns, including screens, battery life, privacy protection and nonstop distraction. That is what is frustrating about the iPhone 8: In the past, Apple rarely raised prices when it made a better phone with more storage. This time, it releases an incremental update and charges \$50 more. It’s the first time the most basic new iPhone costs \$700.

The virtues I see in the iPhone 8 are niche improvements: I’m glad you don’t have to spend \$1,000 to get an improved camera and processor and even wireless charging, if that matters to you. But Apple’s confusing iPhone family now includes three pairs of practically identical phones: the regular and Plus versions of the iPhone 8, 7 and 6s. Don’t buy the spendiest one.



A contest involving Tencent’s mobile games in Chengdu, China, in July. The Chinese company and Nintendo have struck a deal.

Nintendo Looks to Next Level in China

By TAKASHI MOCHIZUKI
AND ALYSSA ABKOWITZ

For all its global popularity, Nintendo Co. has had relatively limited business in China. Now a deal with Tencent Holdings Ltd. has investors excited at the prospect of the Japanese company’s Switch console and smartphone games taking off in one of the world’s biggest game markets.

Nintendo shares shot up by more than 7% to a nine-year high Tuesday on word that one of China’s most popular videogames—Tencent’s “Honor of Kings”—will be available on the Switch this winter. The game is called “Arena of Valor” in Europe, where it was introduced in August; a U.S. launch under that name is set for later this year.

For the moment, the deal, disclosed last week in a Nintendo video posted online, doesn’t directly involve users in China because the Switch isn’t sold there. But it could be a precursor to arrangements allowing Nintendo to sell the Switch and its mobile games in China, said people familiar with the thinking of Nintendo and Tencent executives.

“This is very positive in the longer term in getting Chinese

publishers supporting the Switch,” said Macquarie Capital Securities analyst David Gibson. He expects Nintendo to introduce the Switch in China by March 2019.

China is the world’s largest smartphone game market, and “Honor of Kings,” first released two years ago, is one of its standout hits. Research firm App Annie said the game was the top-grossing app in China during the second quarter of this year, raking in some \$87 million a month on average on Apple Inc.’s iOS platform.

The game, a battle between five-player teams, has been so popular that this summer Tencent imposed daily playing-time limits on players aged 18 and under and imposed a curfew for children 12 and under.

For 15 years starting in 2000, China blocked videogame console makers from its market, saying the consoles could hurt young people’s education. After it opened up in 2015, Sony Corp. and Microsoft Corp. released their latest consoles. Nintendo held back, in part because consoles are a niche product in a country where consumers are used to playing on smartphones and personal computers. Nintendo has sold a version of its 3DS

hand-held device in China, but it gained less traction than in the U.S. or Japan.

People familiar with Nintendo’s thinking said it has been looking for ways to expand in China and sees Tencent as a possible partner, although they cautioned that nothing is in place yet. They said Nintendo looked at selling its Wii U console in China but dropped the plan.

The Switch’s features such as portability are attractive to game makers like Tencent.

In addition to its Switch, which went on sale in March, Nintendo has moved into smartphone games globally since last year with titles such as “Super Mario Run.” If the company makes a big push in China, it would likely look for ways to make those games available to Chinese smartphone users, analysts said.

The Tencent-Nintendo deal has implications beyond China because it suggests that Tencent is getting more aggressive about reaching customers

globally.

“Tencent’s approach outside China has been to invest in gaming companies that augment its existing games and pipeline in China,” said Daniel Ahmad, an analyst at Niko Partners who follows the Chinese game market. “Now we’re seeing Tencent start to bring its own internal games to the West.”

Meanwhile, the addition of the Tencent game to Nintendo’s Switch lineup suggests rising third-party support for the console, a key factor for its long-term success, said Macquarie’s Mr. Gibson.

Sony’s PlayStation 4 has much wider distribution because it has been on the market for nearly four years, but Mr. Ahmad of Niko Partners said the Switch’s smartphone-like aspects, such as portability and a built-in touch screen, are attractive to game makers such as Tencent that are used to smartphones.

Over Fence Co., a small game developer in Tokyo, said it found it easier to win attention when it introduced its puzzle game “Flip Wars” for the Switch because the field of software competitors isn’t as crowded compared to smartphones. It said it was preparing several more Switch titles.

Uber Files Suit Against Ad Firm

By SUZANNE VRANICA
AND ALEXANDRA BRUELL

Uber Technologies Inc. filed a lawsuit against Fetch Media Ltd., a mobile ad agency owned by ad giant Dentsu Inc., alleging the agency misrepresented the effectiveness of its mobile ads, failed to prevent ad fraud and didn’t return rebates owed to Uber.

The ride-hailing company is suing Fetch for breach of contract, fraud and negligence, among other allegations.

In the complaint, Uber said it hired Fetch to purchase and place mobile ads that direct potential new riders and drivers to download the Uber app. Uber said it pays only for ads that lead to app installations, new sign-ups or first trips. Fetch coordinated multiple ad networks to purchase ad inventory from a variety of publishers on behalf of Uber, according to the suit.

The complaint, filed Monday in the U.S. District Court for the Northern District of California, claims that Fetch misrepresented the effectiveness of its mobile media strategy by failing to “prevent and remediate fraud among the networks and publishers.”

The suit alleges that Fetch caused monetary damage to

Uber of at least \$50 million. While the complaint doesn’t specify how much Uber is seeking in damages, Uber said separately it will be seeking at least \$40 million.

In the suit, Uber alleges that Fetch “squandered tens of millions of dollars” purchasing nonexistent, nonviewable or fraudulent ads and that it “concealed those facts from Uber.”

“With Fetch, we learned the age-old lesson ‘buyer beware’ the hard way,” Uber said in a statement.

In a statement, Fetch Chief Executive James Connelly denied the allegations.

“Fetch takes ad fraud extremely seriously and has been working with clients and suppliers to minimize its impact within ad networks,” Mr. Connelly said.

Dentsu, which wasn’t named in the suit, didn’t respond to a request to comment.

In addition, the suit says Fetch failed to “pass back to Uber volume rebates, commissions, or discounts received from networks and publishers, causing Uber to overpay for mobile inventory and Fetch’s commission.” Advertisers have been concerned about rebates for several years.

Roku Sets IPO Price Range

By DICK STREULY

Roku Inc. said it expects to raise as much as \$219 million in its initial public offering, as the maker of streaming-media devices set a price range for its planned listing that would value the company between \$1.1 billion and \$1.3 billion.

The Los Gatos, Calif., company and current shareholders plan to offer 15.7 million shares priced between \$12 and \$14 each, according to a regulatory filing Monday that offered more details on plans it outlined earlier this month.

Roku seeks to trade on the Nasdaq Stock Market under the ticker symbol ROKU.

The company, which had worked on a possible IPO in 2014, was founded in 2002 and made its name through small boxes that hook up to television sets and stream

video from such services as Hulu and Netflix Inc.

The Wall Street Journal reported in July that the company had been seeking a valuation of roughly \$1 billion.

Roku, which has yet to make a profit, receives the majority of its revenue from sales of streaming players. That represented \$117 million of the \$199.7 million in revenue it reported for the first half of this year.

However, the company has been shifting its business to draw more of its revenue from ads and subscription-revenue-sharing deals. The company said it had 15.1 million active accounts as of June 30. Average revenue per user from ads and subscription services was \$11.22, above the \$9.28 figure in 2016, it said.

—Maureen Farrell contributed to this article.

MANAGEMENT

Common Traits Of Best Team Leaders

By FRANCESCA FONTANA

Many managers say they want to foster a collaborative spirit among their teams, but doing so while keeping employees focused and productive is difficult.

The Institute for Corporate Productivity asked managers and workers about the collaborative practices of more than 1,000 organizations, including government and academic institutions.

The research revealed four common traits of leaders who are able to get the best collaborative efforts from their teams.

The majority of respondents at high-performing companies said successful collaboration comes down to a few key behaviors: modeling collaborative action, building strong networks among employees, encouraging collaboration across departments and structuring work effectively.

“These are key things companies can do that are not expensive and easily implemented,” said Kevin Martin, the institute’s chief research officer and co-author of the report.

Managers must make sure workers can form trusting relationships within their team.

As many companies move away from hierarchical structures to more team-based work, the most effective managers make sure workers have a clear purpose and the ability to form trusting relationships with their teams, Mr. Martin said. Managers, for instance, reported that their teams worked together best when members felt comfortable reporting their own work overload, the research found.

Managers of the best-performing teams, the survey found, help members understand their roles and clearly designate the person who has the final say on decisions.

“Confusion can cause problems or infighting,” Mr. Martin said.

Workers also say they became frustrated on teams where their opinions weren’t being heard and in situations where they didn’t understand what they were working toward, Mr. Martin noted.

