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ASIA EDITION

As of 12 p.m. ET **DJIA** 22389.65 ▼ 0.10% **NIKKEI** 20347.48 ▲ 0.18% **STOXX 600** 382.88 ▲ 0.24% **BRENT** 56.33 ▲ 0.07% **GOLD** 1290.70 ▼ 1.62% **EURO** 1.1939 ▲ 0.37% **DLR** ¥112.35 ▲ 0.13%

S&P Cuts China's Credit Rating

Firm says high debt level increases risks; timing of move may irritate Beijing leaders

By Lingling Wei

BEIJING—Standard & Poor's became the last of the three major rating agencies to lower its view on China's creditworthiness, a move that came as China has taken forceful measures to tamp down risks and emphasize stability.

The timing of the move, just weeks ahead of a sensitive Communist Party leadership transition, was likely to be an irritant for Beijing and raised eyebrows among some economists and investors.

S&P said the downgrade, to A+ from AA-, reflected its assessment that "a prolonged period of strong credit growth has increased China's economic and financial risks." The rating and the view of risks in China now match those of Moody's Investors Service, which lowered China's rating in May, and Fitch Ratings, which did so in 2013.

"The S&P conclusion isn't exactly head-slapping news to the market or Chinese regulators," said David Loevinger, a managing director at fund manager TCW in Los Angeles. "It's a bit ironic given that China's fundamentals are the strongest they've been in two years," Mr. Loevinger added.

China's economy expanded 6.9% in the first half of the year, well above Beijing's 2017 growth target, though recent data indicate that higher borrowing costs are starting to have an effect on business activity.

"The timing is awkward for China's leaders," said Mark Williams, chief China economist at Capital Economics. It is "arguably questionable on the basis of recent economic and financial developments," he wrote in a note following the S&P move.

An S&P spokesman declined to comment on questions about the timing of the rating agency's action.

In a bid to keep the economy on an even keel ahead of the power transition, Beijing has moved aggressively to rein in rampant borrowings this year. Regulators from the central bank to the top banking, securities and insurance watchdogs have taken steps to reduce banks' lending to each

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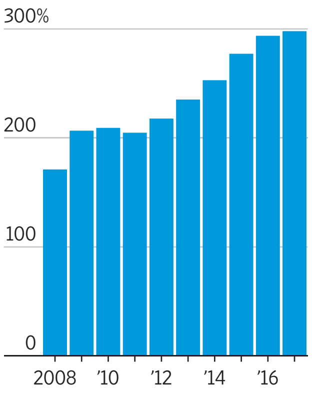
SEC Acknowledges System Was Hacked

The top U.S. markets regulator disclosed that hackers breached its system for storing filings last year. **B1**

Deeper in Debt

China now has debt equivalent to almost three times GDP.



Source: Institute of International Finance
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What's News

Business & Finance

S&P lowered its view on China's creditworthiness, a move that came as Beijing has taken forceful measures to tamp down risks and emphasize stability. **A1**

◆ **One of Uber's biggest** shareholders indicated it doesn't intend to sell, as the company works to finalize a potential investment deal with SoftBank. **A1**

◆ **Google said it would** buy part of smartphone maker HTC for $1.1 billion, as it accelerates efforts to crack the handset market. **B1**

◆ **The SEC said hackers** penetrated its electronic system for storing public-company filings last year and may have traded on the information. **B1**

◆ **Postal Savings Bank** is raising up to $7.6 billion in one of the largest-ever sales of offshore securities by a Chinese lender. **B5**

◆ **Stock pickers,** who for so long decried the rise of passive investing, are now trying to profit from it. **B1**

◆ **Commonwealth Bank** is selling all of its life-insurance businesses in Australia and New Zealand to AIA for US$3.05 billion. **B5**

◆ **Hackers roamed** undetected in Equifax's computer network for months before a massive data breach was uncovered. **B5**

◆ **CVS said it will start** limiting the duration and dose of some prescriptions for opioid painkillers. **B3**

World-Wide

◆ **Opponents of** a Republican plan to dismantle most of the ACA are scrambling to ramp up a resistance campaign before a possible Senate vote next week. **A1**

◆ **Thousands of** antigovernment protesters thronged Manila in the largest outpouring of opposition against Duterte's deadly war on drugs. **A3**

◆ **The violence** in Myanmar has become a rallying point for Islamic countries at the General Assembly, while also commanding concern among world leaders. **A3**

◆ **Mueller is examining** what White House officials knew about a federal investigation into Flynn. **A5**

◆ **South Korea's** government said it would send $8 million in new humanitarian aid to North Korea. **A3**

◆ **U.S. demands** to reopen the 2015 Iranian nuclear agreement have placed European governments in the diplomatic crosshairs. **A3**

◆ **Rescuers continued** to search for survivors from Mexico's deadly earthquake that killed at least 230. **A4**

◆ **Saudi Arabia's** Salman plans to discuss Syria, the Qatar blockade and oil production with Putin next month in Russia. **A4**

◆ **All of Puerto Rico** remained under a flash flood warning a day after Hurricane Maria hit. **A5**

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An Outpouring of Opposition to Duterte in the Philippines

NOEL CELIS/AGENCE FRANCE-PRESSE/GETTY IMAGES

BACKLASH: Thousands of protesters in Manila rallied against President Rodrigo Duterte's deadly war on drugs and strongman style. **A3**

Critics Of GOP Repeal Effort Dig In

By Stephanie Armour

Opponents of a Republican plan to dismantle most of the Affordable Care Act are scrambling to ramp up a resistance campaign before a possible Senate vote next week on a bill many never expected would gain traction.

With such a narrow window, consumer and other groups are seeking to pressure specific GOP senators they see as most likely to waver. They also assert that Republicans are trying to ram through a bill outside the normal process while reneging on a promise to preserve the ACA's consumer protections, claims the bill's sponsors reject.

Timing is clearly a challenge for the bill's supporters, who must cobble together votes by a Sept. 30 deadline, when a parliamentary vehicle that enables the Senate to pass legislation with a simple majority expires. Senate Majority Leader Mitch McConnell (R., Ky.) has said he plans to hold a vote next week on a bill from Sens. Lindsey Graham of South Carolina and Bill Cassidy of Louisiana.

But it also doesn't leave much time for the bill's opponents, who had weeks to build up resistance to previous ACA repeal attempts, including leg-

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THE SECRET OF ANGELA MERKEL'S LONGEVITY

Election showcases German chancellor's ability to shift with political wind to disarm opponents

By Anton Troianovski

BERLIN—Martin Schulz, who is running to unseat German Chancellor Angela Merkel, drew loud applause at his party's convention in June when he unveiled a core campaign promise: "We will achieve marriage equality in the next government!"

One day later, Ms. Merkel dropped her yearslong opposition to a parliamentary vote on same-sex marriage, stripping her opponent of campaign ammunition.

It was just the kind of calculated political shift that has kept Ms. Merkel in power for 12 years. She has repeatedly—and sometimes abruptly—changed her position when the public mood diverged from the tenets of her conservative party. That strategy has broadened her political tent, while leaving opponents with less ammunition to use against her.

Polls suggest that on Sunday, Ms. Merkel's Christian Democratic Union party is likely to win enough votes to give her a fourth term. Her approval ratings are above 60%, near their peak. Her tenure has spanned three U.S. and four French presidents, and two Spanish, four British, six Italian, and seven Japanese prime ministers. She is the longest serving head of a major European government since her fellow German Helmut Kohl.

By strategically ignoring past divisions between the right and the left, she has extended her sway over a wide

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IKE'S WAR HEADQUARTERS GO HIGH-END

MANSION, W7

Silly Rabbit! Original Trix Is Back After Customers Revolt

* * *

Use of radishes and turmeric riled fans; 'It's basically a salad now'

By Annie Gasparro

Yes, some consumers are clamoring for cold-pressed beet juice and quinoa chips. But that doesn't mean they don't also want Red 40, Blue 1 and Yellow 6.

General Mills Inc., maker of Trix, the iconic child-friendly breakfast cereal, learned this lesson the hard way after it started selling all-natural Trix in early 2016 made instead with radishes, purple carrots and turmeric.

"Change it back!!" wrote Denver-area mother and photographer, Ashley Carara, on Facebook shortly after the new recipe hit shelves.

Original Trix

She said in an interview Thursday she likes the way the artificial colors and high-fructose corn syrup look and taste. The new recipe—not so much. "My kids find the color of the new Trix cereal quite depressing," she said.

So change it back is what the company did. General Mills has decided to reintroduce the original, more-vibrant Trix, artificial flavorings and all, and will start selling it on supermarket shelves alongside the more wholesome version in October.

The reintroduction of Classic Trix is a reversal of General Mills' pledge two years ago to remove artificial colors and flavors from all its cereal brands. It said the seven reformulated, all-natural cereals boosted sales by 6% in early

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Trump Eyes More Korea Sanctions

EVAN VUCCI/ASSOCIATED PRESS

ALLIES: President Donald Trump, above right with South Korea's Moon Jae-in, said the U.S. planned further North Korea sanctions. **A3**

Top Uber Investor Resists SoftBank Proposal

By Greg Bensinger

As Uber Technologies Inc. works to finalize a potential multibillion-dollar investment deal with Japan's SoftBank Group Corp., one of the ride-hailing giant's earliest and biggest shareholders has indicated it doesn't intend to sell.

The opposition by Benchmark Capital is complicating a proposal by SoftBank and its $93 billion tech-focused Vision Fund, along with partners, to buy 17% to 22% of Uber—mostly through purchasing shares from existing shareholders.

Benchmark has told fellow investors it is unlikely to sell any of its 13% holding to the SoftBank consortium, according to people familiar with the matter. And Benchmark's representative on Uber's board, Matt Cohler, was the only one of Uber's eight directors to vote against a term sheet granting SoftBank exclusive rights to an investment deal, the people said.

The venture firm has been pushing to ensure the deal re-

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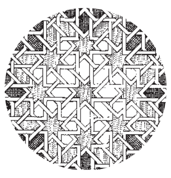
Chechnya Leader Seeks Global Muslim Role



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

When the exodus of Rohingya Muslims from Myanmar began a month ago, some of the loudest protests erupted in an unexpected corner of the Muslim world: Russia's republic of Chechnya.

In the capital Grozny, Chechen leader Ramzan Kadyrov presided over a Sept. 4 rally in solidarity with the Rohingya that, according to official count, was attended by a million people. He proposed, among other things, dropping a nuclear bomb on Myanmar to stop what he called a "genocide of Muslims."

Another large Muslim protest, also with the involvement of Chechen representatives, paralyzed central Moscow and forced Myanmar diplomats to temporarily abandon their embassy there.

For Mr. Kadyrov, a 40-year-old who has turned Chechnya into a personal fief where Islamic laws and customs are enforced more strictly than in many Middle East nations, the Myanmar crisis has provided an opportunity to become an Islamic leader of global stature. The protests also cemented his status as one of Russia's most powerful men, and he increasingly speaks on behalf of the country's estimated 20 million Muslim citizens.

Exploiting far-flung Islamic causes has long been a winning strategy for other authoritarian leaders. Libya's Moammar Gadhafi, for one, used to be an enthusiastic supporter of Muslim rebels in the southern Philippines.

No matter how powerful he is, though, Mr. Kadyrov isn't a head of state. And for Russia, his pretensions to a global mantle present a policy dilemma.

On one hand, many of Mr. Kadyrov's recent initiatives didn't coincide with Moscow's foreign-policy priorities. In Myanmar, for example, Russia has long been a major supporter and supplier of the country's military. It didn't help that Mr. Kadyrov made his inflammatory statements just as his patron, President Vladimir Putin, was visiting the crucial ally of Myanmar's government, China.

In recent months, Mr. Kadyrov has also issued harsh threats to Israel over its decision, since reversed, to unilaterally impose new security measures at a Jerusalem compound where the Al Aqsa mosque is located. Last year, Mr. Kadyrov convened an international Islamic conference that essentially declared Saudi Arabia's dominant school of theology outside the pale of Islam.

BAIRAKOV ZUBAIR/ZUMA PRESS

Muslims rallied this month in Grozny in solidarity with the Rohingya, a Muslim minority in Myanmar.

The Chechen leader's latest intervention in the Myanmar crisis didn't please the Moscow establishment. "Russian foreign policy in terms of making major decisions is very much centralized. This means that Kadyrov's démarche was met with irritation at the foreign ministry and by the leadership in general," said Andrey Kortunov, director of the Russian International Affairs Council, a state-run think tank in Moscow.

On the other hand, Mr. Kadyrov could play a valuable role for Russia in the broader Muslim world just as the country faces widespread criticism for its involvement alongside the Iran-led Shiite axis in the Syrian war.

As a young rebel, Mr. Kadyrov used to fight against Russian forces in Chechnya's war of secession. His father Akhmad, Chechnya's former mufti, or most senior Sunni Islamic scholar, once formally declared jihad against Russia—only to switch sides and become the region's president under a peace deal with Moscow. The elder Mr. Kadyrov was assassinated by jihadist insurgents opposed to the peace deal in 2004.

Chechnya today feels like a separate country. While Chechnya's security forces theoretically report to Moscow, in practice they are Mr. Kadyrov's praetorian guard, with their parades—broadcast on his Instagram feed—punctuated by pledges of loyalty and cries of "Allahu akbar."

Because of this autonomy, Mr. Kadyrov offers a Sunni alternative to existing Islamist movements in the Middle East. Unlike the theology of Islamic State or al Qaeda, his brand of Islamism—colored by the relatively moderate Sufi tradition espoused by his late father—isn't hostile to Shiites and appeals to millions of followers of Sufi religious orders in the region.

In part in recognition of this status, Mr. Kadyrov over the past year was received with honors far above those of a provincial Russian governor when visiting Muslim nations, particularly by the monarchies of the Persian Gulf. Those included even Saudi Arabia, with which Mr. Kadyrov has reconciled of late.

"Kadyrov is a man of big ambitions. He plays the role of an unofficial Russian envoy in the countries of the Middle East," said Dmitri Trenin, director of the Carnegie Moscow Center. "Yes, sometimes he makes statements that go further than or contradict Russia's official position. But in general he promotes Russia as a state with a large Muslim community and therefore a state that has the right to participate in all Muslim affairs. And that's something positive for Russian foreign policy."

Iraq Launches Offensive to Retake Hawija From Islamic State

AHMAD AL-RUBAYE/AGENCE FRANCE-PRESSE/GETTY IMAGES

ONWARD: Iraq's army on Thursday launched an offensive to drive Islamic State from the town of Hawija, one of the group's few remaining strongholds in the country and a hub it uses to threaten the oil-rich city Kirkuk and Iraq's semiautonomous Kurdish region.

UBER

Continued from Page One

sults in more independent board seats being added and additional rights for shareholders, including broader voting power, according to people familiar with the matter. Benchmark, along with a few other early investors, holds outsize voting power relative to its stake.

The proposed investment by the SoftBank group, which could total as much as $10 billion, hinges on getting enough existing investors to sell their shares at what amounts to a 30% discount to Uber's most recent valuation of nearly $70 billion, people familiar with the terms said.

That would risk devaluing whatever equity shareholders don't sell to SoftBank. To try to assuage those concerns, SoftBank has also proposed directly investing at least $1 billion into Uber at roughly the $70 billion valuation as part of the deal, the people said. In addition to the stake, SoftBank is also seeking two board seats.

The Wall Street Journal reported last week that resistance from some investors was impeding the SoftBank deal talks. But Benchmark's position on the matter couldn't be determined then.

Benchmark's stance could put a chill on other stakeholders who might otherwise view the SoftBank deal as a rare opportunity to cash in. Uber has generally restricted investors from such so-called secondary share sales.

Travis Kalanick, the Uber co-founder who was pushed out as chief executive in June under pressure from Benchmark, also is unlikely to sell any of his approximately 10% stake, according to people familiar with the matter.

That means that roughly a quarter of Uber shares would be unavailable to SoftBank, which has teamed up with Dragoneer Investment Group and private-equity firm General Atlantic for the proposed investment.

Two directors, chairman and co-founder Garrett Camp and early employee Ryan Graves, are expected to sell at least some of their stake to SoftBank, according to the people familiar with the matter.

For most venture-capital firms, Benchmark's return on its Uber holdings is the stuff of dreams, even at a discount. Its investment of $27 million six years ago is worth about $8.4 billion on paper today, according to other investors. Selling some of that could shelter Benchmark from the risk of a drop in Uber's stock following an initial public offering, as has happened after some tech firms went public recently. New Uber CEO Dara Khosrowshahi has said the company could go public in as little as 18 months.

But San Francisco-based Benchmark said in August it believed Uber's valuation could eventually top $100 billion. Other investors have privately cited that lofty expectation as a reason they may not sell to SoftBank in the tender offering.

Some people close to the talks cautioned it was possible they could fall apart entirely.

Benchmark has proved itself an unpredictable investor. It sued Mr. Kalanick weeks after helping oust him, saying he reneged on an agreement to return to board oversight three board seats he controls. The suit is being sent to private arbitration.

The suit divided Uber directors, many of whom were surprised when Benchmark filed it in early August. Benchmark alleged Mr. Kalanick defrauded investors by not telling them about questionable business practices like a program to evade authorities using a fake version of the Uber app.

Mr. Kalanick argued in court papers that the suit is a meritless, personal attack. He is contesting the suit and has indicated he has no plans to turn over the board seats.

The new CEO, Mr. Khosrowshahi, hadn't yet been named when the possible SoftBank deal started coming together following weeks of discussion, but he is broadly supportive, according to people familiar with the matter.

—Mayumi Negishi contributed to this article.

RATING

Continued from Page One

other or to other financial firms, which had been among the main sources of risk for the country's financial system.

The result: Credit growth in China, as measured by M2, a broad gauge of money supply, hit a low last month. Officials at the People's Bank of China say slowing M2 growth could be a "new normal" thanks to Beijing's resolve to keep a lid on leverage.

However, S&P raises a valid concern about China's credit continuing to expand faster than output, economists and analysts say. That reflects more loans going into supporting loss-making firms, such as state-owned steelmakers, as opposed to more productive areas. Such continued misallocation of resources raises the specter of a prolonged economic downturn down the line.

"Given the high levels of debt in China, this doesn't look like it is unreasonable," said Louis Kuijs, head of Asia Economics at Oxford Economics in Hong Kong. "The downgrade is not putting China in the basket-case territory," he added. With the downgrade, China now has the same long-term S&P rating as Japan, Ireland and Israel.

Chinese officials have maintained that Beijing has the ability to control its debt growth and prevent systemic risks. The Ministry of Finance didn't respond to requests to comment on the S&P move.

China opened the credit spigot during the 2008 global financial crisis, a move that helped shield it from the economic malaise afflicting much of the rest of the world, and debt levels have continued to balloon to prop up growth. The Institute of International Finance estimates that China's overall debt load will reach nearly 300% of its gross domestic product by the end of this year, up from less than 180% at the end of 2008.

Corporate debt is projected to make up about 169% of GDP by the end of 2017, followed by government debt at 47%, according to the institute. In recent years, Chinese families have also increased their borrowings, with households' debt-to-GDP ratio set to increase to 45% by the end of this year from less than 40% two years ago, it said.

S&P said recent government efforts to rein in leverage could stabilize "the trend of financial risk" in the medium term. But "credit growth in the next two to three years will remain at levels that will increase financial risks gradually," the agency said.

S&P's move joins a growing chorus of alarm over China's soaring debt levels.

Market reaction to the move, announced after the close of China's stock markets, was muted with little movement in the yuan.

Going forward, some analysts say, the downgrade could make it more expensive for Chinese companies seeking to sell bonds overseas though it likely will have limited impact on China's domestic bond market.

"The risk is actually mitigating," said UBS China economist Wang Tao.

—Saumya Vaishampayan and Grace Zhu contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Hoffman-Madison Waterfront, a partnership between real-estate firms Madison Marquette Inc. and PN Hoffman & Associates Inc., in October is opening the first phase of a $2.5 billion mixed-used waterfront development in Washington. A Property Report article on Wednesday about open-air shopping centers and mixed-use property developments incorrectly said it was Madison Marquette's project and incorrectly said the project was valued at $2 billion.

Australian physician John Vallentine previously taught medical ethics. A Page One article on Monday about aid groups working to rescue migrants in the Mediterranean Sea incorrectly called him a professor of medical ethics.

A Thonet chair available at retailer Rejuvenation lists for $275. An Off Duty article in the Friday-Sunday edition about the chair gave its sale price of $220.

The National Association of Home Builders' measure of new-home affordability in the U.S. has fallen to its lowest level since 2008. A Heard on the Street article Aug. 24 about home-building shares incorrectly said it was at the lowest level since 2007.

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

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Dow Jones Publishing Company (Asia)
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Protesters Denounce Duterte's Policies

Demonstrators slam Philippines president's strongman style and deadly drug crackdown

By Jake Maxwell Watts

FRANCIS R. MALASIG/EPA/SHUTTERSTOCK

Filipino protesters attacked images of former President Ferdinand Marcos and current President Rodrigo Duterte on Thursday in Manila.

MANILA—Thousands of antigovernment protesters thronged Manila on Thursday in the largest outpouring of opposition against President Rodrigo Duterte's deadly war on drugs and strongman style of governance.

The protests, planned to coincide with the 45th anniversary of the declaration of martial law by former dictator Ferdinand Marcos, extend weeks of backlash against the Duterte administration after the alleged execution of a teenager by police officers last month.

"Human lives are indispensable. One death is too many," said Robbie Solis, a 32-year-old who lives in Manila and joined a protest outside the Commission on Human Rights. "Even if there's a high chance that the person is a criminal, people still have rights."

Early evening, thousands of mostly young protesters holding banners marched about a mile from two locations to the commission, chanting "never again to martial law."

Later in the evening, a larger crowd braved heavy rain to gather in Rizal Park, also known as Luneta. Speakers from activist groups denounced the Marcos regime and compared it to Mr. Duterte's government, to the cheers and support of protesters beneath a sea of umbrellas.

Smaller pro-government protests were held elsewhere in the city.

Since Mr. Duterte took office last year promising to tackle drug activity, more than 3,800 people have been killed by police during antinarcotics operations, according to the most recent official data. Estimates from human-rights organizations and local media place the number as high as 13,000 when killings by unknown vigilantes are included.

Mr. Duterte was defiant in a televised interview broadcast Tuesday by the state-run People's Television Network Inc. He encouraged those dissatisfied with his government to protest, but said it wouldn't affect him.

"I do not care if you agree with me on the drug war, I do not worry about the things that you are criticizing me for," Mr. Duterte said. On Thursday, he visited a southern Philippines city where the military is battling an occupation by Islamic State-linked groups.

While most Filipinos still support the president, his high popularity "is not going to stay there," said Miriam Coronel-Ferrer, a political-science professor at the University of the Philippines and a former government peace adviser.

Seventeen-year-old Kian Loyd delos Santos was one of several teenagers to die in the past month in the drug crackdown. Unlike others, however, the killing shocked Filipinos for its brutality and video evidence suggesting that the police may have lied about the incident.

Mr. delos Santos was captured on security cameras, apparently cowering and unarmed, between police officers just moments before he was shot in the head. Police originally said the teenager had shot at officers and was killed in self-defense.

The three officers, who are suspended from duty and face murder charges, declined to answer questions during a Senate hearing in late August and couldn't be reached to comment.

The chosen date of Thursday's protest wasn't coincidental: Mr. Duterte has publicly sympathized with Marcos, the former dictator, who was ousted in a popular revolution in 1986 and is remembered by his supporters for disciplined economic management and by detractors for human-rights abuses and corruption.

Mr. Duterte was supported by the late president's family during his presidential campaign and last year advocated for Marcos's controversial reburial in Manila's Heroes' Cemetery. The Marcos family is now in discussions with Mr. Duterte's government to return some of the billions it allegedly amassed during Marcos's rule.

Last week, Mr. Duterte's defense secretary, Delfin Lorenzana, said the president would consider declaring martial law nationwide if protests turn disruptive, though he said such a move would be unlikely. The Philippines constitution, written after Marcos's ouster, gives fewer powers to the president than Marcos had.

Opponents of the government say Mr. Duterte and allies in Congress have sought to stifle investigations into police killings and threatened the president's critics. Several outspoken politicians and public appointees have been pursued in the Senate and the courts since Mr. Duterte took office in June last year.

The government has defended its drug war as successful and has condemned extrajudicial killings.

Myanmar Crisis Stirs Outcry at U.N.

By Farnaz Fassihi

CATHAL MCNAUGHTON/REUTERS

Rohingya refugees waited this month to receive aid in Cox's Bazar, Bangladesh.

UNITED NATIONS—The violence in Myanmar has become a rallying point for Islamic countries and their leaders at the General Assembly, while commanding widening attention and concern among heads of state gathered for annual meetings.

Many world leaders have used the U.N. podium to criticize Myanmar's government and call for an end to the violence, in which a military crackdown against the country's Rohingya population has created a regional humanitarian and political crisis. Since the military campaign started in late August, the military has killed, injured and set ablaze villages in Rakhine state and displaced nearly 400,000 people who have fled to neighboring Bangladesh.

On Wednesday, U.S. Vice President Mike Pence joined the chorus of those voicing outrage at the violence. He called on members of the U.N. Security Council to take action to stop the violence, which has been described by some as ethnic cleansing.

"The images of the violence and its victims have shocked the American people and decent people all over the world," Mr. Pence told the Security Council. "And now we're witnessing a historic exodus. Over 400,000 Rohingya, including tens of thousands of children, have now been forced to flee from Burma to Bangladesh, with more following every day." The U.S. government refers to Myanmar as Burma.

Nobel Peace Prize winner Aung San Suu Kyi, the country's civilian leader, defended her country's treatment of ethnic Rohingya Muslims, speaking on Tuesday to foreign diplomats in Naypyitaw, Myanmar's capital, saying her government would investigate all allegations of human-rights abuses along her country's western border. She said 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. While Mr. Pence noted that Ms. Suu Kyi has said Rohingya families who have fled are free to return home, he said the U.S. wants the country's military to immediately halt its actions.

Meanwhile, Iranian President Hassan Rouhani said on Wednesday that heads of Islamic nations held an emergency meeting on the sidelines of the General Assembly a day earlier, where they discussed pressuring Myanmar's government and delivering humanitarian aid.

U Henry Van Thio, vice president of Myanmar, addressed the General Assembly on Wednesday, defending his country's military campaign in Rakhine state, saying stabilizing the region was a priority for his country.

He also said the government was "deeply concerned" about the situation in Rakhine.

South Korea Plans New Aid to North

By Min Sun Lee

SEOUL—South Korea's government said it would send $8 million in new humanitarian aid to North Korea, despite the nuclear standoff on the peninsula.

The left-leaning administration approved the aid tranche Thursday after a meeting of government officials led by unification minister Cho Myoung-gyon.

Since taking office in May, President Moon Jae-in has emphasized a two-track approach toward North Korea, supporting tougher sanctions in response to Pyongyang's weapons tests while opposing military action and leaving the door open to peace talks. He is expected to espouse that strategy in a speech Thursday at the United Nations General Assembly in New York.

President Donald Trump announced Thursday that the U.S. planned additional sanctions against North Korea, two days after he said the U.S. would "totally destroy" the country if America or its allies were forced to defend themselves against Pyongyang. "We will be putting more sanctions on North Korea," Mr. Trump said after being asked about the possibility by reporters.

The additional sanctions weren't immediately clear, though the White House announced soon afterward that Treasury Secretary Steven Mnuchin would hold a briefing with U.N. Ambassador Nikki Haley later Thursday.

Seoul plans to provide $3.5 million in vaccines and medical aid through Unicef and $4.5 million in food through the U.N. World Food Program for malnourished children and pregnant women, the unification ministry said, with the timing and size of aid deliveries to be determined later.

Since the aid would be provided as medical products and food, not in cash, there was virtually no possibility that it would be diverted for other purposes, the ministry said.

The World Food Program and Unicef approached Seoul in May and July, separately, requesting support, according to the unification ministry.

Despite North Korea's advancing weapons tests, Seoul has said it would maintain humanitarian assistance regardless of political situations.