These concerns are especially intense for workers who collaborated with others infrequently and those who were on teams with people they didn’t know particularly well.

New in Boardrooms: Buddy System

Mentors can help newcomers figure out cultural norms, power brokers—and even the right place to sit

By JOANN S. LUBLIN

Amy Chang got unusually frank feedback when the new director of **Cisco Systems** Inc. walked out of her first board meeting last December.

Longtime board member Carol Bartz chided the then-39-year-old tech executive for apologizing when she posed questions during the meeting.

“You have the right to ask questions,” said Ms. Bartz, a Cisco director since 1996. Ms. Chang says the guidance helped her understand how things worked on the net-working giant’s board, though she had been a corporate director elsewhere.

More boards are pairing new members like Ms. Chang with seasoned mentors like Ms. Bartz as they scramble to improve their oversight of management in the face of intensified investor scrutiny. Board buddies can help newcomers figure out the boardroom’s cultural norms, power brokers—and even the right place to sit.

Mentors make sure “you don’t come in as a bull in a china shop,” observes Steven R. Walker, managing director of the board services group at the National Association of Corporate Directors.

A 2016 survey conducted by the association found that 33 of 296 U.S. companies with orientation programs for directors choose an experienced board member to guide their latest member.

Other businesses with formal mentoring efforts include Foot Locker Inc., Applied Materials Inc. and Nasdaq Inc.

The boardroom buddy system was virtually unheard of five years ago, governance specialists say. “We could see at least 50 Fortune 500 companies with new director mentor programs by 2020,” predicts Rusty O’Kelly, head of the board consulting and effectiveness practice at recruiters Russell Reynolds Associates Inc.

Boards that integrate new members sooner should “make better decisions and produce better results for shareholders,” Mr. O’Kelly



Amy Chang, left, and helper Carol Bartz at Cisco headquarters. Foot Locker, Applied Materials and Nasdaq also have formalized mentoring.

adds. But the concept is so new that there is little concrete evidence that they actually accelerate the impact of newcomers.

Ms. Bartz, Cisco’s independent lead director, became its first mentor when Ms. Chang joined the board last October. Ms. Bartz says “the biggest benefit is having an effective board member faster.”

The best mentors counsel new directors before and after board meetings for at least six months, governance experts say. Without such hand-holding, new directors typically take about nine months to assimilate.

“It’s a really efficient and practical way to assure that the new directors get the most out of the early meetings,” says Dick Johnson, chief executive of Foot Locker. The sports retailer began a board mentorship program when the latest two members arrived in 2016.

Cisco directors endorsed the idea partly because some prior board recruits “weren’t

a good culture fit,” says Cassandra Frangos, vice president of global executive talent.

Ms. Chang, a former Google Inc. executive who runs privately held tech firm Accompany Inc., spoke with Ms. Bartz for several hours before her inaugural Cisco board meeting. They met three times in the glass-roofed conservatory of Ms. Bartz’s suburban San Francisco mansion.

“She really took the time to walk me through things,” Ms. Chang says. Ms. Bartz described the context for several board colleagues’ beliefs, the complex global risks facing Cisco and the importance of observing board committees for months before Ms. Chang took a committee seat.

Ms. Bartz, former chief executive of Yahoo Inc. and Autodesk Inc., also recommended where the newcomer should sit in the boardroom “so I literally wouldn’t be taking anyone’s seat at the table,” Ms. Chang says. “That’s the tiniest thing, but it is important.”

Following her initial board meetings, Ms. Chang usually asked Ms. Bartz, “How did I do?” Ms. Bartz says her briefings and feedback brought Cisco’s youngest-ever female director up to speed quickly.

Brent Saunders, a Cisco director since March, says he especially appreciates being mentored by industry veteran Michael Capellas. Like Ms. Bartz, Mr. Capellas has led big tech businesses.

“I come into Cisco certainly having very strong experience running public companies (though) not with a tremendous grasp of technology,” says Mr. Saunders, CEO of drug-maker Allergan PLC. “They have a different vernacular.”

Over a glass of wine this spring, Mr. Capellas briefed Mr. Saunders about why Cisco developed a new security service just before the board discussed the service’s imminent launch. The mentor also talked about Cisco products, such as its switches—a technical term for networking hardware

that puzzled Mr. Saunders. He told Mr. Capellas he had seen the word in board briefing materials, but “didn’t know what it was.”

That mentoring session persuaded Mr. Saunders to propose a formal board buddy program for Allergan.

Board mentoring relationships sometimes take time to develop, especially when programs aren’t highly structured. That proved true for Judy Bruner, a former finance chief who joined the board of semiconductor maker Applied Materials in 2016. Its mentorship effort is fairly informal, she says.

Ms. Bruner and her mentor, Dennis Powell, say they have forged a relationship, mainly through casual chats after board and committee meetings. She says companies should “make sure the mentor and mentee have connected appropriately.” This summer, she arranged a mentoring lunch with him.

Informality “is just the beauty of this kind of program,” Mr. Powell adds.

BUSINESS WATCH

VOLVO

Auto Maker Raises Its Bet on U.S. Sales

Swedish auto maker Volvo is doubling its investment in its first U.S. plant to a total of \$1 billion, a bet that its nascent comeback in the U.S. market has staying power.

Volvo will add a second production line to a factory now under construction near Charleston, S.C., a spokesman for Volvo said. The auto maker plans to make the S60 sedan at the plant starting in late 2018 along with another unnamed vehicle.

The expansion will add 1,900 jobs to the 2,000 already planned for the plant.

Volvo, acquired by China’s **Zhejiang Geely Holding Group** Co. in 2010, is using the South Carolina factory as the anchor for its U.S. growth bid. The U.S. was Volvo’s fastest-growing market last year, posting an 18% increase in sales to 82,726 vehicles. Sales have cooled this year, slipping 7% to about 49,000 vehicles through August.

—*Adrienne Roberts*

POST HOLDINGS

Cereal Maker to Buy Bob Evans Farms

Post Holdings Inc. said Tuesday that it has agreed to acquire **Bob Evans Farms** Inc. in a cash deal valued at \$1.5 billion.

The transaction is the latest in a series of acquisitions by the cereal maker that aim to jumpstart growth in the sluggish packaged-food sector.

Post has agreed to pay \$77 a share for Bob Evans Farms, which split its packaged-food businesses from a struggling chain of family dining restaurants earlier this year amid pressure from activist investor **Sandell Asset Management** Corp. The price represents a 5.6% premium over Monday’s closing share price.

Post Holdings, which makes products including Honey Bunches of Oats and Great Grains cereals, said the tie-up would strengthen its presence in commercial food service and en-

hance growth opportunities.

—*Ezequiel Minaya*

FOXCONN TECHNOLOGY

Wisconsin Grants Incentives Package

Wisconsin Gov. Scott Walker signed a bill Monday that would give Taiwan’s **Foxconn Technology** Group \$3 billion in economic incentives to open a megaplant in the state.

The package garnered pushback from Democratic lawmakers, who said the deal was bad for taxpayers. But the Republican-controlled state legislature easily passed the bill, which was introduced in July in a White House ceremony by Mr. Walker

and President Donald Trump.

Foxconn, formally known as **Hon Hai Precision Industry Co.**, plans to invest \$10 billion to build a 20-million-square-foot campus in southeastern Wisconsin that could employ as many as 13,000 workers over a period of six years.

The facility would build liquid-crystal display technology, or LCD, screens.

“This is a truly transformational step for our state,” Mr. Walker said.

In addition to the jobs created directly from the plant, Mr. Walker had argued the deal would help turn the state into a technology hub that could attract young workers.

—*Shayndi Raice*

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FINANCE & MARKETS

Hedge-Fund Firm Conatus Is Closing

David Stererman, its founder, plans to shut \$1.6 billion firm to pursue role in politics

By JULIET CHUNG

Hedge-fund manager David Stererman is shutting down his \$1.6 billion firm at the end of the year to run for governor of Connecticut, he wrote to investors Tuesday morning.

Mr. Stererman's Greenwich, Conn., hedge fund, **Conatus Capital Management LP**, has gained 18.3% after fees so far this year betting on and against stocks through August. That outstrips the 8.3% return for the period by stock hedge funds on average as well as the 11.9% total return by the S&P 500, according to research group HFR.

But Mr. Stererman, a Republican, has told people he

feels a calling to serve Connecticut, which is the only state in the country that has yet to pass a budget for the current fiscal year. Its business-friendly reputation has come under pressure, with General Electric Co. moving out of the state in 2016 and Aetna Inc. planning to move its corporate headquarters out of Connecticut. Last week, Moody's Investors Service downgraded the debt of Hartford two notches deeper into junk status.

"Connecticut—home to my family and business—is in crisis," Mr. Stererman wrote in a Tuesday letter to Conatus investors telling them of his plans to shutter the firm. "I am deeply concerned that a small number of people in our state are thriving while many are struggling to make ends meet."

"I believe that I can bring a different approach to finding



Hartford, Conn. Mr. Stererman wants to run for state governor.

solutions and that a new approach is necessary to lead Connecticut to a better future," the letter said.

Mr. Stererman worked as a portfolio manager at Lone Pine Capital LLC before founding Conatus in 2007. The firm looks to bet on companies in

the U.S. and abroad that are growing quickly but aren't trading at expensive valuations.

Its assets under management have nearly halved from its \$3 billion peak in early 2014, when its main fund lost money that year and some cli-

ents pulled their investments, and there has also been turnover among executives and investment staff. But the firm's main fund has posted a cumulative 65.6% return after fees since its inception, said a person familiar with the firm, better than the MSCI All-Country World Index for the period.

Conatus expects to return 95% of clients' money by Dec. 22 and the rest after audits are completed, the letter said. Mr. Stererman also said he planned to take most of the money he had invested in Conatus and put it in a new hedge fund being started by Amir Mokari, who headed Conatus's consumer investments.

Mr. Stererman will have a passive ownership stake in that firm, expected to start in January.

Hedge-fund executives including Robert Mercer of Renaissance Technologies, Marc

Lasry of Avenue Capital Group and Paul Singer of Elliott Management have become a major source of donations for political candidates or individual causes. But few have tried to make the leap into office themselves.

The website of the nonpartisan Center for Responsive Politics shows Mr. Stererman has donated over the years to the GOP and to Republican candidates for local and national office.

In 2012, he donated to GOP presidential candidate Mitt Romney and gave \$100,000 to American Crossroads, the Karl Rove-backed Republican super PAC that took blame that year when the party failed to defeat President Barack Obama or capture the Senate. His most recent donation, according to OpenSecrets.org, was a \$10,000 donation in 2014 to the Connecticut Republican Campaign Committee.

Potential Bidders Flock to The Plaza

By CRAIG KARMIN

About 50 private-equity firms, foreign governments and other investors have expressed interest in New York's Plaza Hotel since the majority owner put it on the block last month, according to the broker handling the sales process.

Jeffrey Davis, international director at JLL Hotels and Hospitality Group, said formal bids for the property are due by the end of the third week of October.

While it is unclear how much an investor will pay to own a trophy property like the Plaza, hotel investors and brokers suggest it could be one of the most expensive hotel sales on a per room-key basis, an industry metric for valuing hotel sales. Based on the hotel's 282 guest rooms, that would bring a sales price of more than \$500 million.

More than two dozen real-estate moguls, foreign government funds and other hotel investors around the globe have attempted in recent years to buy the Plaza, according to

Bids for the hotel are due by the end of the third week of October.

people familiar with the matter. A Qatari sovereign-wealth fund, a Shanghai municipal investment fund and Pras Michel, the Grammy-winning founder of the hip-hop group Fugees, are among those that have expressed interest in the property, say people who have been close to the process.

Sahara Group, a Lucknow, India-based conglomerate and the hotel's majority owner, never reached a deal with any of these suitors. But hotel brokers said the company's decision to hire JLL last month signaled that Sahara was getting more serious about selling the Midtown Manhattan hotel.

Sahara officials couldn't be reached for comment.

Sahara has the right to sell its 75% stake in the hotel as it sees fit, Mr. Davis said, though minority owner Saudi Prince al-Waleed bin Talal and partner Ashkenazy Acquisition Corp. have the right to match any offer to purchase Sahara's majority interest.

The 1907 property, on the edge of Central Park, has been a part of U.S. popular culture for decades.

It was featured in novels such as "The Great Gatsby" and numerous films, including Alfred Hitchcock's "North by Northwest." Marilyn Monroe and the Beatles stayed there. John F. Kennedy's sister Patricia Kennedy held her wedding reception in the Plaza's ballroom. Previous owners include hotelier Conrad Hilton and Donald Trump, who once compared it to the "Mona Lisa."

After Hack, Equifax's Reach Raises Concern

By MICHAEL RAPOPORT AND ANNA MARIA ANDRIOTIS

Equifax Inc., the credit-reporting firm that suffered a far-reaching breach of consumer data, also supplies identity verification services to the U.S. Social Security Administration and works with the federal Centers for Medicare and Medicaid Services to verify people's eligibility for health-insurance subsidies.

The government work, which generates more than \$20 million in revenue for Equifax annually according to federal procurement data, highlights how deeply rooted Equifax is in the financial life of the country—helping establish the credentials of identity for U.S. citizens.

That reach is now cause for concern given the company's announcement this month of a breach that disclosed vital personal information of potentially 143 million Americans. That information included Social Security numbers, along with names, addresses and dates of birth.

The attack is being probed by the Federal Bureau of Investigation, while the company is facing inquiries from regulators and Congress.

At the Social Security Administration, Equifax has supplied identity-verification services for the agency's "my Social Security" portal. This helps consumers do things like check their benefits and request replacement Social Security cards.

The CMS uses data from Equifax's "Work Number" database business to verify people's eligibility for subsidies to buy insurance under the Affordable Care Act.

The CMS business, with annual contracts around \$20 million, has been worth a total of about \$104 million to Equifax from its inception in 2013 through next March, according to procurement data. Equifax reported \$3.15 billion in revenue last year.

There is no indication that Social Security Administration or CMS systems have been compromised due to the Equifax



Equifax's credit-reporting division accounts for a declining share of its overall revenue.

hack. When the company announced the breach on Sept. 7, it said only "certain files" were affected, adding, "The company has found no evidence of unauthorized activity on Equifax's core consumer or commercial credit reporting databases."

Following news of the breach, the Social Security Administration posted a statement that said, "Although we sometimes use Equifax to help verify your identity when setting up a mySocial Security account, Social Security never shares Social Security numbers with Equifax." The SSA didn't respond to a request for additional comment.

A Equifax spokesman said the company doesn't comment on the terms of customer contracts. But he said the company provides identity verification and authentication "through various methods for the my Social Security system." He added that Equifax doesn't provide website or portal security.

Separately, it emerged Monday that Equifax suffered a data incident in March that was separate from the hack that led to the widespread exposure of consumer data. In a statement, Equifax said it had retained Mandiant, the cyber investigations division of FireEye Inc., to

Massachusetts Sues Over Breach

Massachusetts Attorney General Maura Healey filed a lawsuit against Equifax over the company's failure to protect consumers' personal information, the first official enforcement action brought against the credit-reporting company.

The complaint alleges Equifax violated Massachusetts consumer-protection and data-privacy laws due to the hacking that exposed vital personal information of potentially 143 million Americans.

Dozens of attorneys general from other states have asked Equifax for information about the hack and its re-

sponse. The Federal Trade Commission and Federal Bureau of Investigation are investigating as well.

More than 300 consumer lawsuits have been filed against the company since Sept. 7, the day the company disclosed the hack that compromised consumers' names, addresses, dates of birth and Social Security numbers.

The Massachusetts lawsuit also alleges the company violated a state law by not providing timely notice to the attorney general's office and to affected consumers.

An Equifax spokesman said the company contacted regulators "at the time of the public announcement to inform them of the breach and to establish open lines of communication."

—Anna Maria Andriotis

look into the incident but didn't elaborate further. Mandiant also was called in to investigate the hack discovered in late July. "The two events are not related," Equifax said. The earlier March incident was previously reported by Bloomberg.

Late last week, Sens. Sherrod Brown (D., Ohio.) and Bill Cassidy (R., La.) wrote to the

Social Security Administration's acting commissioner saying the Equifax breach "raises serious questions as to whether the personal data SSA maintains on behalf of all Americans may be at risk of identity theft or other cybersecurity threats."

The senators asked the agency for assurances it could provide that data was being

FINANCE WATCH

PROGRESSIVE

Hurricane Leaves Insurer With Loss

Progressive Corp. swung to a loss in August, the company reported, with Hurricane Harvey more than tripling the insurer's catastrophe losses in the period compared with last year.

Progressive said that more than 90% of total catastrophe losses in August were linked to Harvey, the first substantial hurricane to hit Texas since Hurricane Ike struck the Gulf Coast in 2008.

Last month, the company

sustained \$254 million in catastrophe losses, up from about \$75 million during August 2016. A vast majority of the losses were tied to Progressive's vehicle business. Only \$26 million involved the property segment.

For the month, the company swung to a loss of \$16.8 million from a profit of \$49.3 million last year. Net premiums written during the month, meanwhile, rose 15.8% to \$2.21 billion.