That approach has prompted criticism from Mr. Trump, who this month suggested South Korea was seeking "appeasement" with the North. The U.S. Embassy in Seoul didn't immediately comment on the aid decision.

EU Faces Quandary as U.S. Seeks Changes to Iran Deal

By Laurence Norman

U.S. demands to reopen the 2015 Iranian nuclear agreement have placed European governments in the diplomatic crosshairs, scrambling to heed U.S. concerns without sparking an Iranian walkout from a deal they say is working.

Trump administration officials and their European allies exchanged sharply differing views following a meeting Wednesday in New York of foreign ministers from Iran and the six powers that negotiated the deal. That came after President Donald Trump's assertion that he had decided whether to stick with it—while not revealing his decision.

U.S. Secretary of State Rex Tillerson had already said Tuesday that Washington would stand by the agreement only if there were changes to the accord, including addressing provisions that allow Iran to expand its nuclear activities from the middle of the next decade.

On Thursday, Iranian leaders criticized Mr. Trump's speech to the U.N. and stood by their stance that the nuclear deal is nonnegotiable.

Iranian supreme leader Ayatollah Ali Khamenei, who has say over most matters of state, called the speech "stupid, ugly and empty-headed" and made out of desperation. Iranian officials have said they have no intention of renegotiating the pact.

To keep the deal alive, Brussels may need to strike a balance between U.S. and Iranian pressures, while maintaining a united front among the three European governments that helped broker the agreement.

Bank of Japan Sticks With Easy Money

By Megumi Fujikawa

TOKYO—The Bank of Japan looks set to stick defiantly to an ultraeasy monetary policy while the U.S. Federal Reserve and other major central banks around the world head toward the exit door from the strategy.

Just hours after the Fed signaled Wednesday that a December rate increase was still in the cards and announced it would start trimming its bondholdings in October, the Japanese central bank hunkered down on its current policy settings.

Despite the best stretch of economic growth in more than a decade, inflation in Japan remains weak, having picked up only a little speed. In July, Japan's core inflation excluding fresh food prices rose 0.5%, far from the BOJ's target of 2%.

But Gov. Haruhiko Kuroda reiterated his confidence in the goal being reached, a position he continues to hold even after the bank pushed back its forecast for attaining that goal six times since 2013.

"I believe the current framework is sufficient for reaching the 2% target," Mr. Kuroda said at a regular news conference following the Fed decision, an answer partly aimed at playing down the view of a dissenter within the ranks of the BOJ board.

TORU HANAI/REUTERS

Bank of Japan's Haruhiko Kuroda

Goushi Kataoka cast the only vote against the widely expected decision to keep the bank's target for 10-year Japanese government bond yields at around zero and its short-term deposit rate at minus 0.1%.

Far from saying the bank should follow the trend away from loosening policy among other major central banks, Mr. Kataoka said at the meeting that the BOJ still wasn't doing enough to generate inflation. He said the effect of the current easing framework was insufficient to reach the bank's 2% inflation target by March 2020.

Mr. Kuroda said at the news conference that he was willing to take more action, but only if circumstances warranted it.

The bank has kept its policy on hold since September 2016, when it overhauled its easing framework to target short- and long-term interest rates, shifting away from its reliance on the targeted quantity of annual bond purchases.

There is no sign on the horizon of the BOJ changing its policy settings or scaling back its portfolio like the Fed, but it has trimmed its bond purchases below ¥80 trillion ($713 billion) to about ¥60 trillion, according to analysts' estimates, a pace sufficient to maintain its interest-rate targets.

At Thursday's meeting, the bank maintained its assessment of Japan's economic conditions, saying the economy was "expanding moderately."

Japan's economy grew an annualized 2.5% in the three months through June, lengthening its most recent sequence of growth under Prime Minister Shinzo Abe to six quarters.

Hundreds Still Missing In Mexico

As rescuers press on, earthquake deaths seem certain to rise; teacher's body found

BY ANTHONY HARRUP AND ROBBIE WHELAN


Workers search for survivors in a flattened building in Mexico City on Thursday, two days after a strong quake hit central Mexico.
YURI CORTEZ/AGENCE FRANCE-PRESSE/GETTY IMAGES

MEXICO CITY—Rescue workers, hampered by heavy rains, continued to search for survivors early Thursday from this week's deadly earthquake that killed at least 230 people, a toll that seemed sure to rise amid reports of nearly as many people missing.

Overnight, the body of a 58-year-old teacher was removed from the collapsed remains of the Enrique Rebsamen primary school in southern Mexico City.

The school, which accounted for the greatest loss of life during the quake, was the focus on an intense recovery effort aimed at rescuing what appeared to be one or more girls trapped inside. By early Thursday, the attempts hadn't been successful.

An estimated 1,800 people in central Mexico were injured, federal officials said.

President Enrique Peña Nieto said late Wednesday that Mexico has accepted offers of technical assistance from the U.S., Spain, Israel, Japan and several Latin American countries with experience in natural-disaster response.

He said the government has received "thousands of messages of solidarity and encouragement, from all over the world." Earlier, he declared three days of mourning for the people killed in the earthquake, the second one this month. A quake hit southern Mexico on Sept. 7, killing close to 100 people.

Mexico City officials said 38 buildings collapsed, most of them multistory apartment or office buildings. Social media was full of messages seeking the whereabouts of loved ones, as well as pictures of children who couldn't find their parents.

Federal authorities deployed some 27,000 army, marines and federal police to boost security and help in the recovery.

Across the city, other rescues played out, offering some relief from the horror of the quake. Authorities said 52 people have been rescued from collapsed buildings in Mexico City. But others were still trapped. In one collapsed building in the Roma district, a handwritten poster listed 16 people believed to be stuck inside, listing the floor on which each one lived.

U.S. President Donald Trump called Mr. Peña Nieto on Wednesday to express his condolences and offer U.S. assistance, according to Eduardo Sánchez, a spokesman for the Mexican president.

In Mexico City's chic Condesa neighborhood, a large apartment building collapsed on a corner of Amsterdam Avenue, a shaded street of Art Deco homes and newer condos.

Ana Julián Nicolás Cruz, 26 years old, said her mother, María Ignacia Cruz Cortez, 49, was on the second floor of the building when the earthquake struck. Ms. Cruz Cortez worked in the building caring for a 97-year-old woman with a disability, commuting two hours each way from a suburb.

After hearing on television that Condesa was one of the most-affected areas, Ms. Cruz and her brother and father rushed to the building, where a security guard told them that Ms. Cruz Cortez hadn't escaped before the building collapsed.

On Wednesday, the building was nothing more than a mound of concrete rubble with huge, jagged slabs of wall sticking out, as firefighters, soldiers and volunteers used sledgehammers, pickaxes, shovels, their hands and construction machinery, frantically removing buckets full of debris to dump trucks.

The Cruz family had kept a nervous vigil at the site since Tuesday afternoon and had heard no news of their loved one.

"We are so nervous we are dying. I can't eat, I'm not hungry," Ms. Cruz said. "I'm trusting that God has her in good hands."

While most earthquakes that hit Mexico are centered on or near the country's Pacific coast, this quake's epicenter was unusually close to Mexico City, 60 miles south of the capital in Chiautla de Tapia, according to Mexico's seismological service.

—Dudley Althaus contributed to this article.

Hopes Diminish for Rescues at School

MEXICO CITY—Hope was starting to fade on Thursday for the fate of one or more children still trapped under the rubble of a primary school in Mexico following Tuesday's earthquake that killed at least 230 people.

Rescue workers at the Enrique Rebsamen school pulled out the body of a 58-year-old teacher, but were unable to get at what rescuers say is one or possibly more girls who were still alive as of Wednesday night.

Heavy rains complicated the attempts, and part of the rubble collapsed further during the night, prompting rescuers to briefly suspend the attempts.

"We continue to search for survivors," a Marine spokesman told reporters. Asked if they had made contact with the girls, he said: "We continue to try to make contact."

Residents across the Mexican capital and beyond have been riveted by the rescue effort at the school, which suffered the highest death toll of the magnitude 7.1 temblor, with a reported 29 people killed, most of them children.

By midmorning Wednesday, thermal sensors detected what they believed were two girls still alive. Rescuers said one girl was trapped behind a cream-colored wall, in what had been the second floor of the school.

The identity of the girl remained a mystery.

Adding to the confusion, Mexican Education Minister Aurelio Nuno said they had been unable to make contact with any parents who claim their children are still missing.

—Juan Montes

Energy Alliance Propels Russia-Saudi Ties

By Summer Said in Riyadh and James Marson in Moscow

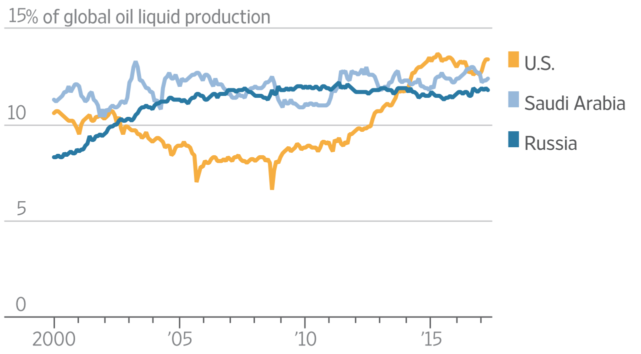
Saudi Arabia's King Salman plans to discuss Syria, the Qatar blockade and oil production with Russian President Vladimir Putin next month in Russia, according to people familiar with the matter, as energy cooperation deepens political ties between the two former foes.

In the first visit to Russia by a Saudi monarch, King Salman is expected to give his support for new cease-fires and "de-escalation zones" in Syria, where Riyadh and Moscow have been on opposing sides, the people said.

The king is also expected to cement a deal with Russia to extend efforts to withhold global oil supply and prop up crude prices through the Saudi-led Organization of the Petroleum Exporting Countries, the people said. Russia isn't a member of OPEC, but its cooperation was key in a deal among 24 countries to cut almost 1.8 million barrels of oil a day this year.

Alliance of Giants

U.S. energy output has surpassed Saudi Arabia and Russia, driving the two countries to cooperate.



Source: The International Energy Agency

THE WALL STREET JOURNAL.

The visit, scheduled for early October, is the latest sign of a warming relationship between the two largest crude-oil producers, who have long been on opposite sides of the Middle East's geopolitical fault lines. Russia counts Saudi rivals Iran and Syria as its closest Middle Eastern allies, while Saudi Arabia has looked to the U.S. as an ally.

"Cooperation between these vehement Cold War enemies used to be unthinkable. Not anymore," said Jim Krane, a fellow specializing in Middle East energy and geopolitical issues at Rice University's Baker Institute.

The thaw began last year as Saudi Arabia sought Russian support for the cut in oil production, which it hoped would reverse a historic downturn in petroleum prices. Russia and Saudi Arabia's oil industries have been rocked by a U.S. oil boom that flooded the market.

Though the OPEC-led production cut has done little to raise oil prices, Russia and Saudi Arabia have since talked about establishing a joint energy-investment fund and the first Saudi imports of liquefied natural gas from Russia, according to Russian and Saudi officials.

Russia hosted its first gathering of the cartel in July in St. Petersburg, and has taken on a dual leadership role with Saudi Arabia in managing oil supplies.

Saudi oil officials are considering stakes in LNG projects led by Russian companies **OAO Novatek** and state energy giant, PAO **Rosneft**, people familiar with the matter said.

The potential for the alliance may be limited. Saudi Arabia has other sources for many of the imports that Russia could provide, including weapons, barley, pig iron and refined copper. The LNG deals under discussion could take months to come together or not happen at all, people familiar with the talks said.

In May, Mr. Putin spoke about Syria with then-Deputy Crown Prince Mohammed bin Salman, the king's son who has since been elevated to crown prince and heir apparent. The two countries remain at odds but have celebrated their dialogue.

Russia this year ended its criticism in the United Nations of Saudi Arabia's war against Houthi rebels in Yemen. The Saudis saw that as a concession that came after the kingdom threw its weight behind cutting its oil production, Saudi officials said.

Populists Alter Direction Of Campaign in Germany

BY ANTON TROIANOVSKI

WISMAR, Germany—Candidate Georg Pazderski of the anti-immigrant Alternative for Germany spent nearly half of his 25-minute speech in this harbor town this week highlighting the danger of Islamist terrorism. Chancellor Angela Merkel dispatched the topic in roughly 80 seconds in an address here the next day.

As this country's election campaign reaches its crescendo ahead of Sunday's vote, its participants increasingly appear to be fighting different battles. Ms. Merkel, looking assured of victory, is engaging her opponents in mainstream parties on pensions, infrastructure, education and economic policy. The Alternative for Germany, meanwhile, is creeping up in the polls while positioning itself as the only party sounding the alarm about what it says is the existential threat posed by Muslim immigration.

The AfD, as the party is known, is now polling at above 10%—less than its peak early this year and well below what other far-right parties elsewhere in Europe have garnered in recent elections. But for Germany, if the polls hold, its impending entry into parliament will mark a turning point in a country where right-wing populism has long been banished from mainstream discourse. And it will show that despite Germany's thriving economy, an undercurrent of popular distrust and discontent threatens to increasingly unsettle a largely stable political system.

The unease is especially apparent here in the former East Germany, where unemployment is higher and the mainstream political parties less deeply anchored than in the more prosperous former West. But AfD is drawing rising support from across the country, polls show.

Interviews with AfD supporters conducted in recent weeks, from the German southwest to here on the Baltic seacoast, yielded one common complaint: Mainstream politicians, the voters said, don't take their concerns about immigration—including fear of violent crime committed by immigrants—seriously enough.

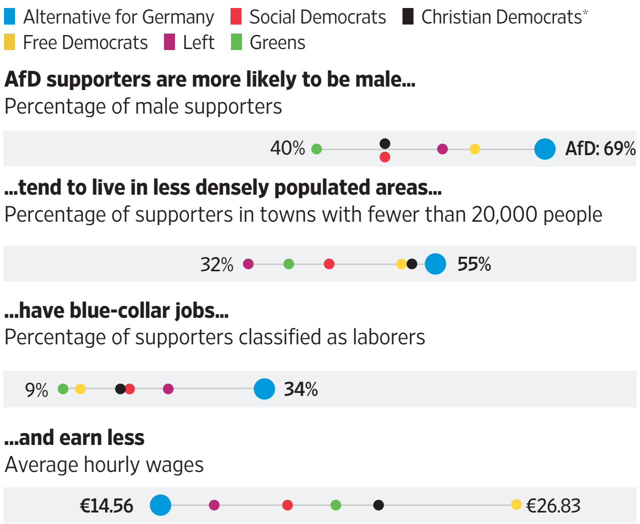
The party "clearly discusses problems that all the other parties have been concealing until now," said civil servant Uwe-Schulz Kopanski, referring to immigration as the biggest one. "These lies, these lies, these lies—people have had enough."

Ms. Merkel concluded her speech in Wismar, a Baltic seaport town of about 45,000 people, on Tuesday by warning that isolationism could carry big risks for a country that makes much of its wealth from exports. "We must understand that we cannot only take care of ourselves," Ms. Merkel said.

The previous day, leading AfD politicians took a different tack at their own rally here.

Protest Vote

Some typical characteristics of Alternative for Germany voters are outliers when compared with backers of other parties.



*Includes Bavarian sister party Christian Social Union

Sources: German Institute for Economic Research analysis based on an ALLBUS survey of about 3,500 respondents conducted in March-September 2016 (male support, residence, employment); SOEP panel study, 2015 (wages)

THE WALL STREET JOURNAL.

The mainstream parties have yet to "see reason and finally take care of the security of German citizens," Mr. Pazderski said. He and deputy party chairwoman Beatrix von Storch both said deportations of rejected asylum seekers were happening too slowly.

"In addition to a heart, we have a brain," Ms. von Storch said of her party.

"This is a party that's finally showing protest," said Martin Schmaltz, a 28-year-old bus driver at the event in Wismar who was considering voting for the AfD.

WORLD WATCH

FRANCE

National Front Loses Chief Euroskeptic

The architect of Marine Le Pen's anti-euro stance, Florian Philippot, quit the National Front.

Mr. Philippot, who championed the party's embrace of economic nationalism in this year's presidential election, said he had left the party Thursday after Ms. Le Pen stripped him of his role as vice president of strategy and communications.

"I was told I was vice president of nothing. I don't like being ridiculed, nor do I like having nothing to do, so you bet I quit the party," he said on French TV.

The move paves the way for National Front to make a full-throated return to identity politics, drawing on its anti-immigrant and anti-Muslim base, while jettisoning the broader message of economic "sovereignty" that Mr. Philippot championed.

—Stacy Meichtry

SOUTH AFRICA

Central Bank Keeps Main Rate on Hold

The South African Reserve Bank kept its main repo rate at 6.75% and revised its 2017 growth forecast up slightly.

Gov. Lesetja Kganyago said three members of the bank's monetary-policy committee had argued for a rate cut of 0.25 percentage point, while the other three wanted to hold rates. In the end, the committee decided to hold rates and reassess its monetary stance at its next meeting in late November.

Many analysts had expected the SARB to lower interest rates, giving a slight boost to Africa's most developed economy, which the bank expects to grow just 0.6% this year.

—Gabriele Steinhauser

NEW ZEALAND

Growth Rebounds

Economic growth rebounded 0.8% in the second quarter after six months of lackluster progress, an indication that the economy may be regaining momentum as the nation prepares to go to the polls Saturday in a tightly fought general election.

Economists had expected the economy to grow by 0.75%.

—Ben Collins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U.S. NEWS

Mueller Studies White House Ties to Flynn

Special counsel's team is examining whether probe of ex-security adviser was obstructed

Special Counsel Robert Mueller is seeking to determine what White House officials knew about a federal investigation into former national security adviser Michael Flynn early this year.

By Aruna Viswanatha, Rebecca Ballhaus and Del Wilber

The move comes as Mr. Mueller's team examines whether President Donald Trump or other administration officials sought to obstruct that probe, according to people familiar with the matter.

As part of that effort, Mr. Mueller's prosecutors have indicated they would like to interview key White House officials and have requested a trove of documents on a range of topics, including Mr. Flynn and a warning from a Justice Department official about his interactions with a Russian diplomat, the people said.

Mr. Flynn was forced to resign on Feb. 13, just a few weeks into Mr. Trump's presidency, for giving misleading statements about his contacts with Russian officials to Vice President Mike Pence.

The day after Mr. Flynn's resignation, Mr. Trump met with then-Federal Bureau of Investigation Director James Comey in the Oval Office. Mr. Comey later testified before Congress he believed Mr. Trump was asking him to back off an investigation into Mr. Flynn when Mr. Trump allegedly asked the director if he could see his way "to letting Flynn go."

Mr. Mueller is investigating whether Mr. Trump's actions amounted to obstruction of justice. Mr. Trump has denied any wrongdoing.

Mr. Mueller's request, which includes a dozen other topics of interest, including the May firing of Mr. Comey, provides a window into Mr. Mueller's investigation, the people said. Mr. Mueller's probe has taken aim at two of Mr. Trump's top advisers during the 2016 campaign: Mr. Flynn and former Trump campaign chairman Paul Manafort.

The special counsel's office is exploring whether Mr. Manafort engaged in potential violations of lobbying and money-laundering laws, according to people familiar with the matter. Mr. Manafort has said he did nothing wrong.

The investigation also focuses on alleged Russian interference in the 2016 presidential campaign and whether the Trump campaign colluded with Moscow. Russia has denied interfering, and Mr. Trump has denied any collusion.

Mr. Mueller's document request came last month, according to one of the people. A spokesman for the special counsel declined to comment.

"The White House does not comment on any specific requests being made or our conversations with the special counsel," said Ty Cobb, the White House special counsel, in an interview. "The White House is fully committed to cooperating" with Mr. Mueller's probe, he said.

White House aides were ordered earlier this year to begin preserving documents that Mr. Mueller might request. Aides weren't surprised by the special counsel's latest request, a White House official said. It was first reported by the New York Times.

People close to the president's legal team described the requests as within Mr. Mueller's mandate as a special counsel. Exploring the president's history of business dealings, they said, would fall outside that mandate.

The Wall Street Journal reported Tuesday that Mr. Mueller's office had also interviewed Deputy Attorney General Rod Rosenstein, who is overseeing the investigation, about Mr. Trump's firing of Mr. Comey.

Mr. Rosenstein has remained as the supervisor of the probe, a possible sign that Mr. Mueller's team doesn't view Mr. Rosenstein as a central witness in the probe.

Investigators are also interested in speaking to former White House Chief of Staff Reince Priebus and White House Counsel Don McGahn about Mr. Flynn's brief tenure, one person familiar with the investigation said.

TING SHEN/XINHUA/ZUMA PRESS

Special counsel Robert Mueller's prosecutors have indicated they would like to interview key Trump administration officials.

Poll: President's Outreach To Democrats Pays Off

By Janet Hook

President Donald Trump's deal with congressional Democrats to keep the government funded and provide hurricane relief is drawing strong support from across the political spectrum, a new Wall Street Journal/NBC News poll has found.

The poll found 71% of adults in the U.S. approved and 8% disapproved of Mr. Trump bypassing GOP leaders to strike a short-term spending deal with Congress's Democratic leaders, Sen. Chuck Schumer of New York and Rep. Nancy Pelosi of California.

Meanwhile, the GOP president's job approval rating edged up for the first time since the spring, rising 3 percentage points to 43%. That is still the lowest mark for modern presidents at this point in their first term.

Still, Mr. Trump is in a stronger position within the GOP, compared with the party's congressional leaders.

Nearly six in ten registered Republicans are dissatisfied with the work of Senate Majority Leader Mitch McConnell (R., Ky.) and House Speaker Paul Ryan (R., Wis.) to achieve the party's legislative priorities.

Messrs. McConnell and Ryan are facing the highest levels of unpopularity since they became national figures: 41% have a negative view of Mr. McConnell, including 25% of Republicans. Overall, 40% view Mr. Ryan unfavorably, including 21% of Republicans.

Bill McInturff, the GOP pollster who conducted the survey with Democratic pollster Fred Yang, said those findings illustrate the toll on GOP leaders of a president who has blamed them publicly for failing to deliver on key legislative promises.

"When you have the president bashing them for not doing enough on his agenda," Mr. McInturff said, "it's left them in a really precarious situation."

Mrs. Pelosi engenders an even higher level of negative feelings than either GOP leader, but she retains more support within her party than Messrs. McConnell and Ryan do in theirs. Some 43% view Mrs. Pelosi in an unfavorable light, including 17% of Democrats.

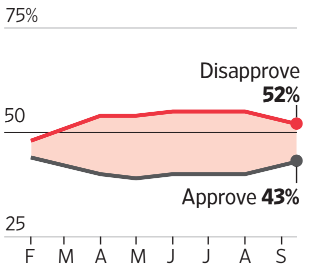
The president's approval rating had been stuck around 40% for months, and much of the 3-percentage-point increase since an August poll comes from improved standing among voters unaffiliated with any party: 41% now approve of the job he is doing, up from 32% in August.

For Trump, Bipartisanship Wins Applause

President Trump's job-approval rating has ticked up amid high support of his agreement with Democrats to fund the government and provide hurricane aid. Opinion of other Trump actions is lower.

ON PRESIDENT TRUMP

Do you approve of Mr. Trump's job performance?



Do you approve of Mr. Trump's handling of these issues?

	Disapprove	Approve
Working with Democrats to keep government open and fund hurricane relief	8%	71%
The economy	36	41
Border security, immigration	47	39
North Korea	43	36
Health care	53	27
Pardon of Joe Arpaio	42	25
Twitter use	66	23
Events in Charlottesville, Va.	55	20

ON TAXES

To fund the government, how would you tax...

	Increase	Keep the same	Decrease
...the wealthy?	62%	24%	12%
...corporations?	55	25	16
...you/your family?	7	53	40
...the middle class?	4	48	47
..small businesses?	4	37	57

Do businesses pay their fair share in taxes?

More than	About right	Less than
20%	34%	37%

Do you think you pay your fair share in taxes?

More than	About right	Less than
40	55	4

Note: 'Not sure/don't know' answers not charted

Source: WSJ/NBC News telephone polls, most recent of 900 adults conducted Sept. 14–18; margin of error: +/–3.27 pct. pts.

THE WALL STREET JOURNAL.

Most Want to Keep Dreamers Protected

Most Americans want Congress to continue protections for young immigrants brought to the U.S. illegally as children, and they see these so-called Dreamers in a favorable light, a new Wall Street Journal/NBC News poll finds.

The survey found that fewer than one in four people favors an end to rules that protect this group from deportation, while just over half of people in the survey said that Congress should vote to continue protections for these immigrants.

This month, President Donald Trump ended the Obama-era Deferred Action for Childhood Arrivals program, which now provides work permits and deportation protections for about 690,000 young undocumented immigrants. Starting in March, people will begin losing their DACA permits and will become eligible for deportation.

While 53% of people in the survey said they favored continuing protections for this group, support was weaker among people who voted for Mr. Trump last year. Among Trump voters, 23% said they would continue the program, while 40% of them said Congress should take no action so that the program ends.

—Laura Meckler

HECTOR RETAMAL/AGENCE FRANCE-PRESSE/GETTY IMAGES

Damaged trees after the passage of Hurricane Maria in San Juan, Puerto Rico, on Wednesday.

Puerto Rico Faces More Flooding

By José de Córdoba And Joseph De Avila

SAN JUAN, Puerto Rico—All of Puerto Rico remained under a flash flood warning on Thursday, a day after Hurricane Maria, the most powerful storm to hit the U.S. territory in almost a century, brought heavy rains, powerful winds and has shut down the power grid across the entire island of 3.4 million people.

Puerto Rican authorities have embarked on damage assessments and search and rescue operations. Gov. Ricardo Rosselló, who imposed a curfew overnight, warned that conditions remained dangerous even though Maria has moved off shore.

The National Hurricane Center said Puerto Rico could receive an additional 4 inches to 8 inches of rain, leading to rainfall totals that could reach 35 inches in some parts of the island. Rain "will continue to cause life-threatening flash floods and mudslides," the center said.

"Puerto Rico was absolutely obliterated," President Donald Trump said Thursday. "Their electrical grid is destroyed. It wasn't in good shape to start off with. But their electrical grid is totally destroyed."

Mr. Trump also said the U.S. Virgin Islands had suffered severe damage. "They are flattened," he said.

U.S. Virgin Islands Gov. Kenneth Mapp on Thursday declared a 24-hour curfew for all four islands as the territory continues assessing the damage from Hurricane Maria and marshaling resources to the region. Phone communication remains down for most of the territory.

Mr. Mapp said the past two weeks have been devastating for the islands after Hurricane Irma hit St. John, St. Thomas and Water Island followed by a second hit from Maria.

Mr. Rosselló ordered a curfew from 6 p.m. to 6 a.m. through Saturday. The move appears to be an effort to prevent looting. After Hurricane Irma, there were reports of incidents of looting in St. John in the U.S. Virgin Islands, some of the British Virgin Islands, and in St. Martin.

As Maria tore across Puerto Rico, floods coursed through neighborhoods and winds knocked down trees and street signs, swept off roofs and damaged homes. Storm surges rose 5 feet above ground level in spots, according to the National Hurricane Center.

After Irma knocked out power to places around the island, Maria delivered a devastating blow to Puerto Rico's electricity grid. Residents said they are prepared for long stretches without full power.

Abner Gómez, executive director of Puerto Rico's emergency-management agency, said key transmission lines on the island had been knocked out of service, leaving 100% of the island without power.

HEALTH

Continued from Page One

islation that failed in July to pass the Senate.

"This bill is complicated and far-reaching," said Larry Levitt, a senior vice president at the Kaiser Family Foundation. "Interest groups don't have a lot of time to mobilize and figure out what it means."

Republican leaders have begun responding to the attacks on their bill to topple much of the ACA. They say it protects people with pre-existing conditions and returns control over health care to the states. They disagree with critics who say they have been secretive with the bill's process, pointing out that they are holding public hearings early next week on the legislation.

"Under Graham-Cassidy-Heller-Johnson, more people will have coverage and we protect those with pre-existing conditions," Mr. Cassidy said Wednesday on CNN, referring to the other sponsors of the bill.

The attacks seek to hit the bill's sponsors in areas of political vulnerability.