Hurricane Harvey pounded Texas last month with torrential rain, high winds and widespread flooding. The last Category 4 storm to hit Texas was Hurricane Carla in 1961, accord-

ing to the National Weather Service.

While the insurance industry is strong overall, insurers with large Texas operations are vulnerable.

Insurers have braced for hundreds of thousands of claims from homeowners, car owners and businesses.

The top homeowners' insurers in Texas are State Farm, Allstate Corp. and Farmers Insurance, according to ratings company A.M. Best. State Farm, Berkshire Hathaway Inc.'s Geico and Allstate are the top personal auto insurers in Texas.

—Ezequiel Minaya

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THE PROPERTY REPORT

Strip Malls Fight the Chill

Landlords add skating rinks, fire pits and outdoor entertainment to prop up foot traffic

By ESTHER FUNG

Landlords of strip malls are trying to take the chill out of the air by adding outdoor entertainment programs, in hopes of attracting more shoppers in an era of declining foot traffic.

Come autumn, ice-skating rinks, fire pits and programmed entertainment such as tree-lightings will begin popping up in open-air centers across the northern and central U.S., landlords say. **Federal Realty Investment Trust**, a Rockville, Md.-based retail center landlord, plans to install a 6,600-square-foot outdoor ice-skating rink at its open-air center in Baltimore next month that is scheduled to open in mid-November.

The rink at the Avenue at White Marsh will be its third. Federal Realty, which owns mixed-use shopping center and apartment complexes in the suburban Washington, D.C., market, already has two ice-skating rinks that offer lessons and can be rented out for birthday parties and corporate events through February.

While shopping centers typically attract shoppers focused on transactions during the fall and holiday seasons, more landlords want to create destinations for the community that might not be entirely focused on buying something.

"You can still have a vibrant place even in the winter time," said Don Briggs, executive vice president of development at Federal Realty. "Planning, design and then the right programming is key," he said, adding that outdoor dining areas could be enclosed in the winter time and installing gas heaters helps extend the time customers spend in its premises.

Brookfield Place New York,



The Wharf, in Washington, D.C., will have parks and civic areas. Above, a rendering of its ice rink.

a luxury shopping center in lower Manhattan, will install an ice-skating rink on the waterfront plaza this winter with programs run by former U.S. Olympic skaters.

The center has attracted New Yorkers and visitors with "high-caliber, year-round activations and events," said David Cheikin, executive vice president at **Brookfield Properties**. The rink at Brookfield Place has been a "particularly fun and popular draw during the winter months for the past four seasons, further enlivening the complex and attracting people of all ages seven days a week," he said.

The moves come as bigger shopping center landlords are investing more to cater to changing consumer lifestyles as shoppers handle more of their transactions online.

The strategies don't have to be limited to retail real estate. Publicly listed open-air center developers such as Federal Realty, **Regency Centers Corp.** and **Kimco Realty Corp.** have been focusing development efforts on high-growth markets with transit links and are including some residential property development in the out-

parcels as well.

With online shopping on the rise and apparel companies closing stores, landlords are bringing in more restaurants, entertainment and other types of tenants that are focused on recreation that would draw communities.

The downside for owners is less space to draw rental revenue. The areas can also be expensive, especially when there are sizable fountains or rinks to build and operate.

"You're giving up that land you can build on to get rent," said Stephen Coslik, chairman of **Woodmont Co.**, a Fort Worth, Texas-based retail property services, brokerage and asset management firm. "It's all about the experience, whether they're fire pits, music venues, play areas for kids. The view is: It will bring people to the center."

Many landlords with big properties can afford to install outdoor rinks, but those running smaller centers often are on a tighter budget, especially because tenants typically don't chip in for such collective marketing expenses.

"A lot of it is tenant relations," said Jeff Donnelly, an

analyst at Wells Fargo.

While many strip centers already have grocery stores to draw shoppers daily, property owners have become more aware of the need to ensure their centers remain thriving.

Real-estate investment management and operating company **Madison Marquette Inc.** is opening the first phase of a \$2 billion mixed-used waterfront development in Washington, D.C., in October that includes residences, hotel, office and 335,000 square feet of restaurant and retail space.

Located adjacent to the National Mall, the project, known as the Wharf, will have 10 acres of parks, open spaces and civic areas, as well as a fire pit and a temporary ice-skating rink on two of its three piers. Madison Marquette will also organize free concerts and fireworks at its expense.

"Over time, we're actually interested in working with our tenants so that they become part of the programming," said Amer Hammour, chairman of Madison Marquette. The events could eventually become profitable for the people who stage them, he said.

China Tire Maker Pushes U.S. Plant

By PETER GRANT

Despite an overall decline in Chinese investment in the U.S., one of China's largest tire manufacturers is moving forward with plans to develop a \$530 million plant in LaGrange, Ga.

Sentury Tire has hired real estate services firm JLL to help it find a developer for the 1.7 million-square-foot building on a 430-acre site, which would be its first North American plant.

The factory would employ up to 1,000 workers and use state-of-the art technology such as fully automatic tire-building machines and retrieval and storage systems.

"The cool thing is that we have been able to build plants from scratch [in other locations]," said Rami Helminen, chief executive of Sentury Tire North America. "This kind of plant has not yet been built in the U.S."

The plant will be developed using a process known as "build-to-suit." Sentury, which announced its plans to build the LaGrange plant last year, is looking for a developer that will put up the capital to construct a \$200 million building following Sentury's specifications.

That developer will own the property, and Sentury plans to sign a lease for roughly 25 years.

The Chinese company, which was founded in 2007, also will spend more than \$300 million in equipping the plant that is expected to be able to produce roughly 30,000 tires a day.

Mr. Helminen said Sentury is following this facilities strategy because it wants to concentrate its investment in equipment and technology instead of the physical building. "Our primary assets are the processing equipment that require constant upgrade," he said.

Sentury is moving ahead with its plans as Chinese investment in the U.S. is declining, partly because of new restrictions in that country on foreign investment.

In August, the value of completed Chinese foreign direct investment deals in the U.S. dropped to \$212 million, the lowest monthly total since May 2015, according to Rhodium Group, a research firm.

"The impact of tighter Chinese outbound investment controls is hitting...the U.S.," Rhodium said in a report last month.

Investment from mainland China in U.S. commercial real estate had been increasing steadily until recent months. In July and August, it totaled \$11.4 billion, compared with \$12.9 billion in the same period last year, according to Real Capital Analytics.

Sentury and JLL are searching for a developer as construction activity is surging in many parts of the country thanks to the improving economy.

Industrial build-to-suit projects under way in the U.S. at midyear 2017 totaled 50.5 million square feet, compared with 41.2 million square feet at the same time last year, according to JLL.

"There are projects of all varieties going on in all major markets," said Todd Torok, managing director of JLL.

Mr. Torok predicted that interest in the Sentury project will be keen because of its size and prominence.

"This is going to be a high priority for any developer even if they have to drop another assignment to take this one," Mr. Torok said.

Mr. Torok said the project was on a fast track and that Sentury hopes to select a developer in the fourth quarter of this year. Construction is expected to begin next year and take about one year to complete.

An advertisement for the WSJ City app. It features a large smartphone in the foreground displaying the app's interface. The screen shows a news article titled "UK Economy Can't Shrug Off Brexit Forever" with a sub-headline "Britain's economy may be showing resilience, but there are reasons not to get too confident too soon." Below the article, there are market data widgets for the FTSE 100 (0.41%) and S&P 500 (0.30%). At the bottom, another news snippet is visible: "U.S. stocks slipped as yield-sensitive sectors like real estate and utilities fell amid a selloff in global bonds." The background of the ad is a light blue gradient with a pattern of small, semi-transparent squares in various shades of blue, orange, and black, some of which are larger and more prominent, creating a digital or data-like aesthetic.

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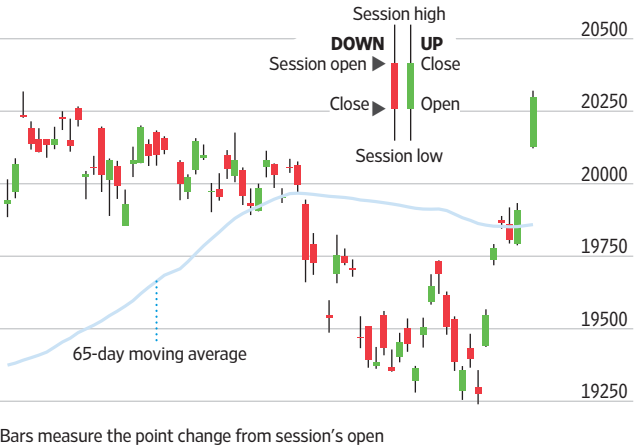
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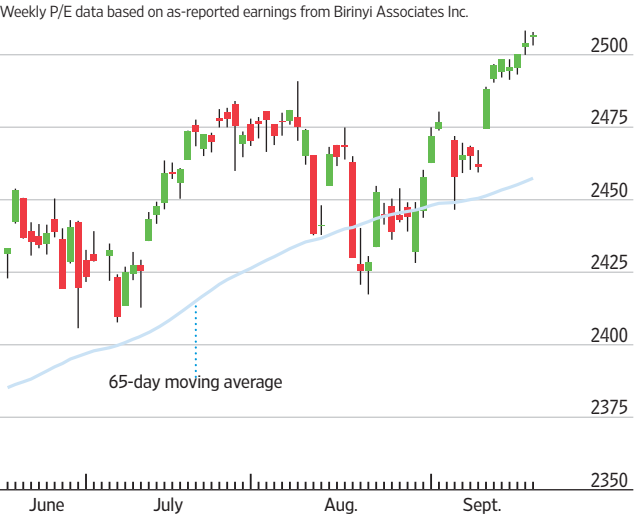
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S&P 500 Index

2506.65 ▲2.78, or 0.11%
High, low, open and close for each trading day of the past three months.



International Stock Indexes

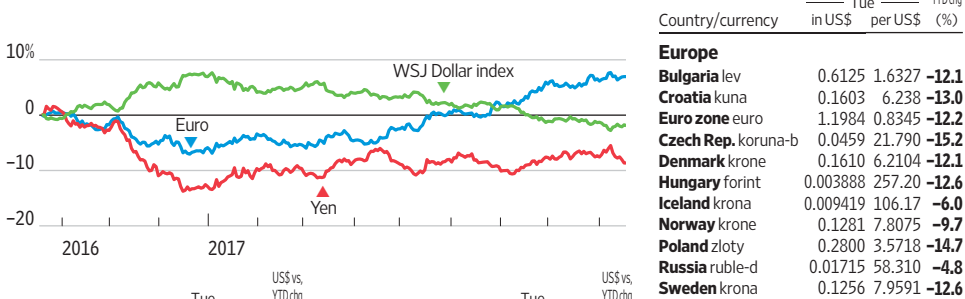
Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World		The Global Dow	2908.27	12.20	▲0.42	2386.93		2909.41	15.0
		MSCI EAFE	1979.34	12.85	▲0.65	1614.17		1970.23	15.3
		MSCI EM USD	1109.57	-3.35	▼-0.30	838.96		1113.67	39.7
Americas		DJ Americas	605.00	0.37	▲0.06	503.44		605.32	12.0
		Sao Paulo Bovespa	75840.48	-149.93	▼-0.20	56828.56		76403.58	25.9
		S&P/TSX Comp	15303.22	66.55	▲0.44	14468.03		15943.09	0.1
		IPC All-Share	50265.46	7.04	▲0.01	43998.98		51772.37	10.1
		Santiago IPSA	3950.05	...	Closed	3120.87		3959.34	22.6
U.S.		DJIA	22370.80	39.45	▲0.18	17883.56		22386.01	13.2
		Nasdaq Composite	6461.32	6.68	▲0.10	5034.41		6477.77	20.0
		S&P 500	2506.65	2.78	▲0.11	2083.79		2508.32	12.0
		CBOE Volatility	10.12	-0.03	▼-0.30	8.84		23.01	-27.9
EMEA		Stoxx Europe 600	382.12	0.17	▲0.04	328.80		396.45	5.7
		Stoxx Europe 50	3113.47	3.48	▲0.11	2720.66		3279.71	3.4
	Austria	ATX	3290.46	-1.40	▼-0.04	2340.08		3304.29	25.7
		Bel-20	3973.03	4.72	▲0.12	3384.68		4055.96	10.2
	France	CAC 40	5237.44	8.12	▲0.16	4342.64		5442.10	7.7
	Germany	DAX	12561.79	2.40	▲0.02	10174.92		12951.54	9.4
	Greece	ATG	762.86	2.07	▲0.27	556.70		859.78	18.5
	Hungary	BUX	38176.08	-211.14	▼-0.55	27466.59		38554.44	19.3
	Israel	Tel Aviv	1419.90	-5.06	▼-0.36	1346.71		1490.23	-3.5
	Italy	FTSE MIB	22425.42	60.68	▲0.27	15923.11		22425.42	16.6
	Netherlands	AEX	528.66	-0.65	▼-0.12	436.28		537.84	9.4
	Poland	WIG	64750.09	103.05	▲0.16	46674.28		65611.21	25.1
	Russia	RTS Index	1108.71	-10.43	▼-0.93	956.36		1196.99	-3.8
	Spain	IBEX 35	10378.40	40.00	▲0.39	8512.40		11184.40	11.0
	Sweden	SX All Share	568.97	0.63	▲0.11	489.12		598.42	6.4
Asia-Pacific		Swiss Market	9093.20	45.09	▲0.50	7585.56		9198.45	10.6
		Johannesburg All Share	56011.16	-38.94	▼-0.07	48935.90		56896.89	10.6
	Turkey	BIST 100	104917.77	-1616.83	▼-1.52	71792.96		110530.75	34.3
	U.K.	FTSE 100	7275.25	21.97	▲0.30	6676.56		7598.99	1.9

Country/currency	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
Australia	S&P/ASX 200	5713.60	-7.00	▼-0.12	5156.60	5956.50	0.8
China	Shanghai Composite	3356.84	-6.01	▼-0.18	2980.43	3385.39	8.2
Hong Kong	Hang Seng	28051.41	-108.36	▼-0.38	21574.76	28159.77	27.5
India	S&P BSE Sensex	32402.37	-21.39	▼-0.07	25765.14	32575.17	21.7
Japan	Nikkei Stock Avg	20299.38	389.88	▲1.96	16251.54	20299.38	6.2
Singapore	Straits Times	3225.95	-15.90	▼-0.49	2787.27	3354.71	12.0
South Korea	Kospi	2416.05	-2.16	▼-0.09	1958.38	2451.53	19.2
Taiwan	Weighted	10576.14	-55.43	▼-0.52	8931.03	10631.57	14.3

Source: SIX Financial Information;WSJ Market Data Group

Currencies

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



Country/currency	Tue	YTD chg	Country/currency	Tue	YTD chg
Americas			Americas		
Argentina peso-a	0.0581	17.1996	8.4		
Brazil real	0.3193	3.1314	-3.8		
Canada dollar	0.8156	1.2261	-8.8		
Chile peso	0.001599	625.40	-6.6		
Colombia peso	0.0003443	2904.18	-3.3		
Ecuador US dollar-f	1	1	unch		
Mexico peso-a	0.0563	17.7702	-14.3		
Peru sol	0.3084	3.2425	-3.3		
Uruguay peso-e	0.0346	28.870	-1.6		
Venezuela bolivar	0.098590	10.14	1.5		
Asia-Pacific			Asia-Pacific		
Australia dollar	0.8013	1.2480	-10.1		
China yuan	0.1519	6.5854	-5.2		