Save My Care, a health-care advocacy group, has launched ad campaigns in Nevada, Alaska, West Virginia, Maine, Tennessee and Arizona. An ad this week targets Sen. Dean Heller (R., Nev.) for co-sponsoring a bill that lets states waive ACA protections for people with pre-existing conditions.

The bill is more far-reaching in some ways than earlier GOP repeal attempts. It essentially turns over federal ACA funding to states, allowing them to set up their own health-care systems. It would cut federal health funds to states by more than $4 trillion through 2026, according to a report Wednesday by Avalere Health, a health-care consulting firm.

Industry groups including the American Medical Association, the American Hospital Association, and America's Health Insurance Plans, the major health insurers' group, have come out against the proposal.

The repeal fight is likely to come down to a one-vote margin. If GOP leaders vote by Sept. 30, they will need 50 votes in the 100-member Senate, where they hold a 52-48 majority, with Vice President Mike Pence casting a potential tiebreaking vote. After Sept. 30, they would need 60 votes, which is unlikely. Sen. Rand Paul (R., Ky.) has said he would vote no, and Sen. Susan Collins (R., Maine) has signaled her serious reservations, meaning the bill's sponsors can't lose another vote.

TRIX

Continued from Page One

2016. At the same time, natural-ingredient haters flooded the company with calls, emails and social-media posts, according to Mike Siemienas, a spokesman.

It turns out consumers “don't all want one thing,” he said.

“It's basically a salad now,” said 35-year-old Justin Storer of the new Trix. The Chicago lawyer said he gets most of his lunches from the 7-Eleven across the street from his office while his co-worker eats “weird vegetable chips from Trader Joe's and puffed kale.”

Food giants have long sought to shed additives to appease consumers' desire for simple, natural ingredients. Kellogg Co. also said two years ago it would remove artificial dyes from Froot Loops cereal and Nutri-Grain bars by the end of 2018. It hasn't released the new versions yet, a spokeswoman said.

Americans' love affair with processed foods is enduring, however, despite a decade of finger-wagging from nutritionists, influential celebrities and trendy grocery chains such as Whole Foods peddling healthy and sometimes obscure ingredients to the masses.

Sales of products without artificial colors or flavors are rising faster than overall food and beverage sales, according to Nielsen and Label Insight. But more than 25,000 products in the U.S. still contain high fructose corn syrup, some 46,000 are made with artificial colors and 63,000 have artificial flavors.

Philip Fauria, a 30-year-old optometrist who recently ate Reese's Puffs cereal for breakfast and Pringles with an Oscar Mayer turkey sandwich for lunch, said he's not a fan of trendy, natural and organic food, and is not embarrassed about it. He's never tried kale chips because Pringles are “just too good.”

Mr. Fauria has tried and failed to find Apple Jacks in Sprouts and Whole Foods stores. “It's an atrocity,” he said. Once, he ended up with Bear Naked cereal, which he said gets too soggy in the milk. “Apple Jacks hold up better.” (That could be the artificial additives. Kellogg makes both Apple Jacks and Bear Naked.)

Other products including Pringles and Pop-Tarts, which are made with additives such as maltodextrin and Blue 2 Lake, have withstood the health trends. Kellogg says they are two of the company's best-selling brands.

When Hostess products returned to shelves in 2013 after being out of production for eight months following the company's bankruptcy, retailers placed orders for 50 million Twinkies and nearly 40 million Hostess CupCakes in the first two weeks.

Food giants like General Mills thought switching to simpler ingredients would help revive lackluster sales of goods such as cereal and canned soup. Some consumers also have cited health reasons for wanting to steer clear of artificial dyes in particular.

That didn't stop an outpouring of nostalgia when the company announced its new formula.

On Twitter after the death of Classic Trix, people posted messages such as, “I genuinely feel bad for the kids that never got to experience the old Trix cereal,” and “My childhood fading away with the colors of Trix cereal.”

Rabobank food industry analyst Nicholas Fereday said the revival of Classic Trix could be called “Trix Shameless.”

Part of the problem for Trix was that General Mills' food scientists said they couldn't replicate the vibrant red and neon blue-green corn puffs with fruit and vegetable juices. Besides producing a bland color, the juices and extracts gave the cereal a different taste.

Trix has long marketed itself as a cereal for kids. Its commercials have featured its floppy-eared mascot, the Trix Rabbit, repeatedly getting rebuffed in his efforts to wrest the cereal from children. They end with the slogan, “Silly Rabbit, Trix are for kids.”

Alex Guarnaschelli, a chef on the Food Network's Iron Chef and Chopped reality television shows, said she occasionally enjoys childhood favorites, such as Fruity Pebbles cereal, because the look, flavor and smell are nostalgic. The experience is also liberating, she says, because her mom wouldn't let her eat sugary cereal as a child.

“We either had granola in a box with people backpacking on a mountain on the cover, or an all-natural amaranth flake,” Ms. Guarnaschelli said.

Kraft Heinz Co. tried a different tack when it quietly removed artificial yellow dye from its boxed macaroni and cheese in 2015. Its signature yellow color was easier to replicate, so after months of selling the new recipe, most consumers didn't notice a difference, the company said. It then began an ad campaign with the slogan “It's changed. But it hasn't.”

General Mills said it isn't planning to bring back artificially colored Fruity Cheerios or other cereals it replaced with natural ingredients, because it hasn't received as many complaints about those.

The company is delaying swapping some of its other iconic, playful cereal brands with all-natural versions until it can get the new recipes right.

Food scientists are still working on removing the synthetic dyes in its Lucky Charms, Mr. Siemienas, the spokesman, said, because those marshmallow bits are a “big challenge.”

MERKEL

Continued from Page One

swath of political territory and pushed her rivals toward the margins. She has so far sold her changing positions, which her supporters characterize as a disdain for dogma, as being just what her country needs in an uncertain world.

At the same time, her tendency to pull her party to the left has helped create a political vacuum now occupied by the upstart Alternative for Germany, which is poised to become the first far-right party to win seats in German parliament in more than half a century. That rise of the party, founded in 2013 to oppose eurozone bailouts, introduces a dynamic in which any missteps by Ms. Merkel could eat further into her conservative base.

This account of how Ms. Merkel has fended off a succession of crises, destabilized rivals and cemented her power is based on dozens of interviews with past and present aides, politicians and voters across the country. She declined a request for an interview.

Her strategy has incensed both allied conservatives who claim their principles are being abandoned and opponents on the left who see their popular proposals being co-opted. It is a counterpoint to the polarization seen in other countries, and has made her a symbol of stability for Germans unsettled by the challenges that President Donald Trump, Russian President Vladimir Putin and European populist movements have posed to the postwar order.

JOHN MACDOUGALL/AGENCE FRANCE-PRESSE/GETTY IMAGES

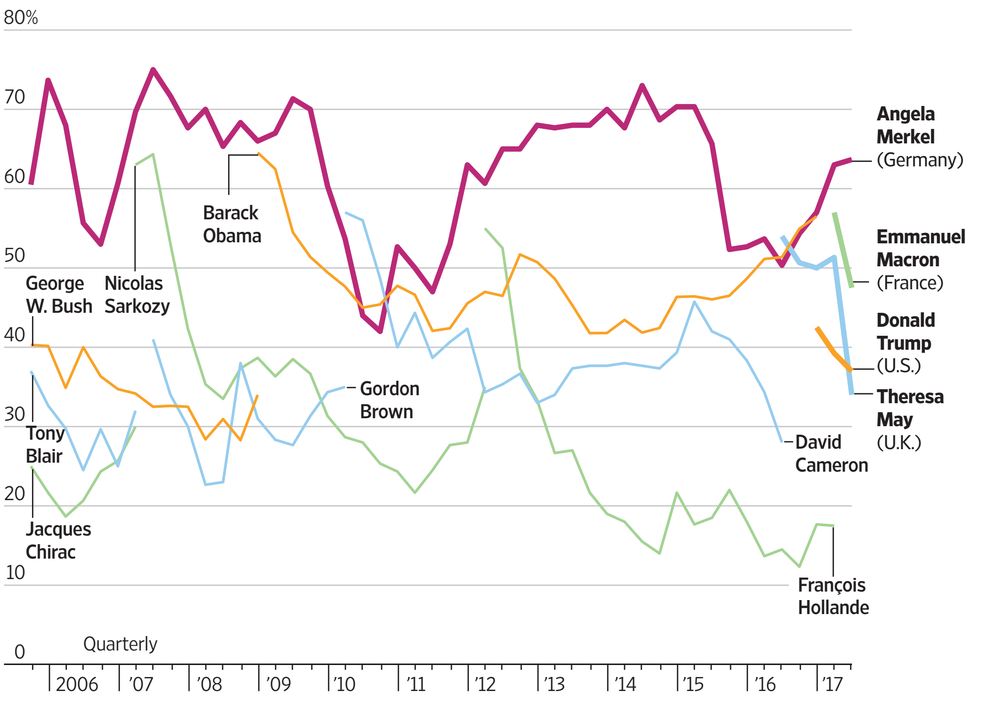
Angela Merkel | By the Numbers

63	12	3	5.8m	2m
Age	Years as chancellor	Number of elections won	Net jobs added during tenure	Asylum applications during tenure

Source: German Federal Employment Agency (jobs); German Federal Office for Migration and Refugees (asylum applications)

Popularity Streak

During her 12 years as German chancellor, Angela Merkel has enjoyed higher approval ratings than many other national leaders.



Sources: Infratest Dimap (Germany); Kantar TNS (France); Gallup (U.S.); Ipsos Mori (U.K.) THE WALL STREET JOURNAL.

Wide support

Abroad, the chancellor is often portrayed as a liberal. At home, she draws support from voters of all kinds, although she rose in German politics as a conservative. Of the five main electoral competitors to Ms. Merkel's Christian Democrats, three of them, including the business-friendly Free Democrats and the environmentalist Greens, are potential coalition partners of Ms. Merkel's party in a new government. She has only ruled out governing with radical left-wingers and fringe nationalists.

In Germany's consensus-oriented system of governance, the charge of “flip-flopper” doesn't carry much of a sting. Ms. Merkel has been able to sell her sometimes dramatic political shifts—on mandatory military service, atomic energy, refugees and, most recently, same-sex marriage—as the product of careful analysis and a reflection of societal change.

The tactic has allowed her to pick up support from voters to her left while retaining the backing of others on the right willing to overlook disagreements on some issues.

Nevertheless, her aides say she won't be swayed from such core commitments as the trans-Atlantic alliance and the need for Germany to be at the core of an integrated Europe. And pollsters say Germany's robust economy and low unemployment make her look like a safe choice.

Ms. Merkel's personality has resonated with Germans long suspicious of charisma. She doesn't tweet, make grand promises or give rousing speeches. She shops at the supermarket, cooks and retires to her country cottage for the weekend. Asked what makes her German, she once replied: “My love for potato soup.”

Ms. Merkel, 63, often alludes to her own biography to underscore the need for change. As East German communism was collapsing in the fall of 1989, Ms. Merkel, then a physicist working in Berlin, visited several political parties looking for one to engage with. She settled on the Democratic Awakening, which would merge with the center-right Christian Democratic party the following year.

The interim East German government named her deputy spokeswoman, and after reunification, then-Chancellor Kohl made her minister for women and youth. After Mr. Kohl's election defeat, Ms. Merkel jumped into a power vacuum and took the helm of the party in 2000.

When she became chancellor in 2005, she largely stood for the ideas of her conservative predecessors: She was a fiscal hawk, a skeptic of immigration and a believer in supply-side economics, the trans-Atlantic alliance and nuclear power.

The 2011 tsunami in Japan and the ensuing Fukushima nuclear-plant meltdown brought about one of her first major policy reversals. She had earlier pledged to reverse the planned phaseout of Germany's nuclear plants. But in a country already skeptical of nuclear energy, the events in Japan had turned public opinion even harder against it, and an important state election loomed. Days after the disaster, she said she would accelerate the transition away from nuclear energy.

Smaller policy reversals followed. Challenging her party's traditions, Ms. Merkel lowered the retirement age for certain categories of workers and extended considerable financial guarantees to the cash-strapped Greek government during the eurozone crisis.

Before the refugee crisis hit late in the summer of 2015, Ms. Merkel was taking fire in the media for telling a Palestinian teenager, who then broke down crying, that Germany couldn't take in all refugees. A popular magazine, Stern, had dubbed her “the Ice Queen” for her tough negotiating stance in the Greece crisis.

In Budapest, thousands of refugees fleeing fighting in the Middle East were crowding a railway station waiting for westbound trains. Three days later, Austrian Chancellor Werner Faymann called Ms. Merkel. The Budapest refugees, many bound for Germany, had started marching toward his country's border.

Deciding quickly, with minimal consultation, Ms. Merkel agreed to send trains to help take them in. Her aides justified the move by saying she was concerned that desperate migrants could die on the highway and that their sheer numbers could destabilize the Balkans.

The German media largely cast the decision in positive terms, as did a majority of Germans, according to opinion polls at the time. But it sparked a storm among conservatives in the chancellor's political camp.

As authorities struggled to contain the flow of hundreds of thousands that followed, and security fears mounted, Ms. Merkel's approval rating plummeted to 45%. The anti-immigrant Alternative for Germany party surged in the polls and into state legislatures.

Under pressure, Ms. Merkel made a second U-turn. While she stuck to her humanitarian discourse and defended her decision to open the borders, her government tightened eligibility for asylum, enacted tougher security laws to ferret out and expel radicals among the newcomers and struck a deal with Turkey to close the migrant route through the Balkans.

By the time the crisis dissipated, Ms. Merkel had earned the support of pro-refugee liberals who praised her initial decision to open the borders, and defused some criticism from her party's base, which was reassured by the return of order.

A year later, migrants continue to enter, albeit at a much slower pace, but the political climate has shifted. After harshly criticizing her initial handling of the crisis, the conservative Christian Social Union party in the key state of Bavaria now supports Ms. Merkel for a fourth term, in part because of her shift on immigration.

German pollster Forschungsgruppe Wahlen has been asking people for years to name the top problems facing Germany. When Ms. Merkel took office in November 2005, 84% said unemployment was one of them. When migrants were pouring in in the fall of 2015, as many as 88% cited migration. By this month, concern about migration had dropped to 49%, although it remains the top concern, and only 8% said unemployment, which has declined, was a major problem.

> *Merkel has sold her changing positions as just what is needed in an uncertain world.*

Ms. Merkel, who grew up behind the Iron Curtain, had come to see the alliance with the U.S. as core to modern Germany's well-being.

One senior German official says when Germans criticize U.S. policy in meetings with her, she sometimes responds by encouraging a thought experiment: *What would the world be like if the U.S. didn't exist?*

Through last summer and fall, Ms. Merkel kept tabs on the U.S. presidential campaign, watching excerpts of presidential debates on her iPad. She refused to hit back at Mr. Trump's criticisms of her, including that she was “ruining Germany” by accepting refugees. After his victory, she and her closest aides drafted a statement that marked a new tone.

“Germany and America are connected by values of democracy, freedom, and respect for the law and the dignity of man, independent of origin, skin color, religion, gender, sexual orientation, or political views,” Ms. Merkel said. “I offer the next president of the United States close cooperation on the basis of these values.”

U.S. relations

Visiting the White House in March, Ms. Merkel resisted pressure back home to criticize Mr. Trump in public, noting that her task was to hear the American point of view and “to find solutions and compromises that are good for both sides.” In May, however, she declared that the times in which Europe “could rely on others completely—they are partly past.”

The widely quoted line served to put distance between Ms. Merkel and Mr. Trump. It also made it harder for her election opponent Mr. Schulz be able to harness Germans' anti-Trump emotions for his own campaign.

A few weeks later, Ms. Merkel pulled another potential wedge issue from Mr. Schulz the day after he made his pledge at his party convention to introduce same-sex marriage.

During a Q-and-A, one man asked the chancellor when he would be able to marry his boyfriend. During her response, Ms. Merkel said: “I would like to lead the discussion further toward a situation in which it moves in the direction of a decision of conscience.”

In saying that, she effectively lifted her party's decadeslong opposition to same-sex marriage, signaling support for a vote in which lawmakers would be exempt from following the party line.

Parliament voted on same-sex marriage legislation just four days later. Ms. Merkel voted no. The German constitution, she said, defined marriage as being between a man and a woman. The legislation passed.

Challenged about her no vote last month in an interview with a young YouTube star, Ms. Merkel noted: “I worked to make sure that this vote would take place.”

“They trust her,” one of Mr. Schulz's top strategists said of German voters, “without knowing what she stands for.”

As Ms. Merkel has adopted center-left positions, some conservative politicians and voters have defected to the Alternative for Germany party, which has seen polling support climb above 10% in recent weeks.

Sascha Ott, an ally of Ms. Merkel in her home state in northeastern Germany, says the chancellor's sudden reversals contributed to a feeling of political alienation among conservative voters. Nevertheless, Mr. Ott continues to support Ms. Merkel, arguing she has deftly steered Germany through Europe's series of crises.

“We have to recognize that society is changing,” said a member of parliament from Ms. Merkel's party, Gunther Krichbaum, who hails from the party's traditional conservative stronghold in the southwest. Otherwise, he said, “one can die of virtue in the end.”

BOOKS

'A revolution is not a dinner party.' —Mao Zedong

Through a Glass, Darkly

In 1949, Truman and U.S. policy makers struggled to foresee the consequences of the Chinese revolution

A Force So Swift
By Kevin Peraino
Crown, 379 pages, $28

BY HAL BRANDS

GETTY IMAGES

RED TIDE Communists entering Beijing after the defeat of Chiang Kai-shek's Nationalists, 1949.

ONE OF THE MOST daunting challenges of statecraft is how to fashion coherent policy in the midst of a revolution. Foreign policy frequently rests on established diplomatic relationships and ingrained assumptions; revolutions sweep such verities away, creating geopolitical turmoil in the present and intellectual uncertainty about the future.

For more than two centuries—particularly since the U.S. became a global power—American leaders have frequently been forced to confront the dilemmas presented by revolutions in countries of strategic importance. The uncertain and contradictory nature of the Carter administration's policy toward the collapsing regime of the shah of Iran in 1979, the indecisive character of the Obama administration's response to the Arab Spring in 2011, and other such episodes testify to the perpetually vexing nature of the challenge. As Kevin Peraino reminds us in "A Force So Swift: Mao, Truman, and the Birth of Modern China, 1949," much the same difficulty confronted the Truman administration amid the culmination of the Chinese revolution.

The year 1949 marked the final collapse of Chiang Kai-shek's Nationalist regime, a deeply flawed government that the U.S. had, nonetheless, supported out of necessity for many years, and the rise of Mao Zedong's Communist dictatorship, which would eventually become one of the bloodiest tyrannies ever to plague the earth. Although no one in a position of authority in Washington wished for Chiang's forces to be defeated by Mao, by 1949 the consensus among American officials was that Chiang's regime was simply too corrupt and incompetent to be saved. Meanwhile, Mao's dictatorial tendencies were clear enough, but his future geopolitical orientation—whether he would lean decisively toward Stalin's Soviet Union or take a more neutral course in the manner of Yugoslavia's Tito—remained murky, at least to those watching anxiously in the West.

So how should the U.S. respond to the likely takeover of the world's most populous country by a Communist movement at a time of intensifying Cold War between Washington and Moscow? Mr. Peraino recounts the endgame of the Chinese civil war over the 12 months beginning in December 1948, as well as the resulting debates in Washington. As Mao's and Chiang's forces battled each other in China, he writes, "American policymakers battled fiercely with one another as they struggled to shape a response."

Indeed, the disputes were as fierce and profound as any that occurred during the Truman years, and they were only complicated by the myriad other dilemmas faced by U.S. global strategy in the early Cold War.

The Truman administration had wrapped its call for the energetic containment of an expansionist Soviet Union in inspiring, universalistic rhetoric, and yet Truman's advisers understood that limited resources compelled them to choose carefully where America would actually make a stand. American strategists preferred—correctly—a "Europe first" approach to containment, due to the enormous geopolitical significance of that continent, but it was in Asia where Communist movements were gaining the most ground.

The administration had sought to build bipartisan support for containment in the late 1940s, and yet the loss of China—whether the result of American abandonment or Chiang Kai-shek's own inadequacies—was certain to ignite a political firestorm in Washington. In these circumstances, and amid the cloud of uncertainty and confusion created by the rapid progression of events in China, the Truman administration pursued a policy that was itself uncertain and confused.

The administration moved progressively toward a break with Chiang over the course of 1949, for instance, and yet it continued to send military supplies to his regime. Truman and his secretary of state, Dean Acheson, sought to distance themselves from the Nationalists—both to deflect blame for their collapse and to signal openness to a relationship with the Communists—by publishing a white paper detailing the failings of Chiang's government.

But that initiative also offended Mao by holding out hope for a restoration of "democratic individualism" in China. Acheson and his chief advisers—such as Policy Planning Staff director George Kennan—hoped eventually to drive a wedge between the domineering Stalin and the equally headstrong Mao, but Washington simultaneously pursued policies—such as covertly supporting anticommunist elements in western China—that seemed more likely to force the two Communist powers together, at least in the short term.

Finally, Acheson's State Department favored allowing Mao to conquer Taiwan, the island redoubt to which Chiang retreated, as a way of fully disentangling Washington from the conflict; the Defense Department and Gen. Douglas MacArthur, by contrast, demanded that the island be held as a critical bulwark against communism in Asia.

Throughout 1949, U.S. strategy was more hesitant and contradictory than coherent and purposeful, and by the end of that year the civil war had concluded in precisely the scenario—a Communist China seeking an alliance with Stalin—that American officials had feared most.

In fairness, it isn't clear that there were many better options available to U.S. officials or that bad policies—as opposed to rotten circumstances—were the root of America's problems in China. By 1949 there was no possibility of saving Chiang's government absent a major military intervention that would have consumed untold and badly needed American resources with scant chance of success. Nor, in retrospect, was there ever much hope for a positive relationship with Mao (some excessively optimistic State Department reporting to the contrary), who was a devoted Communist and deeply suspicious of the U.S. "Third forces"—movements that were both anti-Chiang and anti-Mao—were simply not strong or cohesive enough to exert much influence.

> The 'origin story' of America's decades-long friction with Mao and its abiding commitment to Taiwan.

The trouble, as Kennan aptly put it in 1948, was that "there are operating in China tremendous, deep-flowing, indigenous forces which are beyond our power to control." Under the circumstances, the policy toward which the Truman administration stumbled—avoiding a quixotic military intervention on behalf of Chiang, shoring up the Southeast Asian perimeter through military and economic assistance to neighboring countries, and hoping that Communist ideology would eventually tear Beijing and Moscow apart rather than bind them together—was not such an unreasonable course to follow. It reflected, as Mr. Peraino writes, "a dark, but coherent, worldview."

Mr. Peraino's book is a useful guide to the final months of the civil war and the challenges that U.S. officials confronted. The story he tells will be largely familiar to those who have studied this period, for the book—despite diligent research in many of the relevant archives and sources—breaks relatively little new ground in terms of argumentation or analysis.

The value lies primarily in Mr. Peraino's ability to tell an interesting story well, to illuminate the personalities of the key actors—Chiang and Mao, Truman and Acheson, and others—and to capture the travails inherent in coming to grips with a revolution in progress. The intimate, blow-by-blow reconstruction of the story offers a vivid sense of what it must have been like for American policy makers as they grappled not just with the rapidly deteriorating situation in China but with the political pressures, bureaucratic disputes and personality clashes that made their labors all the more trying.

That said, "A Force So Swift" is unsatisfying in some key respects. Mr. Peraino's focus on the events of 1949 is a good device for keeping the narrative moving and covering the climax of China's revolution. Yet it means that crucial parts of the story get less attention than they deserve.

Many of the key developments in both the civil war and U.S. policy came in 1947-48, when Chiang's forces suffered disastrous military setbacks and the Truman administration deprioritized China—with obvious implications for Chiang—in order to focus on Europe. These events are treated mostly as prologue in the book.

Similarly, although Mr. Peraino describes the connections between the Chinese civil war and U.S. domestic politics, he curiously declines to say much about the ties between the "Who Lost China?" debate that followed Chiang's flight from the mainland and the rise of McCarthyism.

Not least, one of the most surprising outcomes of the Chinese revolution—that the U.S., which had tried so hard to cut Chiang loose, ended up committed to preserving his regime on Taiwan as a result of the Korean War—is treated almost as an afterthought. In reading this book, one sometimes gets the sense that one is reading only part of a much longer and more fascinating tale, and perhaps not the most important part.

Yet the fact that the narrative leaves the reader wanting more rather than less is the mark of a tale well told. And what Mr. Peraino does well in this book is to capture a critical moment in the founding of what is today the most important bilateral relationship in the world and to show the dynamics that so often complicate the policy maker's task at times of upheaval and revolution.

One imagines that U.S. officials will confront those dynamics many times again in the future. By way of preparation, they could do far worse than to read Kevin Peraino's book.

Mr. Brands is a professor of global affairs at Johns Hopkins University.

Lifestyles of the Rich and Tidy

BY SAM SACKS

THE SUBURBS are a hazardous place for novelists to venture, and the more comfortable they are the more acute their dangers. Storytellers are in their natural element when finding meaning amid confusion, like creators dividing light from the darkness. The problem with suburbia is that it has already done the work for them. Its very purpose is to provide order and stability. Because its universe is designed to be predictable, novels set there need to be in the business of un-making—of creative destruction.

This is especially true for the affluent Cleveland suburb of Shaker Heights, which, built in 1912, is among the country's oldest planned communities. The eeriest details of Celeste Ng's novel **"Little Fires Everywhere" (Penguin Press, 338 pages, $27)** concern the city ordinances that keep Shaker Heights running with the precision of a futuristic dystopia. To avoid unsightliness, trash bins are stashed behind each house and picked up by garbage collectors on motor scooters. Families who fail to mow their lawns in a timely fashion wake up to find city employees doing it for them, before receiving hefty fines. On Halloween sirens blare at 6 and 8 p.m. to mark the start and end of trick-or-treating.

Elena Richardson is a third-generation Shakerite who has raised her children to respect its rules and regulations. She's a journalist at the local newspaper, her husband is an attorney, and their kids are Lexie, Trip, Moody and Isabelle, the last-named being the youngest and the "black sheep" of this neatly groomed fold. When the book begins, the Richardsons' beautiful house has burned down and everyone correctly assumes that Izzy, who has vanished, started the blaze. Ms. Ng unfolds the story of why she did it.

> For a novel that sides with rebels and freethinkers, Celeste Ng's latest is a bit too poised and orderly.

As with so many novels, events are set in motion when a stranger comes to town, in this case the multimedia artist Mia Warren, who rents a property from the Richardsons with her teenage daughter, Pearl, after years of nomadic, hand-to-mouth subsistence. Just as Pearl is seduced by the easy comforts in

GETTY IMAGES

the Richardson home (and by Trip's pouting smile), Izzy becomes besotted with Mia, a woman, Elena disapprovingly reflects, "who took an almost perverse pleasure in flouting the normal order." Shaker Heights has rules about what shingle colors you can use but none about meddling, and when Elena pries into the mystery of Pearl's father she starts a series of deceptions and reprisals that culminate in the fire.

Ms. Ng, whose best-selling debut, "Everything I Never Told You" (2014), also took place in small-town Ohio, captures her setting with an ethnologist's authority, fleshing out the region's politics (progressive), its local scandal (a divisive custody battle), its infamous high school prank (the legendary Toothpick Day incident). And there are time-capsule pleasures in her evocation of 1997, when Jerry Springer ruled afternoon TV and internet searching was done on AltaVista.

The writing is poised and tidy as well—too tidy, in fact, for a novel whose allegiances are with rebels and freethinkers. The characters' central traits are so baldly stated that they may as well be spelled out in topiary. Elena believes "that passion, like fire, [is] a dangerous thing," whereas our budding arsonist Izzy senses in Mia "a similar subversive spark to the one she often felt flaring inside her." Suburbia's insidious power is that it, much like high school, transforms people into stereotypes, defining them exclusively by the degree to which they "fit in." Ms. Ng doesn't dodge this trap.