Key Rates

	Latest	52 wks ago
Libor		
One month	1.23722%	0.54306%
Three month	1.3261%	0.86589%
Six month	1.27939	1.25939
One year	1.74428	1.56467
Euro Libor		
One month	-0.40357%	-0.37400%
Three month	-0.37800	-0.32157
Six month	-0.30571	-0.21400
One year	-0.22029	-0.07114
Euribor		
One month	-0.37300%	-0.37100%
Three month	-0.33000	-0.30100
Six month	-0.27200	-0.20000
One year	-0.17100	-0.05700
Yen Libor		
One month	-0.04864%	-0.09343%
Three month	-0.02950	-0.03571
Six month	0.00150	-0.00593
One year	0.10600	0.09243
	Offer	Bid
Eurodollars		
One month	1.3300%	1.2300%
Three month	1.4000	1.3000
Six month	1.5400	1.4400
One year	1.8100	1.7100
	Latest	52 wks ago
Prime rates		
U.S.	4.25%	3.50%
Canada	3.20	2.70
Japan	1.475	1.475
Hong Kong	5.00	5.00
Policy rates		
ECB	0.00%	0.00%
Britain	0.25	0.25
Switzerland	0.50	0.50
Australia	1.50	1.50
U.S. discount	1.75	1.00
Fed-funds target	1.00-1.25	0.25-0.50
Call money	3.00	2.25
Overnight repurchase rates		
U.S.	1.01%	0.43%
Euro zone	n.a.	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK\$	AliaGroup	1299	59.80	-0.91	36.69
AUS	ASXNZBK	ANZ	30.22	0.13	-0.66
AUS	BHP	BHP	26.30	0.08	4.95
HK\$	BankofChina	3988	3.98	-0.50	15.70
HK\$	CKHutchison	0001	137.00	-0.20	14.79
AUS	CSL	CSL	130.95	-0.39	30.42
¥	Canon	7267	3837.00	1.00	16.45
¥	CentralJapanRwy	9022	19435	2.18	10.17
HK\$	ChinaConstructrBk	0939	6.67	-0.30	11.73
HK\$	ChinaLifeInsurance	2628	23.85	-1.04	18.07
HK\$	ChinaMobile	0941	81.15	0.06	-1.28
HK\$	ChinaPetroChem	0386	5.93	-1.17	7.82
AUS	CmwmthBkAust	CBA	76.28	-0.53	-7.44
¥	EastJapanRailway	9020	10195	1.04	0.94
¥	Fanuc	6954	22755	3.06	14.84
¥	Hitachi	6501	793.10	1.34	25.49
TWS	Hon Hai Precisin	2317	110.00	-3.51	30.64
¥	HondaMotor	7267	3294.00	1.51	-3.54
KRW	HyundaiMtr	005380	140000	2.19	-4.11
HK\$	IndoComml	1398	5.81	0.17	24.95
\$	Infosys	INFY	14.77	-0.24	-0.44
¥	JapanTobacco	9934	3472.00	0.65	-3.23
¥	KDDI	9433	2981.00	1.53	0.73
¥	Mitsubishi	8058	2620.50	0.94	5.24
¥	MitsubishiElectric	6503	1755.00	1.89	7.70
¥	Mizuho	8031	708.90	0.41	-1.57
¥	Mitsui	8031	1686.50	1.63	4.95
¥	Mizuho Fin	8411	195.80	2.41	-6.67
¥	NTTDocMo	9437	2583.50	1.73	-2.99
AUS	NatAustBnk	NAB	31.19	-0.03	1.70
¥	Nintendo	7974	40950	7.06	66.87
¥	NipponTelegr	9432	5135.00	0.16	4.54
¥	NissanMotor	7201	1153.00	2.13	-19.81
¥	Panasonic	6752	1651.50	2.48	38.94
HK\$	PingAnInsfChina	2318	62.30	-0.88	60.57
\$	RelianceIndsGDR	RIGD	52.20	...	65.45
KRW	SamsungElectronics	005930	260600	-0.69	44.62
¥	SevensG Hlgs	3382	4407.00	2.29	14.03
¥	SoftBankGroup	9984	8904.00	3.65	-1.67
¥	Sony	6758	4294.00	1.25	31.11
¥	Sumitomo Mitsui	8316	4288.00	3.05	-3.86
HK\$	SunHngKaiPrp	0016	134.20	-0.30	36.94
TWS	TaiwanSemiMfg	2330	221.50	0.91	22.04

Cur	Stock	Sym	Last	% Chg	YTD% Chg
CHF	TakedaPharm	4502	6191.00	1.24	28.05
	HK\$ TencentHoldings	0700	344.20	-0.52	81.44
	¥ TokioMarineHldg	8766	4525.00	2.49	-5.65
	¥ ToyotaMtr	7203	6729.00	3.84	-2.17
AUS	Westfarmers	WES	41.14	-0.24	-2.37
AUS	WestpacBanking	WBC	31.58	-0.28	-3.13
AUS	Woolworths	WOW	25.18	-0.43	4.48
Stoxx 50					
CHF	ABB	ABBN	23.66	0.42	10.15
	ASMLHolding	ASML	140.65	1.19	31.88
¥	AXA	CS	24.73	0.26	3.11
	AirLiquide	AI	107.40	0.99	1.66
¥	Allianz	ALV	184.95	-0.13	17.80
	AB InBev	AB1	100.45	-0.20	-0.10
¥	AstraZeneca	AZN	4774.00	1.36	7.58
	BASF	BAS	87.33	-0.15	-1.11
¥	BNP Paribas	BNP	66.17	-0.06	9.28
	BT Group	BTA	285.00	-0.90	-22.32
¥	BancoBilvizAr	BVVA	7.46	0.62	17.47
	BancoSantander	SAN	5.68	0.89	14.46
¥	Barclays	BARC	188.30	0.45	-15.73
	Bayer	BAYN	109.90	-0.54	10.86
¥	BP	BP	456.10	1.18	-10.50
	BritishAmTob	BATS	4648.50	-1.18	0.58
¥	Daimler	DAI	66.51	0.02	-5.95
	DeutscheTelekom	DTE	15.55	3.12	-3.94
¥	Diageo	DGE	2496.00	-0.46	18.29
	ENI	ENI	13.53	0.52	-12.54
¥	GlaxoSmithKline	GSK	1452.00	-0.34	-7.04
	Glencore	GLEN	346.10	0.14	24.79
¥	HSBC Hldgs	HSBA	727.00	1.15	10.67
	INGGroup	INGA	15.14	-0.10	13.24
¥	ImperialBrands	IMB	3271.00	0.15	-7.66
	IntesaSangapo	ISP	2.94	0.41	21.35
¥	LVMHMoetHennessy	MC	229.30	0.02	26.41
	LloydsBankingGroup	LLOY	66.00	1.07	5.58
¥	L'Oréal	OR	177.50	-0.44	2.36
	NationalGrid	NG	951.10	0.38	-6.38
CHF	Nestle	NESN	81.40	0.18	11.43
	Novartis	NOVN	82.75	0.79	11.67
CHF	NovoNordiskB	NOVO-B	301.60	-0.10	18.41
	Proventra	PRU	1757.00	-0.23	7.96
	ReckittBenckiser	RB	388.00	-0.51	-1.25
	RioTinto	RIO	3510.00	0.51	11.38

FINANCE & MARKETS

Brevan to ‘Seed’ New Macro Fund

By LAURENCE FLETCHER

Brevan Howard Asset Management LLP, one of the world’s biggest hedge-fund firms, plans to inject \$300 million to \$400 million into a new fund run by one of its star traders, according to two people familiar with the matter, as it battles to revive its fortunes.

Brevan’s assets under management have tumbled from about \$40 billion to \$11.6 billion in recent years amid weak returns from its flagship fund. It is injecting the cash as “seed” money that will help the new fund, run by trader Alfredo Saitta, get up and running.

The investment is a significant one at a time when new hedge-fund launches often

struggle to attract investors’ interest.

Once, a new fund by a star trader could attract \$1 billion or more.

Now, a fund that raises a few hundred million dollars is considered successful, with many failing to get off the ground or folding quickly after starting.

Brevan’s billionaire co-founder Alan Howard, who recently moved back to London from Geneva, is personally investing in the fund, one of the people said.

The new fund for Mr. Saitta is set to be launched in coming months and will trade short-dated interest rates, as well as currencies and stocks, said one of the people.

Like many macro funds—which trade bonds, currencies and other assets—Brevan’s main fund has struggled in recent years.

Brevan’s main fund lost money in two of the past three calendar years and is down 3.8% this year through August, according to a letter to investors reviewed by The Wall Street Journal. Hedge funds overall are up 4.1% this year on average through Sept. 14, according to research firm HFR Inc.

Insurers Aim to Sell Stakes

By YANTOULTRA NGUI
AND P.R. VENKAT

Several foreign insurers are preparing to sell large stakes in their Malaysian operations to comply with a central-bank mandate requiring the country’s insurance companies be at least partially owned by domestic investors, according to people familiar with the matter.

British life insurer **Prudential** PLC and Japan’s **Tokio Marine Holdings** Inc. are talking to bankers about how to sell close to a third of the shares in their Malaysian subsidiaries, the people said. The options being considered include stake sales or initial public offerings in Malaysia.

The share sales by these and other foreign insurers could raise almost \$3 billion in total over the next nine months, one of the people said.

Foreign insurance companies are facing a June 2018 deadline to comply with the rules, which were set by Bank Negara Malaysia, the country’s central bank.

Many insurers started wholly owned subsidiaries in Malaysia years ago on the understanding that they would eventually comply with a 2009 rule that capped foreign ownership of domestic insurance



LUKE MACGREGOR/BLOOMBERG NEWS

Prudential, under CEO Mike Wells, is talking to bankers about how to sell about a third of its shares in its Malaysian subsidiary.

companies at 70%. The government earlier granted various foreign insurance companies exemptions from the rule.

In July, the central bank said foreign insurers operating in Malaysia will need to honor the promises they made when they originally applied for entry into the market. It said it “expects adherence to these agreements and will play a facilitative role to ensure these commitments are met.”

Prudential, which has operated in Malaysia since 1924 through a subsidiary called

Prudential Assurance Malaysia Bhd., has yet to decide on the structure of its share sale, people familiar with the matter said. A 30% stake sale of its unit could fetch close to \$1 billion, the people said. Prudential is the third-largest life insurance company in Malaysia based on net premiums.

Singapore’s **Great Eastern Holdings** Ltd., one of Malaysia’s oldest life insurers and its second-largest by net premiums, has engaged at least one Malaysian bank to explore similar moves, which one per-

son familiar with the matter said could also raise close to \$1 billion.

Separately, Tokio Marine is considering an IPO in Malaysia that could raise \$100 million, while Switzerland-based property-and-casualty insurer **Chubb** Ltd. is also looking to sell a 30% stake that could raise up to \$50 million, the people said. These firms have no domestic shareholders.

A Prudential spokesman said the company remains committed to expanding its business in Malaysia, but declined to comment further. A Tokio Marine representative said the company is exploring options for complying with Malaysia’s rules, but wouldn’t comment further. Great Eastern and Chubb declined to comment.

Buyers of the foreign insurance-company stakes could include Malaysia’s largest state pension fund, the **Employees Provident Fund**, as well as state asset manager **Permodalan Nasional** Bhd., investment bankers say.

A pension-fund spokeswoman said “should the right opportunity arise, we will go through the EPF investment decision framework to ensure that it fits EPF’s risk-return profile.” Permodalan didn’t respond to requests for comment.

U.S. Agency Fines Two Groups Over Private Student Loans

By YUKA HAYASHI

WASHINGTON—The Consumer Financial Protection Bureau said that it fined a large holder of private student loans and its debt collector, alleging they sought to go after debts based on false or misleading legal documents.

In a case that could potentially affect numerous student-loan borrowers, the regulator on Monday said it ordered the National Collegiate Student Loan Trusts to

audit the more than 800,000 loans in its portfolio and cease all collections for loans that are found to lack proper documentation.

The agency ordered the trusts to pay at least \$19.1 million, including \$3.5 million in refunds to borrowers who had been sued without documentation proving they actually owed the debts.

The National Collegiate Student Loan Trusts are 15 Delaware statutory trusts that hold loans originally extended by

major banks such as J.P. Morgan Chase & Co. and Bank of America Corp. From 2001 to 2007, the trusts bought such loans and securitized them, selling notes secured by the loans to investors.

Donald Uderitz, founder of **Vantage Capital Group**, a private-equity firm that is the trusts’ ultimate owner, said in a news release he “welcomed the intervention of the CFPB to help us put an end to these appalling practices.” Mr. Uderitz put the blame on the

trusts’ quasigovernmental loan servicer, called the Pennsylvania Higher Education Assistance Agency, which the trusts sued last year.

A PHEAA spokesman said the company was still reviewing Monday’s news release from Vantage Capital but referred to a previous statement in which PHEAA stated it wasn’t a party to any proceedings against the National Collegiate Student Loan Trusts’ student-loan borrowers for default.

Mr. Uderitz said the combined assets of the trusts, one of the nation’s largest investment pools of student loans, stand around \$8 billion.

The CFPB also ordered Transworld Systems Inc., which collected debts on behalf of the trusts, to pay a \$2.5 million penalty.

Transworld, of Lake Forest, Ill., said in a news release it was disappointed by the regulator’s action, adding it disagreed with “the CFPB’s characterizations, and with many

of the alleged facts in the consent order.”

The CFPB alleged the National Collegiate Student Loan Trusts filed more than 2,000 lawsuits against consumers in violation of consumer financial protection laws and collected approximately \$22 million in judgments against consumers. In many of these lawsuits, the trusts didn’t have or couldn’t find the documentation to prove that the borrowers actually owed the debts, according to the CFPB.

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MARKETS

Talk of Vote Fuels Nikkei

By **SURYATAPA BHATTACHARYA**

TOKYO—The Nikkei Stock Average rose above 20000 on Tuesday and closed at its highest level in more than two years, spurred by talk of a parliamentary election that could reassure investors about Japan's growth prospects.

Prime Minister Shinzo Abe, whose approval ratings have climbed in recent weeks after falling as low as 30%, hinted Monday that he would call for an election of the lower house of Parliament. Local media said it would likely take place Oct. 22.

The Nikkei rose 389.88 points, or 2%, its best day in more than four months, to close at 20299.38, its best finish since Aug. 18, 2015.

"Historically, Japanese equity tends to do well around a general election," said Shusuke Yamada, a currency strategist with Bank of America Merrill Lynch in Tokyo. The election could be Mr. Abe's chance to "restore political capital and stability" at a time when the economy is on a healthy footing after growing for six consecutive quarters, Mr. Yamada said.

Japan's markets aren't expected to soar as they did in the election years of 2012—which brought Mr. Abe's party back to power—and 2014, when the last lower-house election was held and a coalition led by Mr. Abe's Liberal Democratic Party won more than two-thirds of the seats.

Japan no longer has much scope for monetary-policy expansion, so "I think it's different from those years, even though the bias could be upside," Mr. Yamada said.

Analysts say the Liberal Democratic Party-led government is likely to stay in power, and overseas investors have already started to adjust positions to price in an Abe win.

"Optimism is back in terms of government continuity," said Kyoya Okazawa, head of global



Japan's stock market still is at only a little more than half its peak level in 1989.

markets for Asia-Pacific with BNP Paribas, although he said profit-taking could kick in soon.

Mr. Abe's grip on power appeared threatened earlier this year when opposition parties pressed allegations that his government was helping friends with favors, particularly in one case where an old friend of the prime minister won permission to open a veterinary school. Mr. Abe said he wasn't involved in that decision and denied wrongdoing generally.

The wrangling raised the prospect of political disarray, or even a change of government that could upset Mr. Abe's stock-market-friendly policies such as loose monetary policy and pursuit of shareholder-driven corporate governance. But recently the scandals have died down.

Japan's markets were closed Monday for a national holiday when the yen started to weaken against the U.S. dollar. That added to the strength in stocks when the Nikkei opened Tuesday. The yen was trading at about ¥110.50 to the U.S. dollar when Japan stock trading ended last week, and the greenback was as high as ¥111.88 on Tuesday in Tokyo trading. A weaker yen is often

Election Hopes

The Nikkei Stock Average marked its highest closing level since August 2015.



Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

good for Japanese stocks because it raises the value in yen terms of the dollars earned by Japanese exporters overseas.

The Nikkei has done well this year even without help from currencies. While the dollar has weakened against the yen by about 4.5% so far this year, the Nikkei is up 6.2%.

Tokyo stocks were further helped by an overnight rally in the U.S. Japanese stocks have been closely correlated with the U.S. over the past year.

Some support also comes from the Bank of Japan's ultra-loose monetary policy. The central bank buys about ¥6 trillion (\$54 billion) worth of exchange-traded funds a year, helping prop up stock prices. The BOJ is expected to stand pat on its main policies after it concludes a two-day policy board meeting Thursday.

Japan's stock market has long been a laggard and still is at only a little more than half its peak level in 1989, while the Dow Jones Industrial Average in the U.S. has repeatedly set records this year. In the past few sessions, however, Japan has outpaced major U.S. indexes.

The Nikkei is less than 600 points from closing at its 2015 peak, which was the highest since 1996. Analysts see sound medium-term fundamentals, including robust corporate profits, but also risks such as a possible further escalation in North Korea-related tensions or a U.S. economic slowdown that would hit Japanese companies.

"I don't know if 20000 will hold in the short-term, but beyond short-term Japanese equity still has an upside," said Mr. Yamada, the Bank of America Merrill Lynch strategist.

U.S. Stocks Keep Inching Upward

By **MICHAEL WURSTHORN**
AND **MARINA FORCE**

U.S. stocks edged higher Tuesday ahead of a coming Federal Reserve policy decision, pushing major indexes to record closes.

Stock trading has been relatively muted in recent sessions, as easing geopolitical concerns and steady global growth have given investors few reasons to unload stocks.

The subdued trading environment continued Tuesday.

Some analysts said investors appeared to be holding off on making new bets ahead of the Fed's coming monetary-policy announcement. Many expect the central bank to announce Wednesday that it will keep rates unchanged and that it will start slowly scaling back its \$4.5 trillion balance sheet.

"It's a really quiet market. People are in a wait-and-see mode ahead of the Fed meeting," said Bret Chesney, a senior portfolio manager at Alpine Global Management. "With the things I'm trading today, just nodding at the stock moves prices."

The Dow Jones Industrial Average gained 39.45 points, or 0.2%, to 22370.80. The S&P 500 and Nasdaq Composite rose 0.1%. The Dow, the S&P 500 and the Nasdaq all notched record closes.

In Europe, the Stoxx Europe 600 added less than 0.1% to 382.12.

The S&P 500 telecommunications sector jumped 2.2% late Tuesday, among the biggest gainers in the broad index, after CNBC reported that T-Mobile and Sprint were in active talks about a merger. Sprint rose 7.3%, while T-Mobile gained 5.3% in late trading.