Which isn't to say that "Little Fires Everywhere" isn't smart and readable. It's both, eminently so. But 2017 has seen unforgettable breakdowns of suburban domesticity in treatments as various as Nicole Krauss's intellectual fantasia "Forest Dark," Dan Chaon's gothic horror novel "Ill Will" and the undiluted surrealism of David Lynch's "Twin Peaks" reboot. Ms. Ng's book seems, in contrast, a little too orderly.

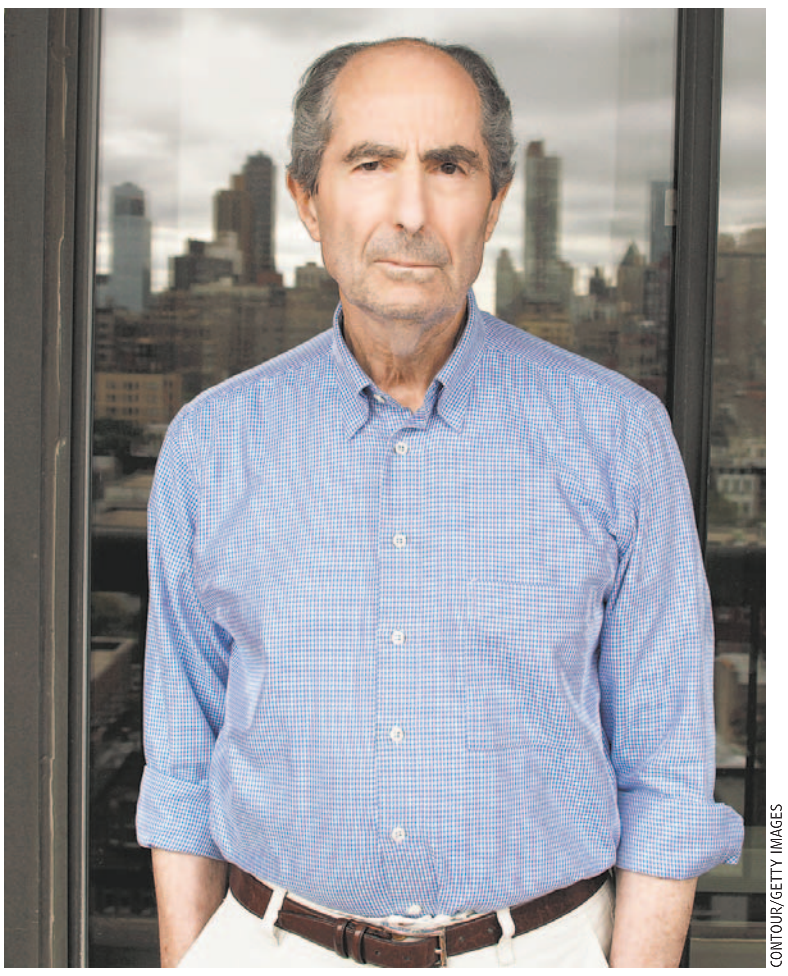
Mr. Sacks writes the fiction chronicle for the Journal.

'Here I am, out from behind the disguises and inventions and artifices of the novel. Here I am . . . denuded of all those masks.' —Philip Roth

Against Trivialization

Why Write?
By Philip Roth
Library of America, 452 pages, $35

BY JAMES CAMPBELL



REFLECTIVE Roth at his New York apartment, 2010.

CONTOUR/GETTY IMAGES

WHY WRITE? In an interview with the Swedish newspaper Svenska Dagbladet in 2014, four years after the publication of what he claimed would be his final novel, Philip Roth offered an oblique answer to the question that gives the title to this collection. "Writing for me was a feat of self-preservation. . . . It was also my good luck that happiness didn't matter to me and I had no compassion for myself. Though why such a task should have fallen to me I have no idea. Maybe writing protected me against even worse menace."

The interview is one of 15 in "Why Write? Collected Nonfiction, 1960-2013." A reader opening the book in expectation of an assortment of literary and social essays, in the manner of James Baldwin, John Updike or Gore Vidal, will be disappointed. In addition to the interviews, there is a scattering of brief memoirs and some appreciations, but Mr. Roth's subject matter can be summed up as "My novels. And me."

The sense of disappointment will not last long. Mr. Roth's responses to interviewers are eloquent and free from inhibition. A man who can say "It was . . . my good luck that happiness didn't matter to me" is in a strong position to weather stormy accusations, such as being a "Jew hater" and a "woman hater," charges that have pursued him down the years, since the publication of "Goodbye, Columbus" (1959) and, especially, "Portnoy's Complaint" (1969). It was Mr. Roth's "good luck" to grow up feeling confident that orthodox opinion—or correct thinking—is the artist's enemy.

There is one form of tyranny that troubles Mr. Roth, however, of which he makes mention more than once in this enjoyable book: "the trivialization of everything," which, speaking in 1988, he felt was "of no less importance for Americans than repression is for Eastern Europeans." The threat to serious literary debate in America (he could have thrown in Britain and most of Western Europe, too) is not "the censorship of this or that book in some atypical school district somewhere. . . . It's the *superabundance* of information." If that claim sounds perfectly up to date, remember that Mr. Roth was speaking a decade and a half before the words "smartphone" and "Facebook" were coined.

The trivialization of everything, he continues in an interview titled "On Zuckerman," "results from exactly what they do *not* have in Eastern Europe or the Soviet Union—the freedom to say anything." This leads to a discussion of the proposition, not uncommon at a time when the Soviet empire still stood, that the Western writer, blithe about freedom and shuttered from existential drama, might benefit from a little state oppression.

Mr. Roth's experience of Eastern Europe and his involvement with writers from Czechoslovakia in particular forbids any such glibness. "Why Write?" is unusual in containing not only interviews *with* Roth, for the Paris Review and other journals, but several interviews *by* him, with foreign writers: Aharon Appelfeld, Primo Levi, Ivan Klíma and Milan Kundera among them. All justify the space they occupy in another writer's book, the last two in particular.

At almost 30 pages, the conversation with Mr. Klíma is the longest piece in "Why Write?" Mr. Klíma and Mr. Kundera were allied in their opposition to the Communist regime in Czechoslovakia, but not in much else. Mr. Klíma explains that the picture of the totalitarian system that one finds in the émigré Mr. Kundera's novels—novels that have had much greater success in the West than those of Mr. Klíma himself—"is the sort of picture that you would see from a very capable foreign journalist who'd spent a few days in our country. Such a picture is acceptable to the Western reader because . . . it reinforces the fairy tale about good and evil, which a good child likes to hear again and again." Czech readers expect "a deeper insight into our lives from a writer of Kundera's stature."

The interview with Mr. Kundera, though shorter, is equally engrossing and a reminder of why in the 1980s and '90s he was seen by Western readers as a wise and witty messenger from an obscure planet, whatever the merit of Mr. Klíma's criticism may be. Particularly striking is Mr. Kundera's belief that it was in Central Europe "that modern culture found its greatest impulses: psychoanalysis, structuralism, dodecaphony, Bartók's music, Kafka's and Musil's new aesthetics of the novel." A Modernist Enlightenment, snuffed out by the postwar division of Europe.

Mr. Roth can be said to have played a part in rekindling the aesthetic flame—he would say a minor part, but it is a significant one nevertheless. In 1976, he was instrumental in establishing the Penguin series "Writers From the Other Europe," featuring works by Mr. Kundera, Danilo Kiš (Yugoslavia), Bruno Schulz (Poland) and George Konrád (Hungary). In "A Czech Education," included here, Mr. Roth relates how, between 1972 and 1977, he traveled regularly to Prague to visit writers, journalists and historians whose books could not be published and whom he terms "the repudiated." Some "were selling cigarettes at a streetcorner kiosk, others were wielding a wrench at the public water works, others spent their days on bicycles delivering buns to bakeries. . . . These people, as I've indicated, were the cream of the nation's intelligentsia."

> Roth grew up confident that orthodox opinion is the artist's enemy.

In 1977, Mr. Roth was refused a visa to return to Czechoslovakia, doubtless because his activities in promoting writers of the "Other Europe" had by then reached the ears of the authorities. On one of the many occasions on which he was accosted by the police, Mr. Klíma was questioned about his friend Mr. Roth's regular visits to Prague. What was it all about? Mr. Klíma reacted with faux-naiveté: "Don't you read his books?" The policemen were stymied, "but Ivan quickly enlightened them. 'He comes for the girls.' "

As a punch line to a speech—in this case before the PEN Literary Gala in 2013—it would have raised a laugh, but readers of a collection of "essential statements" on Mr. Roth's writing life might hope for a more thorough account of his involvement with that Penguin series: the risks it presented to both authors and editor, its estimated successes and frustrations. "A Czech Education" is one of 14 pieces in the third and final part of the book, eight of which derive from the texts of speeches.

"Why Write?" also contains roughly half the contents of "Reading Myself and Others" (1985) and the complete contents of "Shop Talk" (2001), his two previous collections of nonfiction. There is a fond essay on his friend Bernard Malamud—whose character surely shadows that of E.I. Lonoff, the principal figure in Mr. Roth's novel "The Ghost Writer"—and another about the artist Philip Guston. In each case, the subject of the article is as much Philip Roth as anything else. "Rereading Saul Bellow" is the closest the collection comes to straightforward literary criticism. Its pedestrian development, novel by novel, helps to answer the question why Mr. Roth has not done more in that line.

If Mr. Roth's basic subject is me and my novels, the former is protective of the latter. An amusing 14-page letter to Wikipedia, titled "Errata," sets out to correct the misrepresentations of his work that he found on the website. The first concerns the novel "The Human Stain" (2000), described in the Wikipedia entry at the time of writing (2012) as "allegedly inspired by the life of the writer Anatole Broyard." Broyard was a book critic for the New York Times, who, although African-American by heritage, passed in literary society for white (there is debate about how much of a secret his passing was). When Mr. Roth contacted Wikipedia to correct the misstatement that his novel was based on Broyard's experience, he was told (through his "official interlocutor") "that I, Roth, was not a credible source. 'I understand your point that the author is the greatest authority on their own work,' writes the Wikipedia Administrator—'but we require secondary sources.' "

Mr. Roth reveals that the inspiration for "The Human Stain" was "an unhappy event in the life of my late friend Mel Tumin, professor of sociology at Princeton for some thirty years," the type of event involving student complaint that has become more common since Tumin's ordeal in 1985. Wikipedia amended the entry on "The Human Stain" but not enough to satisfy the "greatest authority" on the work of Philip Roth. As well as being consistently intelligent and entertaining, "Why Write?" is a primary source.

Mr. Campbell is the author of a biography of James Baldwin, "Talking at the Gates," and a columnist at the Times Literary Supplement.

Salvation and Self-Sacrifice

The Ninth Hour
By Alice McDermott
Farrar, Straus & Giroux, 247 pages, $26

BY MAUREEN CORRIGAN

IF VARIETY WERE an absolute requirement for literary greatness, Alice McDermott would be out of luck. With few exceptions, her characters are always Irish-American and Catholic. They live the kind of lives that are unfailingly called "small"—meaning that they're mostly working class. And Ms. McDermott's novels frequently look back to an era (from the twilight years of Tammany Hall to the ascendancy of JFK) when Irish-Americans were a distinct and dominant urban ethnic presence. So resolutely does Ms. McDermott, who was born in Brooklyn, remain on native grounds that her dedicated readers no longer bother to ask what a new McDermott novel is "about," but, rather, which outer borough of New York City the story is set in this time: Brooklyn, Queens or, for those characters who've moved on up, the outermost aspirational borough of all, Long Island.

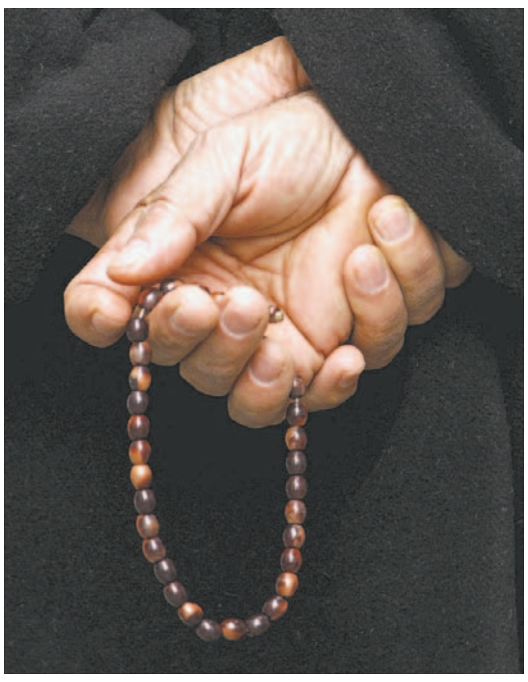
Ms. McDermott's range may be confined, but she sees a world within those dusty parish halls, tenements, bars and funeral homes whose interest is inexhaustible. With the precision of a master—never over-reaching for significance or relaxing into sentimentality—Ms. McDermott lays bare the reasons why those "small lives" matter. Though the culture of her novels is very Catholic ("real holy," as we used to say in my own Catholic girlhood in Queens), even readers who think that the term "extreme unction" refers to excessive flattery can appreciate the comforting coherency and power of her characters' religious worldview. A great McDermott novel—and "The Ninth Hour" is a great one—makes you realize the wisdom of her decision to stay put in the old neighborhood.

"The Ninth Hour" is a Brooklyn novel. Like its immediate predecessor, "Someone," it's set in the early-to-mid-20th century and is largely a female story. It opens on a dark February afternoon when a young Irish immigrant named Jim sends his wife out to do her shopping and then turns on the gas tap in their apartment. Jim has just been discharged from his job as a trainman on the BRT. These days, we would call him clinically depressed, but the collective diagnosis of Ms. McDermott's narrators (the novel is told from the omniscient point of view of Jim's future grandchildren) is, at once, more chilling and poetic:

> The Irish-Catholic women in McDermott's fiction feel the pull of martyrdom.

> His trouble was . . . he liked to refuse time. He delighted in refusing it. He would come to the end of a long night, to the inevitability of 5 a.m. . . . and while other men, poor sheep, gave in every morning, turned like lambs in the chute from the pleasures of sleep or drink or talk or love to the duties of the day, he had been aware since his childhood that with the easiest refusal, eyes shut, he could continue as he willed.

Jim's suicide leaves his pregnant wife, Annie, adrift and also marks the exit—except for brief appearances—of men from this novel. Nuns from a nearby convent undertake the mission to provide for Annie and, eventually, her baby daughter, Sally. (The name of the nuns' order all but demands a spontaneous genuflection: "The Little Nursing Sisters of the Sick Poor, Congregation of Mary Before the Cross.") Even priests—"pampered momma's boys," in the words of an otherwise good Catholic mother in the neighborhood—are elbowed to the sidelines in this city of busy women.



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Annie is given a job in the "quiet underworld" of the convent's basement laundry, helping the aged Sister Illuminata wash, iron and mend donated clothing, as well as the nuns' own habits, soiled by their nursing work. (Annie contends with "the odor of vomit on wool" and the excretions of the nuns' own "mortal bodies": "menstrual rags and long johns stained yellow at underarm or crotch.") The infant Sally sleeps at her mother's feet in a wicker basket lined with towels, then graduates to playing on an old rug, helping to sort the laundry, going to school and ultimately declaring her intentions to become a nun—against Annie's wishes. The irony is that Sally is secretly motivated to join the convent to save her beloved mother's immortal soul.

What sounds like a simple plot-line is complicated by a narrative that jumps around in time, spanning events from the Civil War to the present, and that also noses its way deep into the lives of other characters in the neighborhood and within the convent. There's Sister Lucy, a tough nut with a habit of stopping neighborhood women in the street and demanding, "Is your husband good to you?" Just as trying is Mrs. Costello, the milkman's wife, who's missing a leg; she spends days propped up by the window in a room filled with "light that was the color of urine, the color of bile." Ms. McDermott's language is, as always, precise, unpredictable, and gorgeous. She can make music even out of a catalogue of Sister Illuminata's laundry supplies: "Borax and Ivory and bluing agents . . . bran water to stiffen curtains and wimples, alum water to make muslin curtains and nightwear resist fire."

Back to that reckless idea of Sally's to join the convent: Given that "The Ninth Hour" is narrated by Sally's children, we readers already know her vocation isn't going to stick. The decisive moment comes during one of the most mesmerizing sections of the novel, when Sally takes an overnight train from New York's old Penn Station to Chicago to enter the novitiate. The whole hallucinatory journey reads like a specifically female riff on the infamous Nighttown chapter in James Joyce's "Ulysses"; instead of reveling (as Leopold Bloom and Stephen Dedalus did) in the lewd jokes, liquor and hot bodies pressed upon her, Sally is repulsed and, by journey's end, she realizes that her own capacity to generously minister to her fellow human beings has limits. Because Sally is a young Catholic woman of her time, she feels guilty about this failing and, so, tries harder and harder to sacrifice herself.

Female self-sacrifice—its allure and moral complications—is Ms. McDermott's overarching subject here. (Her title alludes to the ultimate Christian image of self-sacrifice: In the New Testament, the "ninth hour" is the hour when Christ died on the cross.) As Mary Gordon did almost 40 years ago in her now classic debut, "Final Payments," Ms. McDermott brilliantly dramatizes the pull, especially on loving Catholic daughters, of martyrdom. But, you don't have to be Catholic to understand the impulse. "Save yourself; others you cannot save," urges Adrienne Rich in her early (1963) feminist poem "Snapshots of a Daughter-in-Law." Rich wouldn't have had to issue that warning if the danger weren't general. In "The Ninth Hour," Ms. McDermott has once again managed a marvelous literary feat: She's written another one of those "parochial" novels of hers whose reach is universal.

Ms. Corrigan, the book critic for the NPR program "Fresh Air," teaches literature at Georgetown University.

BOOKS

'What makes me such a lightning rod for fury? I'm really asking. I'm at a loss.' —Hillary Clinton

POLITICS: BARTON SWAIM

Can They Forgive Her?

ONLY HILLARY Clinton could make this book boring. **"What Happened" (Simon & Schuster, 494 pages, $30)** recounts the events of her 2016 presidential campaign, defends her own conduct and decisions, and assigns the blame for her loss to Donald Trump in the November election. Ms. Clinton has always been a tough critic of her foes. Surely we were in for a scorcher. And yet it's a snoozer—excruciatingly tedious.

Readers of her first two memoirs won't be surprised. The reason for the dreariness of "Living History" (2003), about her upbringing and eight years as first lady, and "Hard Choices" (2014), about her time as secretary of state, isn't bad writing or the inability to tell a story. They're fluent and well-structured narratives, and they don't avoid the controversies and scandals that have dogged her public career: Travelgate, the Rose law firm's billing records, Whitewater, the Lewinsky scandal and impeachment trial of her husband, her response to the attacks on American diplomats in Benghazi, Libya.

What makes these accounts so hard to enjoy, even for her admirers, is Ms. Clinton's intense belief in her own righteousness and her effort to use every word at her disposal to make you believe in it, too. "What Happened" is full of long, detailed explanations of why Ms. Clinton and her campaign were always well-meaning and principled but constantly disadvantaged and repeatedly sabotaged at crucial moments. Ms. Clinton blames her loss on Donald Trump's dishonesty; his campaign's ability to generate unthinking resentment; FBI Director James Comey's unprecedented blabbing about his agency's investigation into her use of a private email server; the media's fixation on that investigation; Vladimir Putin's interference on the Trump campaign's behalf; sexism; and the voters who assumed she would win and didn't vote. But Americans with any interest in politics have been discussing and debating these points for the past 10 months. The only thing distinguishing Ms. Clinton's discussion is the rigorously one-sided way in which she presents it.

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The author seems vaguely aware that the book's chief hypothesis is improbable—was everybody really at fault except her and her senior campaign staff?—and so at various points she offers half-hearted declarations that she bears the ultimate blame. But how can she bear the blame if she never did anything wrong? This paradox haunts all three of her memoirs and deprives them of any genuine insight or interesting thought.

In a passage early in this book, she recalls the severe criticisms she received as a result of earning millions of dollars in speaking fees from banking groups and refusing to release the transcripts of what she said. "When you know why you're doing something and you know there's nothing more to it and certainly nothing sinister, it's easy to assume that others will see it the same way," she writes. "That was a mistake. Just because many former government officials have been paid large fees to give speeches, I shouldn't have assumed it would be okay for me to do it. . . . I should have realized it would be bad 'optics' and stayed away from anything having to do with Wall Street. I didn't. That's on me."

Her "mistake" was to think her critics were honest and fair. Her fault was failing to remember that perfectly innocent activities can have "bad 'optics.'"

Other moments of self-criticism similarly miss the "self" part. "Why did I lose?" she asks nearly 400 pages in. "I go back over my own shortcomings and the mistakes we made. I take responsibility for all of them. You can blame the data, blame the message, blame anything you want—but I was the candidate. It was my campaign. Those were my decisions." Note the pronoun: "You" can blame the data or the message. If you do, Ms. Clinton will "take responsibility."

But what does that mean, exactly? Throughout the book, she pointedly does not blame the data or the message; she vigorously defends her campaign on both counts. What's meant to sound like a mea culpa is just another insistence that she was basically right about everything.

> A memoirist no less than a politician must have some genuine awareness of his or her deficiencies.

A memoirist no less than a politician must have some genuine awareness of his or her deficiencies and some ability to express that awareness. The trouble with "What Happened" is not that Ms. Clinton insists that she was right and that her adversaries were wrong and unfair in their criticisms. The trouble with her writing, and indeed with her whole political persona, is that she is obsessed with her own rectitude, and nobody else is.

In all three of her memoirs, she quotes an apocryphal line from John Wesley and claims that it's a personal credo: "Do all the good you can, for all the people you can, in all the ways you can, as long as ever you can." Ms. Clinton thinks of this implausible dictum as somehow essential to her political brand, even as the rest of us think of her as a tough, ambitious and pragmatic politician. Her determination to make us see her as she sees herself is what makes her writing so profoundly dull—and perhaps also what made her susceptible to defeat by a man who, whatever his weaknesses, can't be called boring.

The Cold War on the Ocean Floor

The Taking of K-129
By Josh Dean
Dutton, 431 pages, $28

BY HOWARD SCHNEIDER

THE COLD WAR wasn't a shooting conflict, but that doesn't mean there weren't casualties. Nor does it mean that the United States and the Soviet Union didn't use every resource at their disposal to learn as much as possible about each other's military capabilities. Josh Dean's "The Taking of K-129: How the CIA Used Howard Hughes to Steal a Russian Sub in the Most Daring Covert Operation in History" is an absorbing, suspenseful chronicle of a remarkable Cold War episode.

On Feb. 24, 1968, the Soviet submarine K-129, 328 feet long, diesel-powered, with a crew of 98, sailed from its base on the Kamchatka Peninsula in Russia's far east. It was equipped with "the newest, most advanced navigation system in the Pacific Fleet," Mr. Dean writes, and carried three nuclear ballistic missiles. The submarine's mission: patrol off the Hawaiian Islands and, in case of war, annihilate three vital military bases there. The Soviet navy lost contact with the vessel on March 8 and a day later commenced a search. The operation, which encompassed a million square miles of the Pacific, was a failure. In September, Mr. Dean says, the Soviets announced that "the sub had been lost . . . and that all the men on board were 'presumed dead.'"

The American Navy quickly realized that the Soviets were searching for a lost submarine and that it was probably the K-129. After the U.S.S.R. ended its hunt, America's superior technology succeeded where its opponent hadn't. Hydrophones in the Pacific designed to detect Soviet undersea nuclear tests registered an explosion on March 11 that was almost surely the K-129. Further analysis of the data revealed that the sub had sunk 1,560 miles northeast of Hawaii under almost 17,000 feet of water.

A U.S. submarine was dispatched to the site and took photographs that confirmed the K-129 was where the hydrophones indicated. American government officials were eager to examine what was inside the sub, Mr. Dean writes: "communications codes, code-breaking machinery, and most compelling of all, the nuclear warheads atop the ballistic missiles. Any combination of these things would provide the greatest intelligence haul of the Cold War."

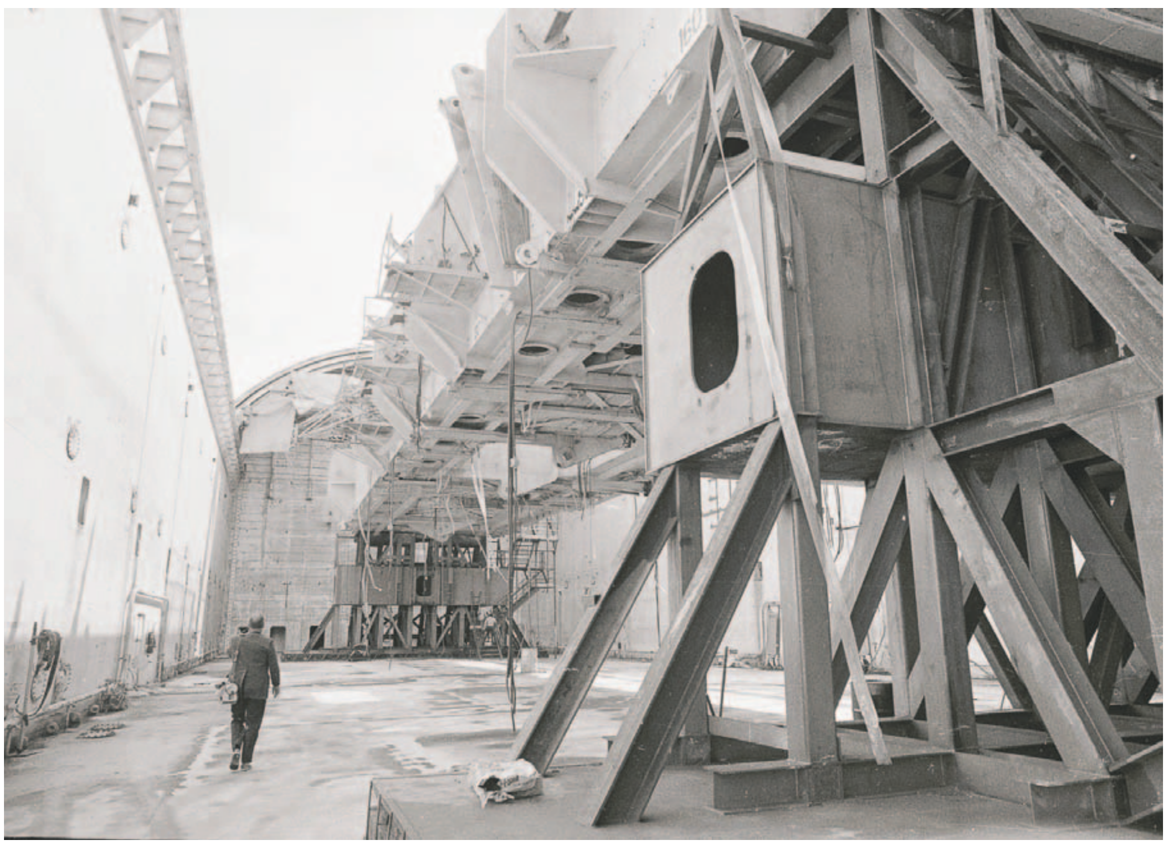
Obtaining those items, however, meant somehow raising the submarine, and conventional wisdom held that no technology existed that could perform the task. Furthermore, if the Soviet Union discovered an American attempt to seize the K-129, all geopolitical hell would break loose, including, possibly, armed confrontation. But because Americans in high places (including, eventually, Presidents Nixon and Ford) fervently desired the K-129, a stealth project was launched.

> How the CIA recovered a sunken Soviet submarine in an ingenious and high-risk covert operation.

The venture, code-named Project Azorian, was assigned to the Central Intelligence Agency rather than the Navy because the agency had a great deal of technological expertise with spy planes, like the U-2, and spy satellites. How did Project Azorian—"retriev[ing] a 3-million-pound submarine from 16,700 feet under the Pacific Ocean," a task "every bit as daunting as the moon landing"—proceed? With a huge, technically dazzling ship, the Hughes Glomar Explorer, that was created by government agencies, defense contractors and other arms of the military-industrial-intelligence complex. In the days before modern computers, Mr. Dean notes, it was designed with "faith, and pencils."

The vessel's main features were a "moon pool," a huge hollow in the ship's bottom to hold the sub; a system to disgorge and retract "twenty thousand feet of threaded gun-barrel steel pipe"; and a "mechanical grabber or claw," attached to the steel pipe, for enfolding the K-129. The claw was so large that, to avoid detection, it had to be assembled offshore inside a nondescript barge, which was then submerged and towed to the Explorer. The extraordinary planning and construction would take five years and cost at least $250 million, and the personnel involved wouldn't know if many of the Explorer's novel high-tech elements worked until the ship was hovering over its target.

The CIA realized that a spectacular vessel like the Explorer couldn't be kept a secret, and so the agency crafted an ingenious cover story to account for it. The "Hughes" in the ship's name was the astounding Howard Hughes. His companies were enlisted to tell the world that they were building the Explorer to mine the ocean floor for valuable manganese nodules. This cover story—complemented by some discreet CIA arm-twisting of journalists—hoodwinked the public and even Soviet intelligence.



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COVER The barge inside which the Glomar Explorer's claw was assembled.

On July 4, 1974, more than six years after the K-129 sank, the Explorer reached the submarine's location. Thirty days after it arrived, the pipe and claw began lifting the K-129. But some of the claw's tines were stressed by contact with the sea floor and by the pressure of clutching the K-129, and two-thirds of the sub plummeted back to the bottom of the Pacific—along with its missiles, code books and coding machinery. The Explorer retrieved the rest of the sub, however, and the Navy and CIA did obtain some useful information about Soviet submarine technology and the K-129's missiles.

When the Explorer returned to the U.S., some government officials wanted to order the ship to return to the K-129 and secure the remains. But in the fall of 1974 the Soviet Embassy in Washington was tipped off that the American government had designs on the K-129, and in February 1975 the Los Angeles Times disclosed the real purpose of Project Azorian. The Explorer never returned to the Soviet submarine; its glory days were over. In 2015 it was sold for scrap.

"The Taking of K-129" is admirably thorough in its research. Mr. Dean, a longtime magazine journalist, clearly loves technology, and he is quite good at describing it. He is also deft at detailing how government agencies interacted with one another and with the private sector. Two cavils: Thirty pages after Richard Helms, the director of central intelligence, is described as "want[ing] very badly for [the CIA] to take over" Project Azorian, Mr. Dean says that in that same year Helms strongly disliked the idea—clarification by the author would have been helpful. And the relationship between the Hughes Tool Co. and the Summa Corp. (also a Hughes business) is confusingly blurry.

Was Project Azorian worth the money spent and the incredible work that went into it? Mr. Dean thinks it was. He takes what can be called the aesthetic-existential view: "The fact that the [CIA] built and protected a cover story for five years is undeniable; by that measure alone, the project was a success. And the program engineers . . . did design and build the most complicated ship in history, a vessel that everyone considers a marvel. That ship was able to do something that seemed nearly impossible." But as an ornery taxpayer and amateur realpolitiker, I suspect that the Cold War would have followed the course it did even if the Explorer had secured the entirety of K-129. Incidentally, it has never been learned what destroyed the submarine.

Mr. Schneider reviews books for newspapers and magazines.

REVIEW & OUTLOOK

Afternoon in Germany

These days it's dangerous to call the results of an election before it happens, but in Germany's case a surprise might be welcome in Sunday's vote. The German mood isn't trending toward upset in what ought to have been a more competitive election.

Merkel's campaign coasts on a mood of public complacency.

Polls put Angela Merkel's center-right Christian Democratic Union (CDU) and its Bavarian sister party, the CSU, at roughly one-third support. The center-left Social Democratic Party (SPD), currently locked in a grand coalition with Mrs. Merkel, is languishing just above 20%. The SPD has failed to articulate positions beyond the centrist policies it has already helped Mrs. Merkel implement, and its new leader, Martin Schulz, struggled to connect with voters.

The real race is for third place. The far-right Alternative for Germany (AfD) is leading with about 11% support, followed by the formerly communist Linke (Left), the free-market Free Democrats (FDP) and the Greens. Mrs. Merkel will emerge on Sunday night as leader of the largest party in the Bundestag, but without an outright majority. The excitement will be whether she cajoles the SPD into another grand coalition, or governs with the smaller FDP and perhaps the Greens (yes, really).

European politicians think it's good that Germany has avoided the anti-establishment rebellion sweeping many other democracies. And in one sense it is. Better than any other European politician, Mrs. Merkel slaloms between her voters' idealism and their frustration with that idealism's failures.

In 2015 Mrs. Merkel co-opted the left's humanitarian spirit by welcoming a million migrants from the Middle East, making the right wing of her party look ungenerous. She has since drifted rightward again on security, making her pro-immigration SPD challengers look out of touch with the unease created by her own policies.

Her primary economic project has been to save the eurozone from itself, which is popular among a heavily pro-Europe electorate, but without committing taxpayers to too many of the deeply unpopular costs of maintaining the currency bloc. On foreign policy, she plays to German instincts for moral preening against Donald Trump and, to a lesser extent, Russia without accepting any of the blood or treasure costs associated with genuine leadership.

The disappointment of Mrs. Merkel's long chancellorship is that she doesn't use her political gifts for worthier ends. Reflecting voters' emotions back to them led her to embrace renewable energy, and trapped her in a thicket of sky-high electricity costs and rising coal emissions. When voters lack enthusiasm for useful reforms, such as corporate-tax rate cuts, Mrs. Merkel doesn't try to persuade them.

She's coasting instead on the dividends from the labor-market overhaul enacted by her predecessor Gerhard Schröder. Now her new counterpart in France, Emmanuel Macron, promises another economic and political assist as his labor reforms may reignite France as a second eurozone growth engine.

A new coalition with the FDP could usher in modest tax reforms and small regulatory tweaks. But without leadership from the chancellor, Germany can't launch the reforms it needs to meet manufacturing competition from China or the challenge of Brexit. Determination to stare down Vladimir Putin in Ukraine will come from Mrs. Merkel or nowhere at all in the next administration.

Ronald Reagan ran for re-election in 1984 declaring it was "morning in America," capturing a sense of optimism but with more work to do. Mrs. Merkel's re-election slogan could be "afternoon in Germany." Her pitch is that the hard work is done and now Germany can take a break. Her genius is in recognizing that Germans think that's true. Their risk is that it isn't.

The Slow and Steady Fed

The Federal Reserve's Open Market Committee said Wednesday that the not-so-rapid unwinding of its $4.5 trillion bond portfolio will finally begin in October, and markets are taking it in stride. The committee also signaled that another interest-rate increase is probably coming in December, and that isn't spooking anyone either.

A rate increase in December looks increasingly likely.

There's no reason they should, since the Fed is moving at such a gradual pace that no one is being taken by surprise. "Our balance sheet will decline gradually and predictably," Fed Chair Janet Yellen said at her news conference following the Fed meeting. We wish the pace of the asset drawdown were faster, and had begun sooner, but at least it is finally under way and will march on a steady course.

One lingering uncertainty is how far the Fed will shrink its balance sheet, which was less than $1 trillion before the 2008 financial panic. The Fed will need to keep more assets now given the increase of cash—an offsetting Fed liability—in circulation. But a return to the Fed's precrisis role of buying only Treasury bonds to conduct open-market operations ought to be the goal.

Former Chair Ben Bernanke sold the Fed's quantitative easing policies as a crisis-driven necessity that wouldn't last forever, and with the crisis now past the Fed should return to its traditional economic role for the sake of its own credibility.

No one should call any of this a tight monetary policy, not with the fed funds rate still at 1%-1.25%. The bigger question is how the Fed will respond if U.S. Congress passes tax reform that lifts growth to more than 3%. (See nearby.) Then it may have to reconsider its slow pace of rate increases, lest it repeat its mistake of 2003 and keep rates too low for too long after a pro-growth tax cut. We know how that ended.

America's Tax-Reform Progress

U.S. House Republicans like to grouse about the Senate as a legislative graveyard, but on tax reform GOP Senators may be saving the day. A tentative deal between Senators Pat Toomey and Bob Corker to create $1.5 trillion in tax-cutting room as part of the budget resolution could rescue the House from its familiar factional dysfunction.

A Senate budget deal creates more space for cutting tax rates.

The Senators—key voices on the Budget Committee—announced their deal without specifying a budget number, but our sources confirm that the handshake is for $1.5 trillion over 10 years. This means the budget resolution will not have to bow to the Beltway golden idol known as "deficit neutrality," so it can be a net tax cut. This creates more budget room for cutting rates and increases the chances that a tax reform will be large enough to spur the economy and raise incomes.

In an ideal world, Congress would put policy above this process mumbo-jumbo. But in Washington a budget outline is necessary for passing tax reform under the Senate's reconciliation process that allows a bill to pass the upper chamber with 51 votes. The alternative is relying on the tender mercies of Chuck Schumer's Democrats to come up with 60 votes.

In an ideal world, the Senate deal would create room for tax cuts of $2.5 trillion or more. That's at least how much more revenue the government would get if the economy returned to its historic growth rate of 3% a year from the Obama era's 2%. Better policy like tax reform would help growth get to 3%, but Senate leaders fear such an estimate might scare some Members and they can only afford to lose two of their 52 GOP Senators on the floor. The $1.5 trillion figure is fiscally conservative to a fault, and if Republicans can't agree on that much they ought to pack up and go home.

The $1.5 trillion deal will also be scored on a "static" basis, which means it won't be hostage to growth estimates from the gnomes at the Joint Tax Committee and Congressional Budget Office. Those outfits will still produce an additional "dynamic" score that considers economic growth, but their Keynesian assumptions mean they always underestimate the growth impact of cuts in tax rates and on capital income. The $1.5 trillion deal liberates Congress from that process tyranny.

The Senate is more crucial this time because the House still hasn't found a majority for its budget resolution. Freedom Caucus Reps. Mark Meadows and Jim Jordan complained Thursday on these pages that House leaders want Members to vote on a budget without first releasing the details of tax reform. They contend this order doomed ObamaCare repeal: Members were presented with a fait accompli and weren't allowed to influence policy.

This is fake history. The Freedom Caucus demanded—and won—many accommodations on health care. One was preserving the tax exclusion for employer-sponsored health insurance that is a subsidy for large companies, and so much for conservative purity on that one. By Messrs. Meadows and Jordan's own account, their later demands improved the House ObamaCare repeal bill that eventually passed.

On tax reform, the Freedom Caucus has already helped scuttle the border-adjusted tax. Now the gang has pivoted in private to target expensing provisions, while claiming in public that they have no idea what the reform includes. The real question is whether any concession will appease them—or if they'll keep moving the goal posts until the bill is impossible to pass.

The political reality is that the budget resolution has only one purpose: A vehicle to pass tax reform in the Senate with 51 votes. Everything else is political eyewash. If the Toomey-Corker deal passes the Senate, the House should adopt it and move on to the substance of tax reform.

On that score, the $1.5 trillion is a decent start, and Republicans can create more running reform for lower rates by closing loopholes. The state and local tax deduction is worth another $1.25 trillion or so. Republicans should follow the Toomey-Corker lead, get past phony budget obstacles, and move on to fulfill their promise to reform the tax code.

Donald Trump Goes Nuclear

WONDER LAND
By Daniel Henninger

On July 28 this year, North Korea's Kim Jong Un tested an intercontinental ballistic missile. Analysts said its potential flight path on an optimum trajectory could travel some 6,400 miles. We can't help but notice that most of the commentators who are dumping condescension on President Trump for threatening to "totally destroy North Korea" live in New York or Washington rather than Seattle or San Francisco. Or Seoul or Tokyo or anywhere people live who no longer see Kim's 250-kiloton bomb as an intellectual or journalistic abstraction.

Mr. Trump violated foreign-policy sensibilities on the Eastern Seaboard by saying out loud what has been an implicit reality of U.S. strategic policy since the dawn of the nuclear age: We reserve the right to use nuclear weapons to pre-empt a first strike from an adversary, and that includes an enemy's nuclear, chemical or biological weapons. The reason resided in one simple Cold-War word: deterrence.

Toward the end of the Obama presidency, concerns emerged that Mr. Obama would adopt the "no first use" doctrine on nuclear weapons long favored by progressive arms-control activists. He did not. Also worth keeping in mind amid the outcry that Mr. Trump's speech violated some sort of international gentlemen's agreement is that NATO has refused for 70 years to adopt no first use.

Until recently, no American president needed to make such threats in public. An assumption of the Cold War was that the Soviet Union's leadership ultimately was rational, and so we negotiated nuclear agreements with them. Some similar baseline of assumed rationality attached to dealing with each subsequent nuclear power, such as China, India and even Pakistan.

Pakistan and India—estimated to have more than 100 nuclear warheads each—rattled the world's nerves as recently as 2002, when the two countries massed armies along their 2,000-mile border after a terrorist attack on the Indian Parliament.

Whether Iran's revolutionary and messianic religious leadership is "rational" in the Cold War meaning lies at the heart of the disagreement over the Obama nuclear deal with Tehran. The Iranians understood this requirement, and so they put forth as their negotiator Foreign Minister Javad Zarif, a "rational man" from Hollywood central casting, unlike the evil-eye mullahs who actually decide Iranian nuclear strategy, which looks a lot like North Korea's nuclear strategy. Yet another of Mr. Trump's violations of Eastern Seaboard sensibilities is to suggest the Iranians are less trustworthy on nukes than, say, Mikhail Gorbachev.

Since 1993, the U.S. has pursued the standard model of rational-man arms control negotiations with North Korea. This false presumption now has brought us to within perhaps one year of Kim being able to attach a miniaturized nuclear bomb to the cone of an ICBM.

The day that happens, the world will have crossed a Rubicon into a nuclear reality incomparably more dangerous than anything in the previous seven decades. On Tuesday, a U.S. president spoke truth to nuclear power. Eastern punditry will never recover from the way Mr. Trump said it, but the rest of the rational world will adapt.

Critics of Trumpian rhetoric live outside the range of Kim's missiles—for now.

Adaptation of some sort is needed as well to Mr. Trump's thoughts on sovereignty, mentioned more than 20 times in the speech. I have no fully graspable idea what he is talking about, and I'm not sure Mr. Trump does either.

The idea of protecting a country's national security and economic interests is easy enough to understand. Mr. Trump, however, seems to be talking about something more transcendent.

Sovereignty as a mystical force in the lives of nations is an idea brought into the Trump presidency by Steve Bannon and articulated in the United Nations speech and elsewhere by Mr. Trump's chief speechwriter and Bannon ally, Stephen Miller.

Nationalism and what it means for increasingly volatile populations is a good subject just now, but I don't think Messrs. Bannon and Miller have put across the idea in any feasible operational sense for U.S. policy makers. In practice, that makes it largely irrelevant.

My own tastes in Trumpian philosophizing run more toward statements like this at the U.N.: "Major portions of the world are in conflict, and some, in fact, are going to hell."

Again, the pundits gagged, presumably nostalgic for the prudent, considered cadences of Barack Obama, whose foreign policies left much of the world, um, going to hell. Aleppo's bombardment into rubble comes to mind.

Hearing Mr. Obama describe more of the same will cost you $400,000 now. President Trump gets to talk for free about Kim Jong Un's march toward a nuclear Armageddon. Between these two, I'll take the free version.

Write henninger@wsj.com.

Kick North Korea Out of the U.N.

By Claudia Rosett

Calls by the United Nations Security Council to isolate North Korea haven't stopped Kim Jong Un from launching missiles over Japan or threatening America and its allies. This week President Trump told the General Assembly that the U.S. is prepared "to totally destroy North Korea" in the event of an attack. If the international community is serious about isolating the Kim regime, there's a less drastic option not yet tried: Expel North Korea from the U.N.

Since the U.N.'s founding in 1945, no member state has ever been expelled. The U.N. charter does, however, provide for eviction: "A Member of the United Nations which has persistently violated the Principles in the present Charter may be expelled from the Organization by the General Assembly upon the recommendation of the Security Council."

North Korea never met the U.N. membership requirements to begin with. The charter says membership is open only to "peace-loving states" that promote "respect for human rights and for fundamental freedoms."

North Korea was admitted in tandem with South Korea on Sept. 17, 1991. At the time, with the Soviet Union in the process of collapse, the rationalization was that finally bringing North Korea into the U.N. fold might induce it to give up its brutal and predatory ways.

Instead, the legitimacy and perquisites conferred by U.N. membership might have helped the regime survive.

Expelling North Korea now could undermine Mr. Kim domestically. His regime would lose the international respect that accompanies a U.N. seat. North Korean diplomats would be forced to give up access to lavishly appointed U.N. offices and soirees in New York, Rome and Vienna.

The U.S. and its allies pay most of the tab for these amenities, while Pyongyang avails itself of opportunities for spying, money laundering and illicit procurement.

From the start North Korea was intent on causing trouble for the U.N. As early as 1993 the Security Council was expressing "concern" that Pyongyang was out of compliance with U.N. nuclear safeguards. North Korea is now in violation of nine Security Council resolutions, after developing intercontinental ballistic missiles and carrying out six nuclear tests.

Membership has its privileges—spying, money laundering and illicit procurement.

As for human rights, a special U.N. Commission of Inquiry concluded in 2014 that "the gravity, scale and nature of the violations committed by the Democratic People's Republic of Korea reveal a state that does not have any parallel in the contemporary world."

A bid to toss North Korea out of the U.N. would need strong U.S. leadership, and it could fail. China and Russia could block it with their Security Council vetoes. The despot-packed General Assembly, wary of setting a precedent, could balk.

It's still worth a try. Even failure would better illuminate the perils of relying on a U.N. that values North Korea's company above its own charter. Success could help undercut the Kim regime, and confer a measure of badly needed redemption on the U.N. itself.

Ms. Rosett is a foreign policy fellow with the Independent Women's Forum, and author of "What to Do About the U.N." (Encounter).

After Islamic State, Is There Still an Iraq?

By Michael Dempsey

As the U.S.-led coalition effort to destroy Islamic State's physical caliphate nears its endgame in Iraq, a major question hangs over the country: Is there still an Iraq?

Islamic State has suffered a series of crippling blows, including its loss of the strategically important town of Tal Afar in Nineveh province. The U.S.-led coalition will next focus on driving Islamic State out of Hawijah, some 200 miles north of Baghdad.

Reconciliation is possible, but the country will have to overcome at least five major challenges.

Hawijah has an outsize military importance because Islamic State has used it as a staging area from which to attack Baghdad with hundreds of improvised explosive devices, including car bombs. When the Hawijah operation is complete, the coalition will focus on attacking Islamic State in its remaining enclaves along the border with Syria.

Once Islamic State has been deprived of the territory it holds, can Iraq's major communities come together to share power and build a common future? That question is sparking increasingly heated debate in Iraq and the international community.

In my opinion (which doesn't reflect the view of the intelligence community or the U.S. government), the answer will be determined by how the Iraqis respond to five key unresolved issues.

First, the Kurdish independence referendum, originally scheduled for Sept. 25, is threatening to spark a full-blown crisis even before Islamic State is defeated on the battlefield. At issue is whether a large chunk of Iraq will eventually break away entirely or redefine its relationship with the central government. Complicating the issue is the inclusion in the vote of disputed territories, including the oil-rich city of Kirkuk, which is held by Kurdish forces but claimed by Baghdad.

On Monday Iraq's Supreme Court ordered the referendum suspended until it can assess the vote's legality. United Nations Secretary-General António Guterres is also calling for a delay, as are U.S. Secretary of State Rex Tillerson and the Turkish and Iranian governments. Kurdish leader Masoud Barzani has previously hinted that he might delay the referendum until after national elections in April, but only at the price of concessions and assurances about the Kurds' future status.

Whether or not the referendum is held next week, it's likely to be only the opening act in lengthy negotiations between the parties, and resolving the question in a way that doesn't undermine Baghdad's legitimacy and threaten Iraq's neighbors will be critically important.

Second, to ensure that Islamic State remains marginalized, Prime Minister Haider al-Abadi must accelerate long-delayed political reconciliation efforts, specifically by easing de-Baathification efforts and providing more local power and job opportunities to Sunni communities. This is a difficult task given the deep divisions over this issue within the Iraqi parliament, but Sunni isolation fueled Islamic State's rise, and progress must be made on this issue soon.

An Iraqi patrol near Tal Afar on Aug. 27.

Third, Baghdad must exercise tight control over the thousands of Shiite militia fighters (many of whom participated in Tal Afar's liberation) and limit their authority in traditional Sunni areas. Mr. Abadi must ensure that the Shiite militias aren't allowed to determine unilaterally which populations are allowed to re-enter liberated areas, and that the bulk of reconstruction aid from Baghdad isn't distributed only to Shiite communities. The Shiite militias are deeply distrusted by the Sunni populations of Nineveh and Anbar provinces, and they are a potential flashpoint in the delicate Shiite-Sunni relationship.

Fourth, as winter approaches, Baghdad must make progress in improving living conditions throughout the country. Islamic State devastated infrastructure in the areas it controlled. The latest U.N. estimate is that some 11 million Iraqis require humanitarian assistance, with more than three million displaced across the country, more than one million living in temporary housing settlements, and more than 200,000 refugees abroad. The critical work of providing food and shelter to displaced Iraqis is a top priority.

The recent claim by Iraq's minister of water resources that the Mosul Dam is no longer in danger is worrisome, especially if it reflects a willingness of the central government to gloss over difficult infrastructure-related challenges. The grouting work performed by an Italian firm to shore up the dam's foundation was widely viewed as only a temporary solution, and most experts still believe there is the potential for a catastrophic dam breach.

Fifth, Mr. Abadi has to begin preparing for local and national elections. Despite a surge in his popularity following the Iraqi military's victories against Islamic State, he will likely face a significant re-election challenge from, among others, Hadi al-Amiri, a longstanding ally of Iran.

Mr. Abadi has been a strong partner for the U.S. in the counter-Islamic State campaign, and his re-election offers the best hope for continuing a positive working relationship between Washington and Baghdad, and for balancing Tehran's growing influence in Iraq.

Other challenges will eventually have to be addressed—among them closing the government's budget deficit, modernizing the oil infrastructure and strengthening the banking sector. But these five challenges are urgent.

After nearly three years of a grueling fight against Islamic State and a huge commitment of U.S. blood and treasure, there is finally reason to be optimistic about Iraq's future. But the country is nearing an inflection point, and only with mature and inclusive leadership in Baghdad, sustained U.S. engagement, and support from key allies in the West and the Gulf Cooperation Council will it be possible for Iraq to achieve a future with less violence and suffering and more reconciliation.

Mr. Dempsey is national intelligence fellow at the Council on Foreign Relations, a fellowship sponsored by the U.S. government.

Bangladesh's Borders Are Open to Burma's Rohingya Refugees

By Kazi Nabil Ahmed

Cox's Bazar, Bangladesh

I visited the district of Cox's Bazar a few days ago to see the makeshift camps where Rohingyas who fled violence in Burma are being settled. There I found thousands of visibly shaken people, mostly women and children, sitting helplessly with blank stares. Lines of people waited for hours for a scrap of food or medicine. In the distance, muddy hilltops were being cleared to make more room.

The Rohingyas' stories of killing, rape and burning are harrowing. Many terror-stricken victims recognized their neighbors among the persecutors. After seeing the refugees first hand and hearing their desperate tales, I wonder how any world leader could deny the scale of this tragedy.

In barely three weeks, an estimated 421,000 Rohingyas have poured into Bangladesh from Burma. They are driven by brutal, planned attacks by armed forces and the militias armed by them. Rohingya organizations claim that thousands of civilians have been killed since the Burmese army launched this ethnic-cleansing operation on Aug. 26. Scores of bodies are washing up on the banks of the Naf River between the two countries.

Burma claims that their security forces are responding to attacks launched by the Arakan Rakhine Salvation Army (ARSA) on Aug. 25, killing 11 security personnel. There is no independent verification of these claims, since no outsiders are allowed into area. Even if the Burmese government's accounts are true, killing hundreds and evicting hundreds of thousands in response to a single night's attack by an insurgent group is unacceptable.

It's remarkable that despite the Rohingyas suffering decades of persecution, ARSA is a recent phenomenon. The community as a whole continues to practice a moderate form of Islam.

But the sheer scale of the violence and injustice that is visited on the Rohingyas today is sure to have repercussions throughout the region. Burma stripped them of their citizenship in 1982, leaving them a stateless, destitute people. In an era when even imaginary or exaggerated grievance is often a factor contributing to radicalization, Burma's false claims of fighting violent extremists today risks becoming a self-fulfilling prophecy.

How can anyone look aside as the Burmese government carries out crimes against humanity?

Burma also claims that the Rohingyas are "Bengalis" and thus belong in Bangladesh. It is well documented that the Rohingyas have lived in Burma's Rakhine state for hundreds of years, back to when it was an independent kingdom. They appear in British colonial reports as far back as 1799, and they have held parliamentary seats many times since the country's independence in 1948. Even if the Rohingyas are ethnically Bengali, it isn't permissible to drive out an entire population on those grounds.

The army generals used the Rohingya Muslims in the past as a common enemy to whip up nationalistic sentiments. In the past few years they have resurrected this trick to win over Buddhist monks who rebelled against military rule during the so-called Saffron Revolution of 2007.

Russia and China have sided with Burma for now, calling the refugee crisis an "internal matter." India, too, initially expressed support for the Burmese security operations, though it has since changed its initial position and called for restraint and maturity.

Burma's internal politics, however grotesque, is indeed its own affair. But hundreds of thousands of refugees spilling into a neighboring country is no longer an "internal" affair.

Bangladesh has thrown open its borders for the vast flow of incoming refugees. Prime Minister Sheikh Hasina has said "If we can feed 160 million people, we can feed 700,000 more," capturing the sentiment of her country.

Host for decades to a large population of displaced Rohingyas, Bangladesh wasn't always so hospitable toward the refugees. But the sheer scale and patent injustice of this latest episode led to a sea change in attitude. For many Bangladeshis, the Rohingyas' suffering recalls our own plight in 1971, when 10 million Bangladeshis took refuge in India during the War of Independence.

In the world of realpolitik, some powers may value their ties with Burma more than those with Bangladesh and choose to look aside as the Burmese government carries out crimes against humanity. But Burma's actions are sowing seeds of much greater discontent in the years ahead. It's time to demand what is not only morally right but also in the strategic interest of the region: an immediate end to the Burmese army's ethnic cleansing.

Mr. Ahmed is a member of the Bangladesh Parliament where he sits on the Foreign Affairs Committee.

A New Chance to Make the Euro Work Again

By Jochen Andritzky
And Edouard Vidon

Following elections in France and Germany this year, European integration is expected to receive a renewed boost from the European Union's two largest economies. The question is how quickly and in what direction.

To unlock progress, eurozone governments are in search of economically sensible, legally sound and politically feasible ideas to improve the architecture of the monetary union. Discussions center on three main goals: supporting economic policy making by euro member states and achieving a policy mix that can facilitate balanced growth and convergence; making the eurozone less susceptible to crises; and minimizing the damage from economic shocks when they inevitably occur.

By kicking off major labor-market reforms in France, President Emmanuel Macron is signalling that national reforms remain central to better economic outcomes, and member states retain a major responsibility for implementation. Nevertheless, actions at the European level can play an important role in supporting determined national-policy agendas and push for a more harmonized, efficient and safe single-market environment.

Not every member state sees eye to eye with the European Commission's approach to safeguarding common rules. The difficulty of enforcing complex budget rules in the face of member-state opposition has compounded the unwillingness of countries to cede more powers to Brussels. As the commission itself acknowledges, a review of fiscal rules is called for, to make them simpler and improve compliance.

France has proposed a central fiscal capacity, a euro finance minister and a eurozone Parliament. One main motivation is rebuilding trust through an institution that could articulate a collective strategy encompassing reforms, a balanced policy mix and financial integration.

This would facilitate a cooperative policy equilibrium. Together with the existing independent European Fiscal Board, it could improve the surveillance and implementation of common fiscal rules and broker a deal between structural reforms and the fiscal stance within the rules. New, positive incentives may be required.

Establishing a sizable fiscal capacity in the eurozone remains contentious. Germany and some other member states worry about profligacy with taxpayer money and long-term debt sustainability. There is also no consensus among member states to give a European institution the power to incur common debt, let alone raise taxes.