Shares of health-care stocks

lagged behind, with the S&P 500 health-care sector down 0.9% by late afternoon. Insurer Aetna and kidney-care company DaVita were down 3.2% and 2%, respectively.

Meanwhile, U.S. government-bond yields were steady ahead of the Fed decision, with the benchmark 10-year U.S. Treasury note at 2.239%, according to Tradeweb, from 2.230% Monday. Yields fall as bond prices rise.

Looking forward, investors hope to get more details on the Fed's plans for rate increases. Many have been skeptical the Fed will raise rates again soon, citing subdued inflation readings and concerns around the economic toll of major summer storms.

"The data that has been coming out from the U.S. has been a bit of a mixed bag...so I think it is maybe time for the Fed to take a break," said Trip Miller, managing partner at **Gullane Capital Partners**, who doubts the central bank will increase rates again this year.

However, data last week showing a bigger-than-expected jump in U.S. consumer prices gave a fresh boost to investors' expectations for one more rate rise in 2017.

Federal-funds futures, used by investors to place bets on the Fed's rate-policy outlook, showed Tuesday a 57% chance that the central bank will raise interest rates again by December, according to CME Group data, up from 41% a week ago.

"The recent growth in economic fundamentals have been very supportive of a rate hike" this year, said Anwiti Bahuguna, a senior portfolio manager at Columbia Threadneedle Investments. "But it's still a coin toss."

Any indications from the Fed about its plans that depart from expectations could shake up the markets, some traders and investors said.

HEARD ON THE STREET

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Why U.S. Oil Output May Surprise

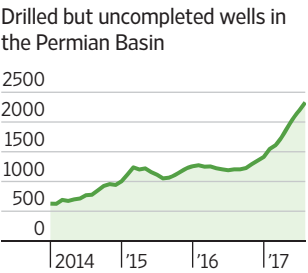
There are signs that the surge in drilling by shale-oil producers has ended, reducing estimates of U.S. oil output and pushing up prices.

A bird's eye look at the oil fields shows that investors still need to watch for a quick new boost in supply, though.

The U.S. Energy Information Administration last week cut estimated U.S. crude-oil production by 1.3% and 1.4%, respectively, for the third and fourth quarters of 2017 compared with August estimates. The government may be too optimistic in the short term and potentially too pessimistic over the longer term.

The former view comes from the analysts at Kayrros, which uses satellite data and machine learning to study individual oil wells. The re-

DUC Soup



Source: U.S. Energy Information Administration
THE WALL STREET JOURNAL.

search firm tallied the same drilling rigs tracked by the widely watched Baker Hughes North America Rig Count. Typically oil production follows changes in rig counts some months later. Between the end of July 2016 and the end of July 2017, the U.S. rig count mushroomed by 107%, though it has since

retreated slightly.

But the crucial step between drilling wells and producing oil—completion—has lagged behind. That means that the backlog of drilled but uncompleted wells, or DUCs, has risen and oil production may be lower than expected in the coming months. In the prolific Permian Basin alone, the number of DUCs was 2,330 in July, according to the EIA—an all-time high and an increase of 94% compared with a year earlier. Since that figure is now nearly two months old, the number might have continued moving higher even as the rig count declined.

The official estimates of production cuts has helped push up U.S. benchmark crude prices by about 8% to just under \$50 over the past

two months, with Brent rising even more. Restraint by shale drillers unable to generate decent cash returns is a bullish sign for oil prices.

Yet the buildup of DUCs is also bearish since it creates latent supply. Because the incremental cash cost to start pumping crude is low for a DUC, the payback period for an oil company is only a year or so. Even for wells not drilled, analysts at Citigroup estimate the break-even cost to drill and complete a well is just \$29 a barrel on a production-weighted basis for the drillers they cover once the costs of acreage and sunk capital costs are excluded for the companies they cover.

Higher prices could get some of these wells pumping. Oil price bulls need to get their DUCs in a row.

—Spencer Jakab

A Hidden Detail May Cost Hospitals Billions

Investors should get ready for more belt-tightening in the hospital industry. Maybe a lot more.

Some aspects of the Affordable Care Act were a blessing for hospitals. Expanded access to insurance has meant more customers who can pay for services they consume. That limits bad debt generated from bills that uninsured patients can't afford to pay.

But the deal came with an important, underappreciated drawback. Under the ACA, hospital reimbursement rates for services paid for by Medicare are adjusted for productivity, or what a typical worker produces in a typical hour. That means that reimbursement payments fall as productivity in the broader economy grows. Researchers at the Congressional Budget Office expect that these adjustments will cause reimbursement rates to grow at 2.2% annually instead of 3% from 2012 to 2025.

That has the potential to sting hospitals financially. Though the consumer-price index for medical care has lately been slowing, it averaged growth of 2.9% over the past five years. Any pro-

tracted period of costs rising faster than reimbursement would worsen the gap between revenue and cost in dollar terms over time.

According to the American Hospital Association, Medicare reimbursement already doesn't match providers' costs. Payments from Medicare accounted for 88 cents per dollar of cost in 2015, which resulted in total underpayments of \$41.6 billion. Researchers at the CBO found that, in an unfavorable reimbursement environment, the share of U.S. hospitals that don't turn a profit could surge as high as 60% by 2025, up from about 25% before the ACA became law.

The good news for investors is that most hospitals aren't for profit and few have publicly traded shares. But the impact of financial pressure still could be significant. Hospitals are major employers as well as a regular presence in the municipal and high-yield bond markets. They also are major buyers of drugs, devices and medical supplies.

That means indirect effects of cost pressure might be significant and wide-ranging.

—Charley Grant

How to Cash In on Chinese Internet

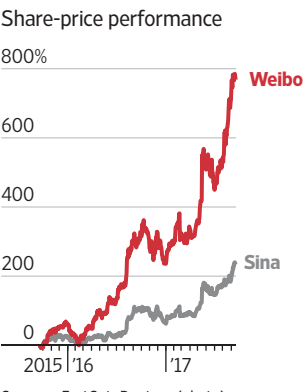
A rare proxy battle has broken out at **Sina**, one of China's best-known internet companies. For shareholders in the New York-listed stock, it could have a happy ending.

Aristeia Capital, a \$3 billion Connecticut-based hedge fund, is trying to shake up Sina's board, arguing that it hasn't done enough to narrow a persistent discount: As of Monday, the company was valued at 23% less than its 46% stake in Weibo, a Twitter-like service with 361 million monthly active users in China. Add in Sina's other assets, Aristeia said, and the discount widens to 41%.

To close the gap, Aristeia is urging the likes of share buybacks, a distribution of Weibo shares or an outright sale of the company.

Sina's board rejected Aristeia's two director nominees, saying they lack relevant skills and experience.

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Sources: FactSet; Reuters (photo)
THE WALL STREET JOURNAL.

But if it comes to a proxy vote, the board might find itself outnumbered: Almost 70% of the company is in the hands of institutional investors, according to FactSet, who may be more sympathetic to Aristeia's proposals. It needn't go that far,



Sina owns 46% of Weibo.

though. There is enough common ground for a compromise. First, boosting the share price certainly is in the interests of Sina Chairman Charles Chao, given that he is the biggest shareholder, with a 13% stake.

Indeed, Sina has taken

measures to raise the price, just perhaps not as energetically as Aristeia wants. It distributed some of its Weibo shares—worth around \$1.5 billion—in October and July.

Sina could definitely do more, such as using some of its cash to buy back Sina shares. It is sitting on a net \$1.3 billion, a substantial lever for a company valued at \$8.2 billion. Sina could also distribute more Weibo shares. Sina could maintain control of Weibo even if it distributed almost half of its stake. Its shares are Class B, which have voting rights equivalent to three of the Class A shares that other investors own. It won't likely go to such an extreme, but this push by Aristeia could nudge it in that direction.

Other investors should certainly take a ride.

—Jacky Wong

OVERHEARD

Oil prices are starting to sound a bit funky in Caracas. While the price of a barrel of U.S. benchmark crude is just under \$50 in capitals from Abuja to Zagreb, you may hear numbers like 41, 326 or 2,860 quoted in Venezuela.

Those would be the prices in euros, yuan or rubles, respectively, as the country's embattled leadership is no longer quoting crude in dollars.

"To fight against the economic blockade there will be a

basket of currencies to liberate us from the dollar," said Venezuela's vice president.

Yet crude is universally quoted in greenbacks.

While U.S. economic sanctions may gum up transactions, simply quoting in those of friendly nations such as China and Russia won't change much.

Venezuela's revenue is sinking as measured in any currency except perhaps its own rapidly depreciating one.