Germany is also skeptical of the feasibility and benefit of coordinating national fiscal policies given the lack of enforcement, delays in implementation, and doubts over the effectiveness of discretionary fiscal policies in stimulating economies. Better coordinating national fiscal policy remains challenging without deeper governance reforms. A reform of the EU budget to allocate funds linked to progress with reform programs, or an extension of the European Fund for Strategic Investments to help protect investment spending in downturns would also support policy coordination.

Deepening the European banking and capital-markets unions—toward a genuine financing union—appears within reach, and would bring additional microeconomic benefits to national reforms that could boost growth and support convergence. Financial integration, in particular through cross-border equity investment, would also improve private-risk sharing in Europe. This would be enabled by aligning tax and regulatory incentives; developing pan-European savings instruments such as a pension product; and keeping systemic risks in check, including through common supervision and resolution of nonbanks and strong crisis backstops.

With their elections done, Paris and Berlin can work toward fiscal cooperation.

Progress on completing the banking union is hampered by the large volume of nonperforming loans in some member states. Conditions are already in place for tougher Single Supervision, and completing the Single Resolution with a common backstop. But in order for costs of banking crises to be shared further through a European deposit-insurance scheme, further risk reduction is needed. Insolvency frameworks need to be harmonized to strengthen loan enforcement.

And the link between banks and government has yet to be severed to keep public debt from dragging down banks. To address this, sovereign-debt securities need to be acknowledged as being risky and treated as such.

In the area of crisis prevention and management, Germany has proposed developing the European Stability Mechanism into a European Monetary Fund, for instance by strengthening its lending facilities and giving it a greater role in surveillance. Such a role could dovetail with the mandate of a euro finance minister. To safeguard fiscal resources and strengthen market discipline, the EMF would only lend to countries with sustainable debt, or ensure appropriate creditor participation through debt restructuring.

All of these solutions could be bundled into packages that foster buy-in from different member states. Policy makers must ensure a framework for a more stable eurozone will emerge that aligns policy responsibility and fiscal liabilities. To spur reforms, a package could strive for better coordination of policies and reform the way the EU allocates funds.

Credit risk-reduction measures could be combined with a reinsurance mechanism to backstop national deposit-guarantee schemes and measures to reduce the bias against equity risk-taking. A strengthened safety net through an EMF could be coupled with new surveillance duties as well as rules for creditor involvement. A democratically accountable euro finance minister could be seen as helping broker and bring consistency to such a strategy.

Many of these measures will take time to fully materialize, yet an early agreement can kick-start complex implementation and allow quick progress. Europe's guiding spirit has always been of progress through sensible compromise. Small, pragmatic and well thought out steps are possible—and more likely to help the European project during this political window of opportunity than a grandiose blueprint.

Mr. Andritzky is the secretary general of the German Council of Economic Experts. Mr. Vidon is the deputy director, international relations, of Banque de France. The opinions expressed here are the authors' and don't necessarily reflect the views of the GCEE or the Banque de France.

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FILM REVIEW

With Ace Actors, but Not Without Its Faults

BY JOHN ANDERSON

FOX SEARCHLIGHT

In 'Battle of the Sexes,' Emma Stone and Steve Carell star as Billie Jean King and Bobby Riggs in the story of the infamous 1973 tennis match

IT'S THE HIGHLY improbable Howard Cosell, nasal twang resurrected on Nixon-era videotape, who finally pulls together very entertaining but disparate parts of "Battle of the Sexes." Directed by Valerie Faris and Jonathan Dayton ("Little Miss Sunshine"), the film is an extremely good-natured, upbeat recounting of the infamous Bobby Riggs-Billie Jean King "man vs. woman" match of 1973. But it doesn't generate much urgency, not till the sportscaster is heard on air, introducing Ms. King at the Houston Astrodome:

"A very attractive young lady," Cosell begins; the viewer braces him/herself. "If she ever let her hair grow down to her shoulders and took her glasses off, you'd have someone vying for a Hollywood screen test."

Oh, OK: The importance of this rather vintage story wasn't about equal rights, equal pay or men and women being equals on the tennis court. It wasn't even about Ms. King's coming to terms with her sexuality, though that's a major part of the movie's narrative. No, it was about the need to confront a world in which someone with the global exposure of a Cosell could, and would, so casually objectify the top woman tennis player in the world, and do it for a TV audience of 90 million people.

Ms. King is played with what might be called pluck by the ordinarily effervescent Emma Stone. She, like everyone involved with this film, has a specific challenge on her hands: Transform a woman who is essentially living her life undercover into an inspiring champion of women's rights, transparency and fair play. The story, naturally, leans the other way, and the pacing doesn't help: The build-up to Ms. King's seduction by her hairdresser, Marilyn Barnett (Andrea Riseborough), takes so long you want to yell, "Just do it already!" Eventually, they do.

A different problem is presented by Riggs, the ex-champ and tennis hustler for whom obnoxiousness was a marketing tool and who was in thrall to a gambling jones that threatened his marriage and, maybe, his person. (Rumors that he threw the match to Ms. King because of mob debts have long persisted, despite making very little sense, except as a lame excuse for his three-set trouncing.) Not surprisingly, directors Faris and Dayton and screenwriter Simon Beaufoy ("Slumdog Millionaire") skew matters toward a more likable Riggs, even a quasi-tragic one, and they have the priceless asset of Steve Carell playing the role. It deserves to be said that Mr. Carell is both a bona-fide movie star and a marvelous actor, two things that don't always go together. Rarer still is his willingness to embrace unsympathetic roles into which he simply disappears—the homicidal John du Pont in "Foxcatcher" comes immediately to mind. Watching him play the bratty Riggs evokes something very close to love.

The principals get more or less equal time en route to Houston, but Riggs is, marginally, the more poignant character. A late scene with his son Larry (an affecting Lewis Pullman) is a heartbreaking moment of sudden self-awareness: The boy, moments before the King match, declines to attend, and the look on Riggs's face is one of stunned recognition—the son is embarrassed by the father.

But Mr. Carell isn't the only one bringing his A game to "Battle of the Sexes." Bill Pullman is charmingly oleaginous as Jack Kramer, the head of what was then the U.S. National Lawn Tennis Association, who kicks Ms. King and her players out after they form the Women's Tennis Association; it's fascinating to watch Mr. Pullman's Kramer lean ever so slightly off-center when Ms. King gets him on the rhetorical ropes. Elisabeth Shue is nothing short of regal as Riggs's wife, Priscilla, whose family money kept Riggs both well-maintained and bored, and whose attempts to get her boy-man husband to attend Gamblers Anonymous meetings are purely quixotic. ("You're not here because you're gamblers," Riggs bellows at his fellow addicts. "You're here because you're terrible gamblers!!" So much for 12-step programs.)

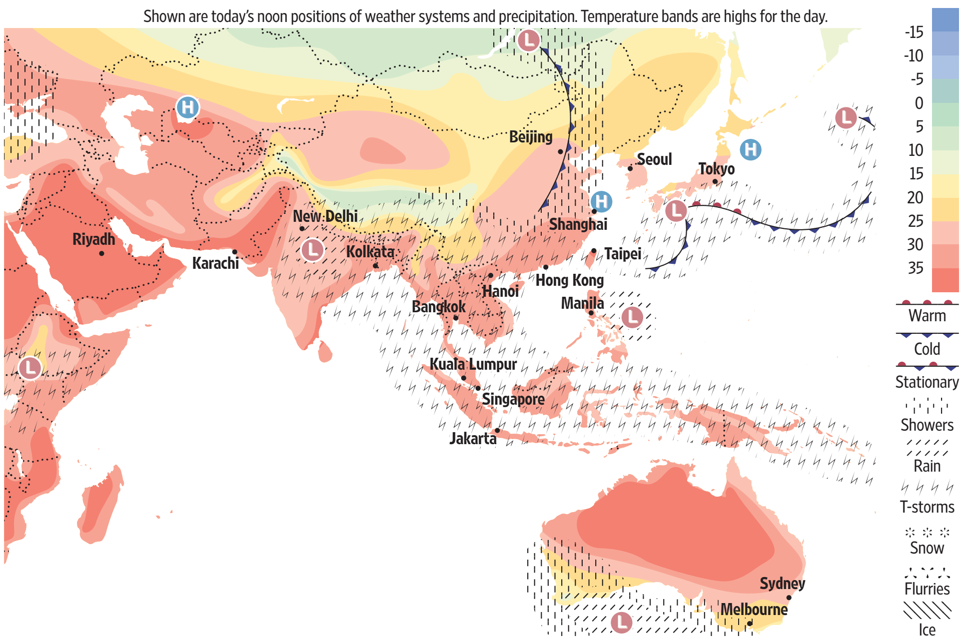
Sarah Silverman, as the Eve Arden-esque Gladys Heldman, and Alan Cumming, as tennis-dress designer Teddy Tinling, steal every scene they're in. And Ms. Riseborough, whose Marilyn rouses Ms. King's inner lesbian, makes Ms. Barnett a seductively winsome muse. The pair's future palimony suit goes unmentioned for obvious dramatic reasons, including the fact that Ms. King would end up losing all her endorsements and incurring huge legal costs at the time her sexuality went public. The movie would much prefer us to believe the world was changed by a tennis match.

Mr. Anderson writes on TV for the Journal. Joe Morgenstern is away.

Weather

AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



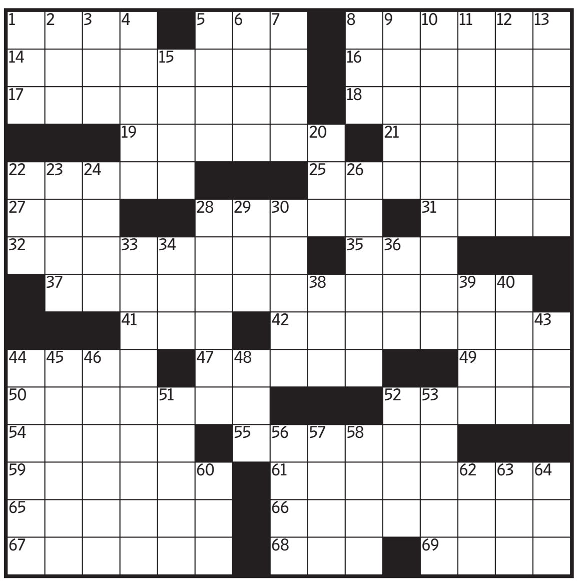
Global Forecasts

s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Amsterdam	18	7	pc	18	9	pc
Anchorage	12	10	r	14	10	r
Athens	26	19	s	26	19	s
Atlanta	30	21	pc	29	20	pc
Baghdad	40	25	s	40	23	s
Baltimore	28	16	s	30	17	s
Bangkok	32	25	t	31	25	t
Beijing	28	12	s	28	17	pc
Berlin	17	7	pc	18	11	r
Bogota	20	9	r	20	9	r
Boise	11	4	pc	16	4	s
Boston	18	15	c	21	16	pc
Brussels	18	6	pc	18	8	pc
Buenos Aires	17	5	pc	21	9	s
Cairo	34	22	s	31	21	s
Calgary	6	-1	c	12	0	pc
Caracas	32	26	pc	32	25	pc
Charlotte	30	18	pc	31	17	pc
Chicago	34	21	s	33	20	s
Dallas	35	24	pc	35	23	s
Denver	29	10	pc	19	7	t
Detroit	31	18	s	30	18	s
Dubai	41	31	s	40	29	s
Dublin	17	9	r	17	12	c
Edinburgh	14	9	r	18	10	pc
Frankfurt	19	8	pc	20	8	pc
Geneva	22	10	pc	22	10	pc
Hanoi	32	25	pc	32	25	t
Havana	31	22	pc	31	22	pc
Hong Kong	33	28	sh	32	28	pc
Honolulu	30	24	s	31	23	s
Houston	33	22	s	33	23	pc
Istanbul	23	17	r	23	17	s
Jakarta	34	25	pc	34	25	c
Johannesburg	28	14	s	30	11	s
Kansas City	31	21	s	30	20	s
Las Vegas	25	15	s	24	14	s
Lima	19	16	pc	19	16	pc
London	18	12	pc	19	11	pc
Los Angeles	24	16	s	24	15	s
Madrid	28	14	t	28	14	s
Manila	32	26	t	31	26	t
Melbourne	23	16	c	26	13	pc
Mexico City	24	15	pc	23	14	pc
Miami	32	26	pc	32	26	t
Milan	24	12	c	24	14	pc
Minneapolis	32	23	s	31	21	t
Monterrey	34	23	pc	32	22	pc
Montreal	26	14	s	28	18	s
Moscow	13	4	s	15	5	c
Mumbai	31	24	c	31	25	r
Nashville	31	20	s	32	20	pc
New Delhi	29	24	t	28	23	t
New Orleans	33	24	pc	32	24	t
New York City	26	19	pc	28	20	pc
Omaha	34	22	s	32	22	pc
Orlando	30	23	pc	30	23	t
Ottawa	26	14	s	30	17	s
Paris	19	7	pc	20	9	pc
Philadelphia	29	19	pc	30	20	s
Phoenix	32	19	s	30	18	s
Pittsburgh	30	15	s	30	17	s
Port-au-Prince	32	23	t	35	24	pc
Portland, Ore.	20	10	pc	21	10	pc
Rio de Janeiro	30	20	pc	31	20	pc
Riyadh	40	22	s	40	23	s
Rome	23	13	s	24	13	pc
Salt Lake City	14	5	sh	15	7	sh
San Diego	23	18	pc	23	17	pc
San Francisco	21	13	s	24	14	s
San Juan	32	26	sh	31	27	sh
Santiago	24	9	s	25	10	s
Santo Domingo	31	25	t	32	25	pc
Sao Paulo	31	19	pc	31	17	s
Seattle	19	9	pc	20	10	c
Seoul	27	16	pc	27	17	s
Shanghai	26	22	c	24	23	t
Singapore	31	26	pc	31	25	c
Stockholm	14	11	sh	17	9	sh
Sydney	28	17	pc	33	22	s
Taipei	35	27	pc	36	27	pc
Tehran	31	19	s	31	19	s
Tel Aviv	30	23	s	28	22	s
Tokyo	26	21	c	25	20	c
Toronto	27	15	s	30	19	s
Vancouver	18	8	pc	18	10	c
Washington, D.C.	30	19	s	30	20	s
Zurich	21	8	pc	21	8	pc

The WSJ Daily Crossword | Edited by Mike Shenk

PUZZLE CONTEST



UNDERDOGS OF FILM | By Patrick Berry

The answer to this week's contest crossword is **a film about a team of underdogs.**

Across

1 Kaffiyeh wearer
5 Performed
8 Small torpedo launcher
14 You're supposed to build up to it
16 Gripping stuff?
17 In direct confrontation
18 El Greco, for one
19 1991 role for Geena
21 Mumbai master
22 Disney film featuring the song "I'll Make a Man Out of You"
25 Like some voyages
27 Epiphanic outburst
28 Pastry exterior
31 Parker of "Daniel Boone"
32 Filing aid
35 Symbol on Australia's coat of arms
37 Messianic figure to Rastafarians
41 Coleridge's "Dejection," e.g.
42 Fills to excess
44 Loaded
47 Many clickbait articles
49 English throne?
50 Come apart
52 Stood for
54 White mark on a horse's face
55 Monster of Norse legend
59 Emma who births Berthe
61 Beside oneself
65 Exceedingly
66 Chef seen on shelves
67 Betray embarrassment
68 ___ Balls (Hostess snack)
69 Jerk

Down

1 Back on a plane
2 Site of the 2014 World Cup final
3 Equal
4 Colorful tropical fish
5 Pamper, with "on"
6 Fan mail recipient
7 Consider
8 Pipe material
9 Efficiently worded
10 Lost it
11 Fuel hydrocarbon
12 Cohort of d'Artagnan
13 Mountebank's medicines
15 Key figure in the Army-McCarthy hearings
20 Quantum Computer Services, today
22 Floor protector
23 "Forget it!"
24 Julie's "Doctor Zhivago" role
26 Picks up
28 "Fifty Shades of Grey" surname
29 Experiences
30 Masthead names
33 Danger that spreads
34 Dated
36 Bouillon cube ingredient
38 Book of Genesis patriarch
39 Tierra surrounded by agua
40 Town at one end of Windsor Bridge
43 Lush
44 Waterproof overshoe
45 Under Cupid's spell
46 Desperately wanted
48 Kind
51 Biblical excerpt
52 Canyonlands National Park sight
53 Ledger line
56 Items in a rack
57 In short order
58 Lay flat
60 Over there
62 Computer language named for a female mathematician
63 Maradona's jersey number
64 Startled cry

▶ Email your answer—in the subject line—to **crosswordcontest@wsj.com** by 11:59 p.m. Eastern Time Sunday, Sept. 24. A solver selected at random will win a WSJ mug. Last week's winner: Will Irving, Pennington, NJ. Complete contest rules at **WSJ.com/Puzzles**. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

Previous Puzzle's Solution

TECHNOLOGY: COLUMNIST JOANNA STERN REVIEWS THE NEW APPLE WATCH B4

BUSINESS & FINANCE

Yen vs. Dollar 112.3500 ▲ 0.13% **Hang Seng** 28110.33 ▼ 0.06% **Gold** 1290.70 ▼ 1.62% **WTI crude** 50.67 ▼ 0.04% **10-Year JGB** yield 0.030% **10-Year Treasury** yield 2.262%

Google Strikes Deal With HTC

Search giant to pay $1.1 billion in hardware push, part of strategy to crack handset market

By **Jack Nicas** in San Francisco, **Dan Strumpf** in Hong Kong and **Dana Mattioli** in New York

Alphabet Inc.'s Google said it would buy part of struggling Taiwanese smartphone maker **HTC** Corp. for $1.1 billion in cash, as it accelerates its efforts to crack the handset market.

Google said an HTC team that helped develop Google's flagship Pixel smartphone will join the company. The Mountain View, Calif., company will also get a nonexclusive license to HTC intellectual property.

HTC was hired by Google to be the contract manufacturer for the Pixel, a high-end smartphone that was launched last year, in part to better compete with Apple Inc.

"We are investing for the long run," Google hardware chief Rick Osterloh said.

Before the deal, HTC's market capitalization was about $1.9 billion. The size of the division that Google is buying isn't clear.

HTC once held a commanding position in the handset market. Its global market share peaked at 9% in 2011, when it shipped about 45 million units of its branded phones, according to Counterpoint Research. By last year, that share had plummeted to less than 1%, or 12.8 million phones. Its market share data doesn't include the Pixel phones, which sold about one million units last year, Counterpoint said.

It isn't clear how many HTC employees will join Google. HTC is retaining the remainder of its handset business, including its manufacturing and research and development teams. It is also retaining the division that makes its virtual-reality headset Vive, which is one of the top sellers in the nascent category. HTC plans to use the proceeds from the sale to invest in its virtual-reality and own handset businesses.

Google has made an aggressive push into hardware over the past 18 months, including its Pixel efforts, a voice-controlled home speaker and a virtual-reality headset.

Google doesn't disclose its hardware-sales figures, but the segment that includes the business grew by 42% to nearly $3.1 billion in the second quarter from a year earlier. That segment also includes its fast-growing cloud business.

The HTC deal is Google's second acquisition of a phone maker. In 2012, Google bought Motorola Mobility for $12.5 billion. The deal was widely seen as a bid for Motorola's large trove of patents.

After hiving off some assets, Google sold the phone business to China's Lenovo Group Ltd. three years later for a fraction of the price.

◆ Heard on the Street: What Google gets in HTC deal..... B8

Stock Pickers Watch Moves Of ETFs

By Chris Dieterich And Corrie Driebusch

Stock pickers, who for so long decried the rise of passive investing, are now trying to profit from it.

In what is emerging as a nascent line of research across Wall Street, investors are attempting to puzzle out how passive investing creates opportunities—or pitfalls—for individual stock trading. They are looking at factors such as the percentage of a stock owned by index funds and money flows into and out of such funds as they size up whether to buy or sell.

This new type of analysis shows how the rise of passive investing—tracking a basket of securities rather than picking individual ones—is changing the makeup of markets. Even active investors are now resigning themselves to the influence of indexing and are contriving ways to take advantage of its impact.

The research is largely in its infancy, many say. And fundamental factors, such as valuations, generally remain most important to stock pickers. But with passive investing this year representing about 29% of assets in domestic stock funds alone, according to Moody's Investors Service—a figure the firm sees topping 50% as soon as 2021—investors who pick single stocks are paying attention.

"When I think about what makes a stock tick, it comes back to earnings, the quality of management and the ability of a company to execute, but being in an ETF is a factor to be aware of," said Christopher Marinac, director of research at Atlanta-based FIG Partners, of exchange-traded funds, a popular form of index investing.

"Passive ownership is not first or second on the list, but now it is definitely on that list," he said.

So far, researchers say, the influence of passive investing is most pronounced for mid-size- and small-company stocks, which generally trade less frequently than the largest ones.

Pankaj Patel, head of quantitative research at Cirrus Research, in Tarrytown, N.Y., earlier this year published a series of reports on ETF ownership of U.S. stocks, prompted by client demand. He found dozens of small and midsize companies with more

Please see STOCKS page B2

CHINA CIRCUIT
By Li Yuan

Innovators Now Seen As Public Nuisance

As in Silicon Valley, Chinese tech companies like to think of themselves as agents of positive change. And just as in the U.S., the public doesn't always see them that way.

China's three main online meal-delivery services are in the crosshairs of public opinion over perceptions they aren't socially responsible. A nonprofit group is suing the companies—Ele.me, Baidu Waimai and Meituan Dianping—for generating huge amounts of waste that it alleges constitute environmental harm. A Beijing court agreed early this month to hear the case.

Public disapproval started to build after an article trashing the apps went viral on social media last month. The article, headlined "Meal Delivery Is Destroying Our Next Generation," accused them of pursuing growth to the detriment of the country's already degraded environment. Big state media followed up, and in weeks a tide of news articles and social-media commentary swelled.

"Say 'no' to meal delivery!" became a popular cry on Weibo, China's Twitter-like service.

"Can't agree more," commented Mao Daqing, founder of space-sharing startup UrWork (Beijing) Venture Investment Co., on his WeChat account. "Many people around me, including my child, are eating garbage ev-

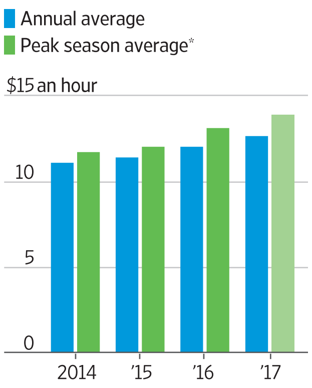
Please see YUAN page B4

MATT STANLEY FOR THE WALL STREET JOURNAL

A UPS recruiting event in Pennsylvania this week. Package-delivery services have been adding to the hiring frenzy in the U.S.

Retailers Ring In Holiday Hiring

Season's Greetings
Average hourly wages for entry-level warehouse workers



*Projected for 2017
Source: ProLogistix
THE WALL STREET JOURNAL.

By Jennifer Smith

Shoppers like to complain that holiday decorations appear earlier and earlier. This year, so are the job ads.

The holiday hiring binge is accelerating for retailers such as **Target** Corp. and **Macy's** Inc., which add thousands of workers to process surging online orders. E-commerce sites double or even quadruple their warehouse staff. Online giant **Amazon.com** Inc. adds to the hiring frenzy, as do logistics companies and package-delivery services such as **United Parcel Service** Inc. and **FedEx** Corp. Some firms posted their first holiday job listings as early as July.

But with unemployment at near-record lows, employers are going the extra mile to ensure they have enough workers come December. Companies are bumping up pay, loosening disciplinary policies and even operating bus routes.

"It's the tightest labor market we've ever seen," said Sean McCartney, executive vice president of operation services at Radial, which handles online orders for e-commerce companies and chains such as Dick's Sporting Goods Inc. and Aéropostale Inc.

Some big retailers are doing the bulk of their hiring in warehouses that handle online orders, a sign they expect more shoppers to visit their websites instead of stores. Last year, online retail sales jumped 13% in November and December, compared with a 7% decline at department stores, according to the National Retail Federation.

Wal-Mart Stores Inc. plans to bring on 5,000 seasonal workers for its e-commerce operations. The discounter isn't hiring extra help at its stores, where it plans to give existing employees more hours.

Macy's plans to add 18,000 seasonal workers at its distribution centers that replenish store merchandise and fulfill online orders—a 20% boost compared with last year. Overall seasonal hiring is down slightly at the retailer, which closed dozens of stores after disappointing sales in 2016.

Please see HIRE page B2

SEC System of Company Filings Was Hacked in 2016

By Dave Michaels

WASHINGTON—The top U.S. markets regulator disclosed Wednesday that hackers penetrated its electronic system for storing public-company filings last year and may have traded on the information.

The Securities and Exchange Commission's chairman, Jay Clayton, revealed the breach in an unusual and lengthy statement issued Wednesday evening that didn't provide many details about the intrusion, including the extent of any illegal trading.

The SEC said it was investigating the source of the hack, which exploited a software vulnerability in a part of the agency's Edgar system, a comprehensive database of filings made by thousands of public companies and other financial firms regulated by the SEC.

The commission said the hack was detected in 2016, but that regulators didn't learn about the possibility of related illicit trading until August, when they started an investigation and began cooperating with what the SEC called "appropriate authorities."

A spokesman for the Federal Bureau of Investigation declined to comment.

The commission's disclosure follows a major breach of Equifax Inc. that affected 143 million Americans and warnings from executives of the New York Stock Exchange and Bats Global Markets Inc. that a planned data repository of all U.S. equity and options orders could become a juicy target for hackers.

"Cybersecurity is critical to the operations of our markets and the risks are significant and, in many cases, systemic," Mr. Clayton said in a statement. "We also must recognize—in both the public and private sectors, including the SEC—that there will be intrusions, and that a key component of cyberrisk management is resilience and recovery."

The intrusion shows how confidential information that can yield easy trading profits has increasingly become a target of hackers.

PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

'Cybersecurity is critical to the operations of our markets,' says SEC chief Jay Clayton.

The SEC in December sued three Chinese traders who allegedly earned more than $4 million in illegal gains after they stole information from the computer systems of Cravath, Swaine & Moore LLP and Weil, Gotshal & Manges LLP, which represent Wall Street banks and Fortune 500 companies.

The SEC's Electronic Data Gathering, Analysis and Retrieval system, or Edgar, is used by investors who access the online system to view companies' earnings statements and other disclosures on material developments at companies. Some companies purchase and resell electronic feeds of the filings that cater to electronic and algorithmic traders.

Mr. Clayton's statement didn't identify the precise date of the intrusion or what sort of nonpublic data was obtained. The agency said the hackers exploited a vulnerability in part of the Edgar system that allows companies to test the accuracy of data transmitted in new forms. Many corporate filings are made public as soon as they are received through Edgar, although other forms may have to be reviewed first by SEC staff.

The SEC's statement also didn't explain why the SEC waited to reveal the breach until Wednesday.

An SEC spokesman didn't

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AIA ACQUIRES INSURANCE BUSINESS

FINANCE & MARKETS, B5

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

BUSINESS & FINANCE

Daimler to Boost U.S. Production

By Chester Dawson

TUSCALOOSA, Ala.—**Daimler** AG said Thursday it will invest $1 billion in its Alabama manufacturing operations and start production here of a fully electric sport-utility vehicle.

The German auto maker's expansion in the U.S. is part of its global push into electric vehicles and follows its announcement in July to build a battery assembly facility in China. The company plans to offer more than 50 fully or partly electric vehicles globally, and by 2022 offer electrified options for its entire Mercedes brand lineup.

"We live now in a phase of major changes in the industry," Markus Schäfer, a Daimler board member in charge of Mercedes's production and supply chain, said in an interview. "We are leading at the moment in our [luxury vehicle] segment, but we see clearly there are new players coming and there are potential competitors to us."

Daimler said it would begin production of an electric SUV early next decade at the Tuscaloosa plant and in 2018 begin construction nearby of a facility to assemble battery systems for use in those and other vehicles. Combined, the new plans are expected to create as many as 600 jobs, it said.

The new SUV will be sold under the Mercedes-Benz EQ electric vehicle subbrand, but the company didn't specify its size or engine displacement.

German auto makers are moving rapidly toward electrification as demand for their trademark diesel technology has slumped in Europe.

The billion-dollar bet by Daimler is part of a wave of U.S. investments planned by foreign auto makers despite weakening sales volumes and widespread expectations for further declines in the market.

Earlier this week, Chinese-owned Volvo Cars said it would double its investment in its first U.S. plant, in Charleston, S.C., to a total of $1 billion. That followed an announcement last month by Toyota Motor Corp. and Mazda Motor Corp to jointly build a $1.6 billion plant in the U.S. and a commitment by BMW AG in June to spend $600 million at its Spartanburg, S.C., factory.

At the same time, the Detroit Big Three auto makers have been dialing back production at some North American plants this year and, in some cases cutting shifts or entire product lines.

Daimler's investment comes on top of the $5.8 billion it already has invested on its Tuscaloosa operations, which began production in 1997. Last year, the plant produced more than 310,000 Mercedes vehicles, including midsize SUVs. More than 70% of the SUVs manufactured at the Alabama plant are exported to global markets such as China.

LUKE SHARRETT/BLOOMBERG NEWS

The maker of Mercedes-Benz vehicles plans to invest $1 billion in its Alabama operations, including production of an electric SUV.

STOCKS

Continued from the prior page

than 20% of their shares outstanding owned by ETFs.

Mr. Patel said one-way money flows into or out of index funds potentially create opportunities for active managers who, for example, might opt to hold a stock longer than they might otherwise when flows are cresting, or pare back a holding sooner if money is moving out.

"Portfolio managers should be aware of heavy ETF ownership," Mr. Pankaj said. "It can be an advantage when flows are positive, but you want to be careful when they turn around."

Analysts say November's election provided a case study for the effects of passive investing on small-cap stocks.

Roughly $9 billion poured into more than two dozen financial-stock ETFs in the month following the election, according to Keefe, Bruyette & Woods. Melissa Roberts and Pell Bermingham, quantitative analysts at the firm, found that ETF flows had a meaningful impact both on the daily trading volumes and performance of certain financial-sector stocks. Shares of companies included in financial ETFs rose by a median 19.4% over the period, compared with 14.2% for financial stocks not in these ETFs, they found.

Research from Savita Subramanian, equity and quantitative strategist at **Bank of America** Merrill Lynch, suggests that companies with a larger proportion of tradable shares in passive funds tend to see heightened choppiness since fewer shares are available for active traders.

Still, being owned by indexes can be a good thing.

Nearly 40% of the tradable shares of Meredith Corp., a media company with a market capitalization of $2.4 billion, are owned by passive mutual and exchange-traded funds—more than any stock in the U.S. market, according to Steven DeSanctis, a small- and midcap analyst at Jefferies.

Passive ownership in Meredith received a major boost in January, when the stock was tapped for inclusion in an index that powers the $16 billion SPDR **S&P 500** Dividend ETF, which includes only companies that have raised dividends for 20 years in a row. In a matter of days, the ETF became one of the stock's biggest single owners. Trading volume during the session when Meredith was added to the index was the heaviest in more than a year, according to FactSet.

"We have seen inclusion in indexes add to demand for Meredith stock," said Mike Lovell, Meredith's director of investor relations. He said the company doesn't aim toward index inclusion, but added that its fundamentals, including a long record of paying dividends, tick many boxes for indexes that screen for such traits.

HIRE

Continued from the prior page

XPO Logistics Inc., whose e-commerce clients include **Inditex** SA's Zara, plans to add 6,000 seasonal workers, up 20% from last year.

Companies are racing to open up warehouses within easy reach of millions of consumers who expect to get e-commerce orders in two days or less. This year Amazon alone announced plans for more than two dozen new U.S. fulfillment centers.

Amazon's arrival can shake up local warehouse labor markets because the retailer often pays better than rivals, offering between $11 to $14 an hour for full-time warehouse workers, depending on the location.

In Cranbury Township, a New Jersey town, help-wanted ads for warehouse workers are posted along roadsides and at local businesses. Amazon is opening a fulfillment center there, joining nearby facilities serving Wayfair.com, Home Depot Inc., Petco Animal Supplies Inc. and Crate and Barrel, among others.

"It's your time, Cranbury, NJ," reads one Amazon flier.

Amazon hasn't announced its seasonal hiring plans. Last month, the company held a nationwide job fair in the U.S. to fill 50,000 positions.

"I don't think it's a coincidence that the nationwide hire day coincided with the extreme front-end of peak-season hiring," said Doug Hammond, executi ve vice president of in-house services for **Randstad US**, a subsidiary of Dutch recruiting firm Randstad Holding NV. "They want to secure that labor."

This year average pay for entry-level warehouse workers is expected to hit $13.68 an hour during peak season, up 10% compared with nonpeak wages and a nearly 5% increase from 2016, according to logistics staffing firm ProLogistix.

UPS began recruiting a few weeks earlier than usual and is providing bus service for seasonal workers in markets such as Chicago, Boston, Seattle, and Louisville, Ky., where labor competition is particularly tight, said Paul Tanguay, the company's global director of recruitment strategies.

18,000

Seasonal workers Macy's plans to add at distribution centers

The company plans to add 95,000 seasonal workers, about the same level as the previous two years, for positions from package handlers and delivery helpers to drivers who run big-rigs loaded with packages from one facility to another. FedEx expects to hire more than 50,000 for the peak, close to last year's total.

Some employers are relaxing screening or disciplinary policies as workers become harder to find. Companies might rehire employees who were dismissed for minor infractions, or give a second chance to employees who miss shifts, said Brian Devine, senior vice president at ProLogistix.

Kenco Logistics, a third-party logistics provider based in Chattanooga, Tenn., whose customers include industrial, consumer goods and e-commerce clients, is considering various "second-strike" options to reduce turnover.

"Our number one reason for losing people is they can't show up for work on time every day," said David Caines, the company's chief operating officer.

But leniency has its limits, even during the holiday rush. "You don't want to cross a line and be so lax that things get out of control," Mr. Caines said.

—Suzanne Kapner contributed to this article.

BUSINESS WATCH

GENERAL ELECTRIC

Corporate Jets Are Grounded

General Electric Co. is grounding its corporate fleet of jets and preparing to sell them, as new GE chief John Flannery looks to slash costs.

Mr. Flannery is cutting spending in GE corporate operations, according to a person familiar with the situation. GE will still operate some helicopters and other aircraft, while using charter services as needed.

GE disclosed that it spent $258,000 on personal jet travel for former Chief Executive Jeff Immelt in 2016, counting only the "incremental" costs of the flights such as fuel. The company spent $75,000 on personal travel for other top executives, it said.

—Thomas Gryta and Mark Maremont

KRASILNIKOV STANSLAV/ITAR-TASS/ZUMA PRESS

A Bombardier Challenger, a type of business jet in GE's fleet.

FIAT CHRYSLER

Minivans Recalled To Fix Seat Belts

Fiat Chrysler Automobiles NV issued a recall on Wednesday to fix defective seat belts in about 50,000 Chrysler Pacifica vehicles, or about one-third of total production volume since sales of the auto maker's new minivan began last year. The flaw affects 47,927 minivans from the 2017 and 2018 model years sold in the U.S. and 1,908 sold in Canada.

—Chester Dawson

SEC

Continued from the prior page

respond to a message seeking more information.

Mr. Clayton is due to testify before the Senate Banking Committee next week.

"We face the risks of cyberthreat actors attempting to compromise the credentials of authorized users, gain unauthorized access to filings data, place fraudulent filings on the system, and prevent the public from accessing our system through denial of service attacks," Mr. Clayton said. "We also face the risks of actors attempting to access nonpublic data relating to our oversight, or enforcement against, market participants, which could then be used to obtain illicit trading profits," he added.

The Edgar system has occasionally caused headaches for the commission. Academic researchers found in 2014, for instance, that hedge funds and other rapid-fire investors got earlier access to market-moving documents from Edgar than other users of the standard, web-based system, giving them a potential edge on other traders. The SEC later said it fixed the problem.

The system has also been exploited by traders who submitted fake corporate filings.

Mr. Clayton's statement acknowledged that the planned data repository, known as the Consolidated Audit Trail, could be targeted by cyberthieves looking to steal personal information of stockbrokers' customers. The SEC approved its final design last year. However, exchange executives have recently cited the Equifax hack as evidence that the audit trail should be pared back.

CVS Health to Limit Access to Opioids

Drug-benefit manager will restrict painkillers for certain patients to seven days or less

By Jeanne Whalen

One of the largest managers of pharmaceutical benefits in the U.S. says it will start limiting the duration and dose of some prescriptions for opioid painkillers, in an effort to combat widespread addiction.

CVS Health Corp., which administers drug benefits for employers, insurers and some state Medicaid programs, said it would limit opioid prescriptions to seven days or less for certain patients with acute pain who haven't previously taken an opioid painkiller. That will be a big change, given that many CVS-covered patients with acute pain receive opioid prescriptions for 20 days or more, Troyen Brennan, CVS's chief medical officer, said in an interview.

CVS will also limit patients with chronic pain to a maximum daily dose of 90 morphine milligram equivalents, or MMEs, a standard unit of measure in pain medicine, Dr. Brennan said.

CVS said it based the limits on Centers for Disease Control and Prevention recommendations published last year, though one addiction expert said even stricter limits would better reflect CDC advice.

Starting in February, if CVS-covered patients arrive at the pharmacy with a prescription above the new limits, the pharmacy will kick it back to the doctor for review, Dr. Brennan said.

CVS manages medications for nearly 90 million people, or about 28% of the U.S. population. It also runs 9,700 retail pharmacies nationwide.

There will be ways around the rules—doctors will be able to appeal the limits, and employers and insurers will be able to opt out of the limits if they don't want them to apply to their patients.

The "overarching reason" for the limits "is to reduce the amount of human suffering that results from people being addicted to these medications," Dr. Brennan said. The new rules could also bring cost savings for employers and insurers if they prevent some patients from becoming addicted, he said.

Widespread opioid addiction has pushed U.S. overdose death rates to new highs. Many Americans became addicted by taking prescription painkillers, and often progressed to heroin and other street drugs.

CVS and other health-care companies have faced accusations of helping fuel the crisis through their handling of opioid painkillers. Last year, CVS paid $3.5 million to settle federal allegations that 50 of its pharmacies in Massachusetts and New Hampshire filled forged prescriptions for painkillers and other controlled substances. The company said it has "implemented enhanced policies" to help its pharmacists determine whether prescriptions are legitimate.

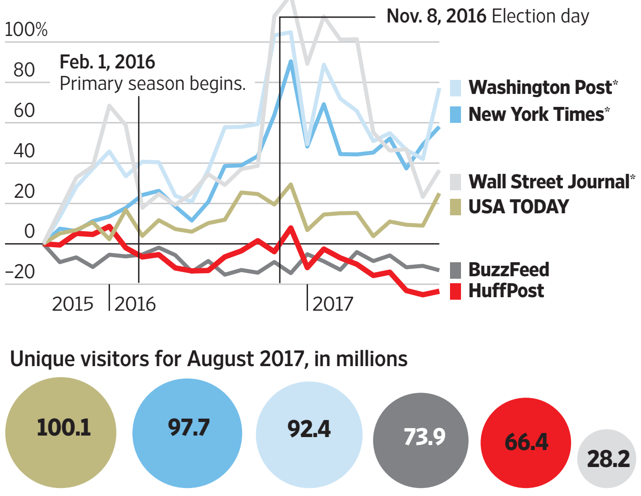
This year, the Cherokee Nation sued drug distributors and pharmacy chains including CVS in a tribal court in Tahlequah, Okla., alleging they "utterly failed" to control a flood of painkillers that caused widespread addiction in the tribal community. CVS officials Wednesday called the lawsuit groundless.

Gary Mendell, founder of a nonprofit called Shatterproof that seeks to combat addiction, welcomed CVS's efforts to restrict prescriptions but said the firm should set even stricter limits if it wants to follow CDC guidance.

The Trump Effect

While some news sites enjoyed major audience gains during the past two years, others such as HuffPost didn't.

Percentage change in unique site visitors from August 2015



Note: Chart reflects select major news sites *Sites sell digital subscriptions

Source: comScore

THE WALL STREET JOURNAL.

EMMA MCINTYRE/GETTY IMAGES

Lydia Polgreen, editor in chief at HuffPost, has been working to redefine the mission of the site.

HuffPost Promotes Anti-Elitist Rebranding

By Lukas I. Alpert

ST. LOUIS—With the famed Gateway Arch overhead, Lydia Polgreen bounded on stage last week to open a 25-city "Listen to America" tour to help promote a redefined mission for the 12-year-old website formerly known as the Huffington Post.

Since taking over in January as editor in chief, Ms. Polgreen has tried to push the progressive-leaning news outlet out of its comfort zone and zero in on stories that might resonate as much with factory workers as with hipster city folk. The goal of the tour is to find out what people across the country care about and to incorporate more of that into coverage at HuffPost, as the site is now rebranded.

"Too often you have the media say this is what's important, this is what matters, but we want to hear what you think. We want to give you the mic," she said, before inviting civic leaders onstage to discuss issues of concern in St. Louis, like policing and race relations.

The effort comes at a pivotal time for HuffPost, which is trying to reignite growth and forge an identity separate from that of its founder, Arianna Huffington, whose persona and interests largely permeated the site until her departure a year ago. It also comes amid the backdrop of a major corporate shuffle and cost-cutting effort by owner Verizon Communications Inc., which has been working to merge HuffPost's parent company, AOL, with Yahoo. While the site historically has commanded large audiences, it hasn't been consistently profitable.

HuffPost rose to the top of the digital news heap after its 2005 launch, partly through its pioneering expertise in what is known as search-engine optimization—publishing tactics that ensure high placement in online search results. But the site's approach as a click-bait-driven, liberal counterpoint to sites such as the Drudge Report has paid fewer dividends in recent years as readers increasingly find news through social media.

"No longer does gaming SEO win the day and building scale mean a sustainable business model," Ms. Polgreen said in an interview in July. "To succeed now requires deeply sustained engagement with your audience."

In 2014, HuffPost regularly recorded well over 100 million unique visitors a month in the U.S., but that figure slid into the high 70 million-to-low-80 million range by 2016, according to comScore Inc. Even during last year's election and its aftermath, when interest from liberal readers drove a so-called "Trump Bump" to other news sites, HuffPost's U.S. audience has remained mostly stagnant. Last month, the site had 66.4 million unique U.S. visitors.

Ms. Polgreen, a veteran foreign correspondent who came onboard at the Huffington Post after nearly 15 years at the New York Times, oversaw the rebranding and has tried to reposition the site as a more populist tabloid that can forge an enduring connection with readers.

"In the past, the brand identity was very liberal progressive, but I see us as really reflecting an audience that feels left out," she said. "So many news organizations already go after elite audiences."

Ms. Polgreen came up with the idea for the six-week bus tour to determine what readers between the coasts are interested in. But the trip has become an issue of discontent among some staffers who bristled at its reported $1 million price tag when it was announced shortly after a sizable newsroom layoff. HuffPost's Washington, D.C., bureau bore a heavy brunt of the layoffs, including the site's only Pulitzer Prize winner.

Other staffers have struggled to understand why the brand needed fine-tuning in the first place.

"We have always been for struggling middle-class voters. Populist issues have always been HuffPost issues," one recently departed staffer said. "This search for a new identity has been confusing for everyone."

Among Ms. Polgreen's first steps was to redesign the site and push for stories that take a critical look at people in power, regardless of party, like one that took former President Barack Obama to task for agreeing to deliver a $400,000 speech on health care to Wall Street firm Cantor Fitzgerald.

She also has emphasized zippier headlines for the site—like "Sean with the Wind," marking White House press secretary Sean Spicer's exit in July—to channel the site's tabloid spirit.

The bus will also make stops in places like Birmingham, Ala., Casper, Wyo., and Odessa, Texas.

Truck Makers and Users Strive for Fuel Economy

By Erica E. Phillips

The average big rig can travel fewer than 7 miles on a gallon of diesel fuel, making it one of the least-efficient vehicles on the road. Truck manufacturers want to change that.

Spurred by new pollution regulations and sluggish demand, truck makers including **Navistar International** Corp., **Daimler** AG, **Paccar** Inc. and **Volvo** AB, along with engine manufacturer **Cummins** Inc., are rethinking everything from engine design to the shape of the trailer in order to bump up fuel efficiency.

Even small gains can have a big environmental impact. Each year in the U.S., roughly 1.7 million tractor-trailer trucks consume about 26 billion gallons of diesel. Getting an extra mile a gallon equals removing more than 200,000 trucks from the road. It also could save trucking companies billions of dollars.

Some truck makers want to ditch the combustion engine entirely. Cummins introduced the industry's first fully electric heavy-duty demonstration truck in August, and **Tesla** Inc. plans to announce its own prototype next month. But it may be years before they hit the road in big numbers. Meanwhile, the industry is betting on squeezing fuel savings from diesel trucks.

"The race is on," said Steve Gilligan, vice president of marketing for Navistar's North America business. "Every truck manufacturer is looking for a technology advantage versus their competition."

The average heavy-duty truck, including short-haul and work vehicles like dump trucks, gets only about 5.9 miles a gallon, a figure that has barely budged in 10 years, according to the North American Council for Freight Efficiency, an industry group. Federal regulators last October finalized rules requiring makers of heavy-duty trucks to boost fuel efficiency 14% by 2021, 20% by 2024 and 25% by 2027, based on 2010 levels.

The Trump administration seeks to roll back some aspects of the rules. Still, many truck and engine makers say they plan to press ahead with their new designs, citing fleet owners' demands for fuel savings.

Truck manufacturers have seen that regulations that result in better fuel economy can add their sales, even at higher prices. When truck and engine makers included a new exhaust-treatment system to comply with a tougher federal pollution standard in 2010, the side benefit of improved mileage propelled years of elevated demand. Truckers accelerated trade-ins of their older tractors to gain better fuel economy.

Such fuel-efficient technologies can add thousands of dollars to a rig's price, which can run $120,000 to $150,000 for the truck itself, or "tractor," and $25,000 to $30,000 more for the trailer.

DAIMLER AG

Fuel-efficient technologies can add significantly to a long-haul rig's price, but they can also pay for themselves over time.

"The new targets represent a real challenge for our industry," said John Mies, a Volvo spokesman. "Maximizing fuel economy has to be balanced with other factors."

Still, fuel efficiency could pay for itself. Long-haul trucks typically drive about 110,000 miles a year. So with diesel fuel at $2.50 a gallon, a 0.5 mile a gallon improvement in fuel efficiency could save some $3,100 per truck each year.

Even with today's technology, fleet operators are finding ways to save on fuel. Several leading fleets are already averaging over 7 mpg.

Many have added devices that improve aerodynamics, such as "skirts" around the base of the tractor and trailer, and winglike "tails" on the trailer back. Some have opted for smaller engines, automatic transmissions or technologies that switch to electric power for the lights, climate system and other functions when the engine is idling.

Trucking company U.S. Xpress Enterprises Inc. orders about 1,500 tractors a year, and requests aerodynamic design elements such as tails and skirts as well as automatic transmissions on its trucks. Today, its fleet averages over 7 mpg, up from below 6 mpg five years ago.

"Fuel is such a large cost for us that we have every incentive to try to get to the best miles per gallon we possibly can," said Chief Executive Eric Fuller. "Any kind of technology that helps us get there usually pays for itself."

Truck makers are counting on fuel savings to revive sales. Orders for new trucks this year pulled out of a nearly two-year slump.

Daimler, Volvo and other manufacturers last year reduced production and some laid off workers.

Pushing the limits of engine technology can be risky. Navistar lost customers after it rushed a new 13-liter engine into the market. The exhaust-treatment system failed to reach the Environmental Protection Agency's 2010 standard and contributed to engine performance problems. Last year, after years of losing money because of engine-warranty costs and saddled with a shrunken share of the heavy-duty truck market, Navistar sold a 17% stake to Volkswagen AG.

—Bob Tita contributed to this article.

Whole Foods on Fast Track To Grocery

By Heather Haddon And Annie Gasparro

Whole Foods will change the way companies can sell and market their products in stores beginning next year, one of the biggest moves yet in its continuing push to operate more like a traditional market.

Under the changes planned to begin in April, Whole Foods' 470 locations will no longer allow brand representatives to promote their products or check to make sure they are stocked and displayed correctly.

Whole Foods also is centralizing much of its decision-making regarding the assortment of products across the country. Instead of allowing brands to frequently pitch their products to individual stores or regions, Whole Foods executives in its Austin, Texas, headquarters will choose a higher percentage of the inventory.

The move had slowly gotten under way in recent months, but **Amazon.com** Inc.'s merger with the chain in August provided additional incentive for Whole Foods to move away from its decentralized model and become more efficient.

"This is another step in the conventionalizing of Whole Foods as we know it," said Jim Cusson, of Charlotte, N.C.-based Theory House, a brand consultancy.

Amazon is hoping to boost sales at the struggling grocer, in part, by standardizing operations and prices. Market reports show traffic improve-

Amazon is moving toward running the chain like a typical supermarket.

ment since the deal closed last month, likely because the chain lowered prices on key items such as eggs and milk.

Whole Foods' share of the U.S. grocery market jumped by upward of 16% week-over-week in the first three days after the Aug. 28 price cuts, but is now trending up by more modest amounts, according to inMarket location data.

The changes are among those expected to be discussed next week by top executives and managers at the chain's quarterly meeting in Seattle, a regional hub for Whole Foods and Amazon's headquarters.

Whole Foods representatives informed suppliers and third-party brand representatives about the plans during closed-door meetings at an industry conference last week.

Whole Foods is unique among large retailers in the extent to which it has let representatives of lesser-known products into the stores to promote their offerings.

Some suppliers and natural-food consultants say sales of specialty products could suffer because items such as chia soaked seeds and charcoal body butter require some explanation and more marketing.

"This is a major inflection point," said Jay Jacobowitz, president of Retail Insights, a natural-products industry consultancy. "The product mix at Whole Foods will shrink. The niche lines will trickle out to other grocers."

PERSONAL TECHNOLOGY | By Joanna Stern

The Apple Watch Series 3: I'll Pass

There's this moment in "Dick Tracy" where the fearless detective, chasing down a villainous gang, taps his magical wristwatch to call for backup. Then, realizing the battery is down to 8% and that cellular isn't connecting, he ducks under a desk to find a power outlet and futz with the settings.

Poor Dick, he upgraded to the cellular version of the Apple Watch Series 3.

Apple's latest has all the ingredients of the future we were promised: The power to make calls from anywhere, connect to an always-listening personal assistant and check on your health with biometric sensors—all without depending on an iPhone for connectivity.

Except, after I spent a week testing these new watches—denoted by a red dot on their dials—the future feels even further away. You're lucky if the battery allows you to roam on cellular for longer than half a day, especially if you're making calls. And only a limited number of third-party apps work without the phone close by—no Instagram, Twitter, Uber.

Most worryingly, my colleague Geoffrey Fowler and I experienced cellular connectivity issues on three preproduction models used in two states on two different 4G LTE carriers.

On the AT&T-connected models, the cellular connection dropped, calls were often choppy and Siri sometimes failed to connect. On the watch that ran on T-Mobile, I experienced several dropped connections.

When I asked Apple about these issues, a spokesman said, "We haven't seen this in any of our testing and we're looking into it." After publication of this review, Apple provided the following statement: "We have discovered that when Apple Watch Series 3 joins unauthenticated Wi-Fi networks without connectivity, it may at times prevent the watch from using cellular. We are investigating a fix for a future software release."

That's a lot of baggage for a device that costs $400, $70 more than the noncellular version. And don't forget the $10 a month you'll need to pay a carrier for the cellular service.

A cellular device is, sometimes literally, a lifeline. That's why I can't recommend the cellular Apple Watch Series 3 until the connectivity is more reliable. And even then, the battery life could be a buzz kill for some. Apple itself promises only one hour of talk time on LTE, and I confirmed this in my testing. Also, the watch becomes noticeably warm during longer calls.

Yet when the Watch was performing as it should, I discovered the enjoyment of being untethered from my iPhone. I tried living a jam-packed day with just a cellular Apple Watch and found it isn't possible. But there are three types of shorter-lived scenarios where I found it useful.

Workouts. On Saturday morning, with just the Apple Watch on my wrist and AirPods in my ears, I tracked my mile-and-a-half run, texted my wife to ask if she wanted coffee and bought two iced lattes at a local shop using Apple Pay. After Apple's streaming music service hits the watch next month, I'll be able to tell Siri to play "Taylor's new single" or any other song that comes to mind. For now, you still need to download music.

Depending on how much time you spend out, you may need to turn off the cellular connectivity to conserve battery life. And don't expect to stream music throughout a whole marathon.

Water Activities. Confirmed: You can call or text from an Apple Watch while sitting on a Jet Ski in the middle of the Hudson River. Also confirmed: The water is still gross. That experience may sound unusual, but you'd definitely want a cellular Apple Watch for water activities.

Whether it be surfing, sailing, kayaking, swimming or sitting in the kiddie pool, it's freeing to stay reachable without handling a phone, even a water-resistant one. Unfortunately, with no camera on the watch, there's no way to snap photos. The cellular and noncellular versions of the Series 3 are water-resistant up to 50 meters. No, you can't make calls underwater. I've tried.

Walkabouts. Unless you plan to carry around a 5-pound backup battery in your bag, living a full day with just the Apple Watch isn't happening. But it can be great for short departures from the iPhone to walk the dog, run to the supermarket, go to a meeting in the office or move the car. In all those situations, I received messages and emails and quickly responded via voice-to-text. I've also been impressed with Siri's quick response time to my "Hey Siri" prompts. I'm still less than impressed with Siri's ability to help.

If you begin a phone call on your watch with phone connected and then leave the phone behind, the call will drop, even though it's the same phone number. A major frustration: The handoff to the watch's cellular isn't seamless: I found it generally took a little less than a minute. Apple acknowledged this was typical.

If these scenarios appeal to you, still wait until the cellular experience improves. If you just want an Apple Watch, go for the noncellular Series 3, which has GPS and runs up to a day and a half on a charge. If you have the previous Series 2, stick with it and just upgrade to Watch OS 4.

DREW EVANS/THE WALL STREET JOURNAL

The Apple Watch Series 3 has issues: Calls were often choppy and connections sometimes dropped.

Apple Admits to Glitch in New Smartwatch

By Tripp Mickle

Apple Inc. acknowledged problems with cellular connectivity in its newest smartwatch, raising questions about the device's most significant feature days before it goes on sale in stores in the U.S. and other countries.

In a statement Wednesday, Apple said the problem connecting to cellular networks occurs when the Apple Watch Series 3—the first watch from Apple to feature an LTE chip for cellular service—joins "unauthenticated Wi-Fi wireless networks without connectivity." Apple said it is "investigating a fix for a future software release."

Apple issued the statement after reviewers from The Wall Street Journal and the Verge encountered problems at times making calls, connecting with the Siri virtual assistant, and maintaining a cellular-network connection. The Journal ran into issues across multiple wireless carriers.

Reviews from the New York Times, USA Today and other outlets didn't report significant issues with calls and connectivity. A spokeswoman for T-Mobile US Inc. said it tested the watch extensively and it "performed well" on the company's network. AT&T Inc. referred questions about the issues to Apple.

Apple's stock was down 2% in early trading Thursday.

Wall Street views the Apple Watch, the first completely new product released under Chief Executive Tim Cook, as a bellwether for the company's ability to create new devices that diversify Apple's revenue, two-thirds of which come from iPhone sales. Apple hasn't disclosed smartwatch sales to date.

Market researcher IDC estimates it sold 30 million Apple Watches since introducing the device in 2015, making it the world's largest smartwatch company by sales. But the device has failed to generate the type of sales growth Apple saw in the early days of other products such as the iPhone and iPad.

The new Apple Watch with LTE was to go on sale in stores Friday for $399, and had been available for preorder online since Sept. 15. The promise it can operate independently of an iPhone or Wi-Fi has raised sales expectations.

Loup Ventures, a venture-capital firm specializing in tech research, expects the Series 3 model to lift Apple Watch sales nearly 60% to 26 million units in fiscal 2018, up from 16.4 million units this fiscal year. As of Wednesday, delivery for most models of the new watch was expected to take three to five weeks.

Analysts expect Apple Watch Series 3 to get a sales push from wireless carriers motivated to sell the watch with a supporting $10 monthly data plan. They also believe its new capabilities could attract consumers who passed on the product following its 2015 debut because of its seeming lack of purpose.

When Apple introduced the Series 3 model at its product showcase Sept. 12, Apple Operating Chief Jeff Williams said it would give people "the freedom to go anywhere with just your Apple Watch."

He said it would stream 40 million songs to his wrist and have the same phone number as the owner's phone. He demonstrated its abilities by dialing a colleague who received the call on her Apple Watch while paddleboarding on Lake Tahoe.

What is holding the watch back from mass-market appeal is that it is still too focused on health and fitness, said Jitesh Ubrani, a smartwatch analyst with IDC. Apple needs developers to make different kinds of apps so the watch can become a "need to have" device. Cellular capability "gives them a chance," he said.

Mr. Williams, who oversees the smartwatch, has been pushing for cellular connectivity since before the device's launch, according to a person familiar with the product's evolution. However, Apple struggled with poor cellular reception, the person said.

Hardware experts have said the challenges reflect the difficulties of working with such a small device. Apple crams accelerometers, gyroscopes, heart-rate sensors and 18 hours of battery life, as well as GPS, Bluetooth and Wi-Fi connectivity, into a product that is just 38 millimeters or 42 millimeters in size.

Apple isn't the first company to offer cellular connectivity on a smartwatch. Samsung Electronics Co. currently offers it on the Gear S3 watch, a device that is thicker and noticeably heavier than the Apple Watch.

—Drew FitzGerald contributed to this article.

YUAN

Continued from page B1

ery day and producing garbage at the same time."

Ele.me, Baidu Waimai and Meituan Dianping are among the most popular services of the mobile internet. Some 295 million Chinese, nearly 40% of the country's internet users, turned to one of their apps in the first half of 2017, up from 21% a year ago, according to government data. The services have received funding from the biggest tech forces in China—e-commerce giant **Alibaba Group Holding** Ltd., game and social-media titan **Tencent Holdings** Ltd. and **Baidu** Inc., the dominant search engine.

These internet companies touch more aspects of people's lives than any other sector in the world's second-biggest economy. But they're ill-prepared for the expectations of social responsibility that come with their influence and power, say industry experts and social activists.

"Some internet companies grew to be very big very quickly, but the public perception of them also changed very quickly from innovators to nuisance," says Yin Juelin, a management professor at Xi'an Jiaotong-Liverpool University. "They impact so many people's lives. It's natural that the public wants to hold them accountable."

Meituan and Ele.me—which recently acquired Baidu Waimai though they operate separately—declined to comment on the lawsuit. They said in statements that they're committed to protecting the environment, and each noted various green initiatives under way.

Meituan and Ele.me have added the option of "no-chopstick packages" in recent weeks. Baidu Waimai will make the change next month. Ele.me started using a new type of biodegradable plastic bag in April. Meituan said it appointed a chief environment officer in early 2017.

Zhang Shouchun, the attorney representing environmental group Green Volunteer League of Chongqing, which brought the lawsuit, said his client previously contacted the companies about adding a "no-chopsticks" option but never got anywhere. The suit demands that the companies apologize for the environmental damage and set up funds to clean it up.

"The internet companies are making significant contributions to China's economic growth, but they're also causing huge problems," said Mr. Zhang. "They need to be more responsible."

Public lashings of internet companies over social accountability recur frequently. Tencent landed in hot water this summer when state media and the public criticized its top mobile game, "Honor of Kings," for being so addictive that it was harming China's youth. Tencent now limits daily play time for users under 18.

Baidu's share price got hammered last year after a public outcry over the death of a college student suffering from a rare cancer; he died following treatment found via the search engine.

Meal-delivery apps are pervasive and cheap. Meituan says it handles more than 13 million orders a day. Ele.me says that it had served 260 million customers by June 2017 since its founding in 2008. Many of those customers come from a growing middle class that is anxious about dirty air, water and food.

Monica Shen, an executive at Shenzhen-based technology startup Seeed Studio, says she avoids ordering meal deliveries because of environmental concerns. She says she is willing to pay for more environmentally friendly packaging.

Catering to these consumers will test the business model favored by the meal-delivery services and many other mobile-internet startups: spend to build scale and capture market share; worry about profits later.

Ele.me, backed by Alibaba, is valued at $6 billion and has raised $2.3 billion since 2008. Meituan Dianping, which has funding from Tencent, raised $3.3 billion in January 2016 at a valuation of $18 billion and is currently raising a further $2 billion, according to a person familiar with the matter. None of them, however, is profitable, according to analysts and investors.

These companies need to tweak their business models to shoulder additional costs, says Ms. Yin, the management professor: "They have to respond to the demand of the growing middle class. This issue isn't going to go away."

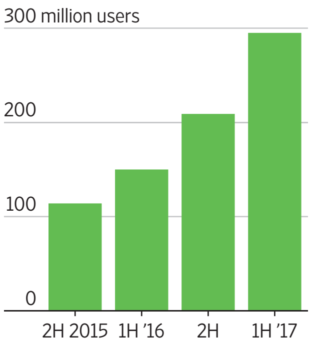
Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

ANDY WONG/ASSOCIATED PRESS

Workers for the Meituan food-delivery app in Beijing last year.

Hungry Online

Meal-delivery apps have grown sharply in China.



Source: China Internet Network Information Center

THE WALL STREET JOURNAL.

EU Preps New Taxes On Tech Firms

By Sam Schechner and Natalia Drozdiak

The European Union's executive arm said Thursday that it is ready to propose new taxes on digital companies like **Facebook** Inc. and **Alphabet** Inc.'s Google by next spring if there isn't "adequate global progress" toward a rewrite of corporate tax rules at an international level.

The bloc's executive arm, the European Commission, floated several options that it said could be rolled out in the short term to raise tax revenue on digital companies, which it contends declare too little profit in the region. While the commission said a global solution would be preferable, it added that it "stands ready" to propose legislation if major countries, including the U.S., can't make headway on new rules.

The threat of new tax legislation comes amid pressure from big EU countries including France and Germany, which have recently increased their push to change corporate tax rules at any level to capture what they say are billions of euros in lost revenue. Finance ministers for EU countries expressed support over the weekend for renewing efforts to change international rules to better reflect digital profits rules via the Organization for Economic Cooperation and Development.

European officials argue that companies are taking advantage of outdated tax rules that were designed on the basis of physical assets and where the companies operate, rather than virtual businesses like online advertising.

"It's a question of fairness: Digital companies use European networks and infrastructure, and often their content and data are created by Europeans. Like all taxpayers, they must pay their fair share of tax," said EU finance chief Pierre Moscovici, adding that the current system allows for "a big loss in tax revenues for the budgets of EU member states."

Facebook Changes Ad Policy

By Deepa Seetharaman

Facebook Inc. is adding more human reviewers to oversee its advertising system after a report showed that people could target ads at users interested in anti-Semitic and other hateful topics.

The problem stems from how Facebook's ad system automatically mines information from user profiles to create specific topics that advertisers can pay to target.

In a report last week, news outlet ProPublica showed that the system could enable someone to show ads to Facebook users whose profiles included terms like "Jew hater" or "How to burn jews."

The number of users for each anti-Semitic term was tiny, and it isn't clear if any advertiser actually used the hateful terms. Still, the episode has again spotlighted Facebook's failure to anticipate and detect how its platform can be manipulated for ill purposes.

"We never intended or anticipated this functionality being used this way—and that is on us," Chief Operating Officer Sheryl Sandberg said in a Facebook post Wednesday. "And we did not find it ourselves—and that is also on us."

Ms. Sandberg said Facebook would conduct more manual reviews of new ad targeting options that automatically appear in its system. It restored about 5,000 of the most common targeting terms used by advertisers, such as "nurse," "teacher" or "dentistry," after conducting a manual review.

Ms. Sandberg didn't say how many human reviewers would be added to oversee the ad system. A Facebook spokeswoman wouldn't comment.

AIA Buys Bank's Life-Policy Unit

Commonwealth Bank of Australia sheds life-insurance businesses for $3.05 billion

By Robb M. Stewart

MELBOURNE, Australia—**Commonwealth Bank of Australia** is considering spinning off its global asset-management unit after announcing a US$3 billion sale of its life-insurance businesses to **AIA Group** Ltd.

A sale of Colonial First State Global Asset Management would further bolster the capital position of Australia's largest bank at a time when regulators are pushing lenders to increase buffers against risk, and tightens the bank's focus as it defends itself against accusations its compliance failings allowed its accounts to be used for money laundering.

In a statement Thursday, Commonwealth Bank said it was selling all of its life-insurance businesses in Australia and New Zealand to AIA for 3.8 billion Australian dollars (US$3.05 billion). The sale agreement also includes having the pan-Asian insurer provide life-insurance products to the bank's customers for 20 years.

It adds to a number of recent moves by Australian banks to unload capital-intensive life-insurance operations to dedicated insurers better able to compete in a sector that has struggled in recent years with rising claims and policy terminations. Earlier this week, **Australia & New Zealand Banking** Ltd. said it was in talks with a number of potential suitors for its Australian wealth operations, which includes its local insurance, pension, investments and advice businesses.

AIA, one of the world's largest life insurers, said it would become the market leader in both Australia and New Zealand after combining Commonwealth Bank's businesses with its own operations.

AIA said Australia offers the largest life-protection market in Asia outside Japan, and that data suggested there was an estimated US$1.1 trillion gap in the provision of life insurance and mortality protection cover. The Hong Kong-listed insurer said Commonwealth Bank's businesses offer access to 13 million bank customers across Australia and New Zealand, and should offer a lift in AIA's earnings and future cost savings of at least US$60 million a year.

For Commonwealth Bank, Australia's biggest bank by market capitalization and largest mortgage lender, the sale is expected to release about A$3 billion in capital and lift its common equity Tier 1 capital ratio by 0.7 percentage point to take it slightly above the 10.5% minimum threshold that Australia's banking regulator this year ordered the country's major banks to reach by 2020.

However, the sale will dilute Commonwealth Bank's earnings modestly and it said it expected about a A$300 million loss on the deal, largely due to the carrying value of goodwill. The businesses being picked up by AIA had earnings of about A$224 million in the latest fiscal year, a fraction of the A$9.7 billion before items reported by Commonwealth Bank.

The price the bank will fetch for the businesses was slightly below expectations but it is outweighed by the longer-term benefits, particularly the increase in capital, said David Ellis, an analyst at investment-research firm Morningstar.

"It's a good outcome" Mr. Ellis said, adding it allowed Commonwealth Bank to clean up its businesses after a string of scandals.

In addition to the AIA sale deal, which remains subject to regulatory approval, Commonwealth Bank said it was reviewing its Colonial First State business and would consider a number of options, including an initial public offering. Known as First State Investments outside of Australia, the unit has more than A$219 billion in assets under management.

Commonwealth Bank is under intense scrutiny after the Australian government's financial-intelligence agency launched a civil suit, alleging more than 53,700 breaches of the anti-money-laundering and counterterrorism funding laws. The accusations largely involve failing to provide transaction reports on deposits through its automated machines, which the bank has blamed on a coding error in a software upgrade. The agency alleged it allowed millions of dollars to be laundered by drug dealers and other criminals. The case has triggered independent reviews by the securities and prudential regulators into culture, pay and governance at the bank.

Under the partnership with AIA, Commonwealth Bank said it would continue to earn income on the distribution of life- and health-insurance products. It also will retain its general insurance business and CommInsure brand.

With the sale, which the companies expect to wrap up in 2018, Commonwealth Bank's executive for wealth management, Annabel Spring, will leave the bank in December. Ms. Spring, who joined Commonwealth Bank in 2009 as head of strategy, will continue to lead the wealth-management business, the sale process and strategic review until the end of the year, the bank said.


BRENDON THORNE/BLOOMBERG NEWS

The lender's asset-management operations also are under review.

ECB Set To Create Alternative To Rate Yardsticks

By Todd Buell

The European Central Bank said it would introduce a new unsecured overnight interest rate, the latest step by a central bank to develop an alternative to scandal-plagued benchmarks that are key to the financial system.

The new rate, set to be published daily by 2020, will be based on data available to the ECB and other central banks that use the euro.

Central banks and other official bodies are taking control of overnight interest rates following scandals in the private sector, most notably with the London interbank offered rate, or Libor.

The rate will be based on data available to central banks that use the euro.

In July, a top U.K. regulator said it would phase out Libor, a benchmark used to set the price of trillions of dollars in loans and derivatives world-wide. The integrity of the benchmark was called into question following a rate-rigging scandal in which traders at numerous banks manipulated data used to set the rate. Libor is calculated by asking banks how much it theoretically would cost them to borrow money from other banks.

More than a dozen banks paid roughly $10 billion in penalties related to their fraudulent Libor activities.

Last month, the Federal Reserve opened for public comment three proposed reference rates for firms using Treasurys as collateral for short-term loans.

The ECB said Thursday that the new rate would serve in addition to benchmarks produced by the private sector.

"Interest-rate benchmarks are currently undergoing in-depth reforms. The ECB decided to take action as benchmark rates have an important anchoring role for contracts in financial markets," the ECB said. The ECB said "high-level features" of the new rate would be communicated to market participants over the course of next year, with market participants then able to provide feedback.

China Bank Taps Investors Abroad

By Manju Dalal

Postal Savings Bank of China Co., a state-owned bank, is raising up to $7.6 billion in one of the largest-ever sales of offshore securities by a Chinese lender.

The bank, China's sixth-largest by assets, on Thursday launched a sale of U.S. dollar-denominated securities that are known in the debt market as "cocos," or contingent convertibles. Investment bankers in recent days have been marketing the offering to investors in Hong Kong, Singapore, Paris and London.

The deal will be a test of global investors' appetite for risk in China's financial sector. The securities are initially being offered with a yield of about 4.85%, according to a person familiar with the matter.

Chinese banks are increasingly looking offshore for their fundraising needs as borrowing costs on the mainland have risen over the past year. Regulators also have been trying to rein in loose lending and imposed stricter capital rules on banks.

The new Postal Savings Bank securities are classified as "additional Tier 1" securities and will help the bank meet core capital requirements under Basel III rules.

Officially called offshore preference shares, the securities pay annual dividends and are designed to absorb losses if the bank runs into trouble. The securities can be called after five years but would be converted into the bank's Hong Kong-listed common shares upon a trigger event. That could happen if the bank's core Tier 1 capital adequacy ratio falls to or below 5.125%, or if Chinese regulators require the bank to boost its capital levels, according to Moody's Investors Service, which has a speculative-grade, or junk, rating on the securities.

The bank's latest securities sale comes roughly a year after the lender sold $7.4 billion worth of shares in a Hong Kong initial public offering. That deal was one of the biggest stock sales by a Chinese company following the 2014 IPO of Alibaba Group Holding Ltd. The Beijing-based bank's shares currently trade slightly below their listing price.

Postal Savings Bank gets its name from China's post office, which it was once part of. It has close to 40,000 branches across the country and serves more than one-third of China's population, according to an investor presentation. Its assets totaled $1.26 trillion at the end of June.

Analysts said potential buyers of Postal Savings Bank's new securities may draw comfort from the lender's majority state ownership, which implies the Chinese government would step in to bail out the bank if it ever runs into trouble.

Aside from foreign investors, Chinese investors—including life insurers, corporations, and other asset managers—are likely to be large buyers of the offshore deal and that may tighten the pricing on the securities.

QILAI SHEN/BLOOMBERG NEWS

Postal Savings Bank of China aims to raise up to $7.6 billion.

Bitcoin Executives Face China Travel Ban

China's widening crackdown on bitcoin trading resulted in a travel ban of sorts for two executives from the country's largest commercial bitcoin exchanges, which regulators are closing down.

By Gregor Stuart Hunter in Hong Kong and Chao Deng in Beijing

On Thursday, top executives of two Chinese digital currency exchanges who were scheduled to speak at an industry conference in Hong Kong didn't show up and their sessions were canceled. The event's organizer, a bitcoin-trading firm called **Bitkan**, didn't provide a reason. The two executives were Lin Li, chief executive of **Huobi**, and Justin Pan, who the event organizer listed as being the chief operating officer of **OKCoin**.

The two-day conference was originally supposed to be held in Beijing but its organizers last week decided to shift the venue to Hong Kong after Chinese regulators earlier this month ordered digital-currency exchanges to wind down their operations.

Software pioneer and former fugitive John McAfee—a high-profile but controversial character in the bitcoin industry—told conference attendees on Wednesday that top executives from the major bitcoin exchanges are currently not allowed to leave China.

At a meeting last week in Beijing, regulators provided bitcoin executives a document saying that the exchanges' major shareholders, senior managers and key finance and technical personnel should remain in Beijing to work with regulators while unwinding their trading businesses.

Huobi and OKCoin spokeswomen didn't respond to requests to comment.

Curbs on travel are a conventional tool used by Chinese authorities during investigations.

Financial regulators have applied them in the past, including in the aftermath of China's stock-market meltdown in mid-2015. In this instance, the bitcoin industry players haven't been accused of wrongdoing.

Regulators recently decided upon a comprehensive ban on channels for the buying and selling of the virtual currency in China.

—Steven Russolillo contributed to this article.

Equifax Hackers Spied for Months

By AnnaMaria Andriotis And Robert McMillan

Hackers roamed undetected in **Equifax** Inc.'s computer network for more than four months before its security team uncovered the massive data breach, the security firm **FireEye** Inc. said this week in a confidential note Equifax sent to some of its customers.

FireEye's Mandiant group, which has been hired by Equifax to investigate the breach, said the first evidence of hackers' "interaction" with the company occurred on March 10, according to the Mandiant report, which was reviewed by The Wall Street Journal.

Equifax had previously disclosed that data belonging to approximately 143 million Americans was potentially accessed in May. It isn't known when Equifax learned from Mandiant that the hacking activity began in March, not May. Equifax wasn't available to comment.

Equifax has said it didn't discover the breach until July 29. Days later it called in Mandiant. Equifax didn't disclose the breach until Sept. 7.

The attack, which is being probed by the Federal Bureau of Investigation, is one of the most significant data breaches given the scope of the information disclosed: people's names, addresses, dates of birth and Social Security numbers.

Equifax sent the Mandiant report to some customers, many of which are financial firms, with a cover letter dated Tuesday, Sept. 19, that was signed by the company's new chief information officer, Mark Rohrwasser, and new chief security officer, Russ Ayres. Equifax on Sept. 15 announced the departure of the two executives who previously held those positions.

In a progress report that accompanied that announcement, Equifax said hackers accessed consumers' data from May 13 through July 30. It didn't mention in that report that the attack had begun at an earlier date.

Mandiant's report this week noted the hackers accessed one of Equifax's servers by taking advantage of a flaw in software called Apache Struts, used by many companies to build interactive websites.

Two days before the access occurred, on March 8, security researchers at Cisco Systems Inc. warned of the flaw in Struts and a patch was issued by the Apache Software Foundation. Equifax in its report last week said its security staff "took efforts" to fix the system, saying it understood the intense focus on patching efforts and that its review was ongoing.

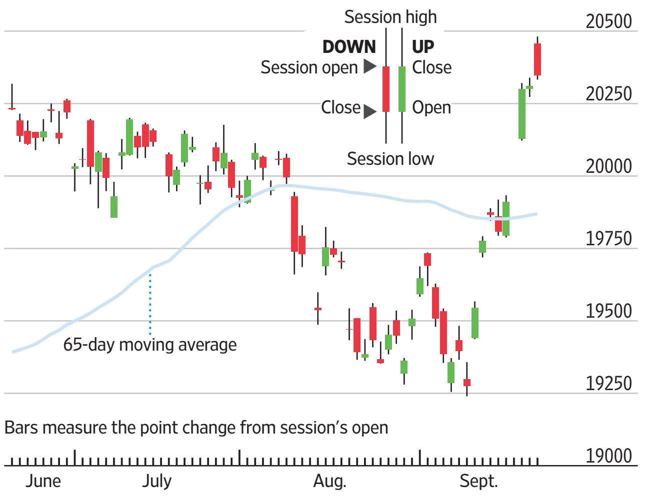
MARKETS DIGEST

Nikkei 225 Index

20347.48 ▲37.02, or 0.18%

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

Year-to-date		▲6.45%
52-wk high/low	20347.48	16251.54
All-time high	38915.87	12/29/89



Bars measure the point change from session's open

STOXX 600 Index

382.88 ▲0.90, or 0.24%

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

Year-to-date		▲5.94%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15

S&P 500 Index

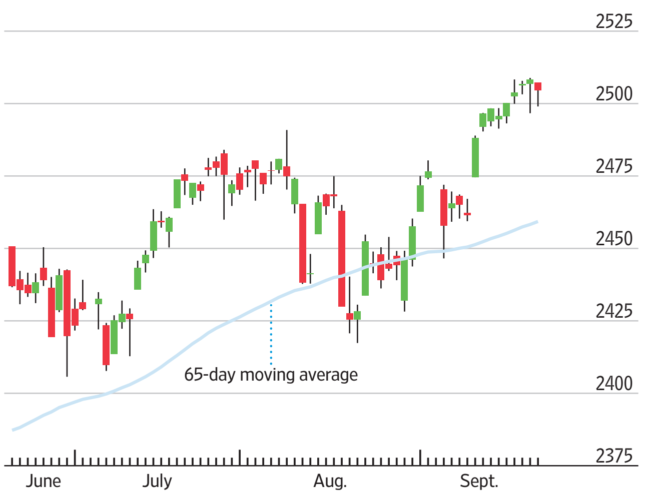
Data as of 12 p.m. New York time

2504.57 ▼3.67, or 0.15%

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

	Last	Year ago
Trailing P/E ratio	24.11	24.47
P/E estimate *	19.10	18.25
Dividend yield	1.99	2.14
All-time high:	2508.24, 09/20/17	

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



International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Latest Close	NetChg	% chg	52-Week Range Low	Close	High	YTD % chg
World	**The Global Dow**	2909.03	-5.31	**-0.18**	2386.93		2909.28	15.1
	MSCI EAFE	1972.91	-8.58	**-0.43**	1471.88		1973.76	15.0
	MSCI EM USD	1108.25	-3.82	**-0.34**	691.21		1111.59	39.5
Americas	**DJ Americas**	604.90	-1.05	**-0.17**	503.44		606.05	11.9
Brazil	**Sao Paulo Bovespa**	75345.46	-658.69	**-0.87**	56828.56		76419.58	25.1
Canada	**S&P/TSX Comp**	15438.03	48.43	**0.31**	14468.03		15943.09	1.0
Mexico	**IPC All-Share**	50266.34	-97.61	**-0.19**	43998.98		51772.37	10.1
Chile	**Santiago IPSA**	3985.98	5.99	**0.15**	3120.87		3995.17	23.7
U.S.	**DJIA**	22389.65	-22.94	**-0.10**	17883.56		22419.51	13.3
	Nasdaq Composite	6433.24	-22.81	**-0.35**	5034.41		6477.77	19.5
	S&P 500	2504.57	-3.67	**-0.15**	2083.79		2508.85	11.9
	CBOE Volatility	9.74	-0.04	**-0.41**	8.84		23.01	-30.6
EMEA	**Stoxx Europe 600**	382.88	0.90	**0.24**	328.80		396.45	5.9
	Stoxx Europe 50	3122.55	11.14	**0.36**	2720.66		3279.71	3.7
France	**CAC 40**	5267.29	25.63	**0.49**	4342.64		5442.10	8.3
Germany	**DAX**	12600.03	30.86	**0.25**	10174.92		12951.54	9.7
Greece	**ATG**	765.99	8.01	**1.06**	559.92		859.78	19.0
Israel	**Tel Aviv**	1419.90	...	**Closed**	1346.71		1490.23	-3.5
Italy	**FTSE MIB**	22491.73	136.15	**0.61**	15923.11		22529.86	16.9
Netherlands	**AEX**	528.47	-0.19	**-0.04**	436.28		537.84	9.4
Russia	**RTS Index**	1120.13	-2.30	**-0.20**	956.36		1196.99	-2.8
Spain	**IBEX 35**	10297.00	4.90	**0.05**	8512.40		11184.40	10.1
Switzerland	**Swiss Market**	9134.13	38.48	**0.42**	7585.56		9198.45	11.1
South Africa	**Johannesburg All Share**	55867.34	-0.12	**-0.00**	48935.90		56896.89	10.3
Turkey	**BIST 100**	104001.20	-1322.47	**-1.26**	71792.96		110530.75	33.1
U.K.	**FTSE 100**	7263.90	-8.05	**-0.11**	6676.56		7598.99	1.7
Asia-Pacific								
Australia	**S&P/ASX 200**	5655.40	-53.70	**-0.94**	5156.60		5956.50	-0.2
China	**Shanghai Composite**	3357.81	-8.18	**-0.24**	2980.43		3385.39	8.2
Hong Kong	**Hang Seng**	28110.33	-17.47	**-0.06**	21574.76		28159.77	27.8
India	**S&P BSE Sensex**	32370.04	-30.47	**-0.09**	25765.14		32575.17	21.6
Indonesia	**Jakarta Composite**	5906.57	...	**Closed**	5027.70		5915.36	11.5
Japan	**Nikkei Stock Avg**	20347.48	37.02	**0.18**	16251.54		20347.48	6.5
Malaysia	**Kuala Lumpur Composite**	1771.04	-2.54	**-0.14**	1616.64		1792.35	7.9
New Zealand	**S&P/NZX 50**	7795.41	-23.83	**-0.30**	6664.21		7879.46	13.3
Philippines	**PSEi**	8286.86	67.54	**0.82**	6563.67		8294.14	21.1
Singapore	**Straits Times**	3213.82	-4.25	**-0.13**	2787.27		3354.71	11.6
South Korea	**Kospi**	2406.50	-5.70	**-0.24**	1958.38		2451.53	18.8
Taiwan	**Weighted**	10578.44	59.27	**0.56**	8931.03		10631.57	14.3
Thailand	**SET**	1670.49	-0.16	**-0.01**	1406.18		1672.59	8.3

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points Latest	Previous	Month Ago	Year ago	Yield Previous	Month ago	Year ago
2.750	**Australia** 2	**1.991**	**55.6**	56.9	51.7	**85.3**	**2.012**	1.826	**1.627**
2.750	10	**2.835**	**57.5**	56.5	46.3	**48.2**	**2.837**	2.648	**2.135**
3.000	**Belgium** 2	**-0.523**	**-195.7**	-197.0	-186.6	**-137.2**	**-0.527**	-0.556	**-0.597**
0.800	10	**0.734**	**-152.6**	-155.1	-147.0	**-142.3**	**0.721**	0.714	**0.230**
0.000	**France** 2	**-0.475**	**-191.0**	-191.3	-178.9	**-136.5**	**-0.471**	-0.480	**-0.590**
1.000	10	**0.736**	**-152.4**	-154.5	-148.3	**-134.7**	**0.727**	0.702	**0.306**
0.000	**Germany** 2	**-0.677**	**-211.1**	-212.2	-202.0	**-142.4**	**-0.679**	-0.710	**-0.650**
0.500	10	**0.458**	**-180.2**	-182.8	-178.2	**-164.8**	**0.444**	0.402	**0.005**
0.050	**Italy** 2	**-0.105**	**-154.0**	-155.5	-136.9	**-87.1**	**-0.113**	-0.060	**-0.096**
2.200	10	**2.099**	**-16.1**	-20.2	-15.3	**-36.3**	**2.071**	2.032	**1.290**
0.100	**Japan** 2	**-0.125**	**-156.0**	-157.3	-143.9	**-99.5**	**-0.131**	-0.130	**-0.221**
0.100	10	**0.030**	**-223.0**	-224.2	-214.9	**-167.6**	**0.030**	0.036	**-0.023**
4.000	**Netherlands** 2	**-0.686**	**-212.0**	-211.9	-196.4	**-138.5**	**-0.677**	-0.654	**-0.610**
0.750	10	**0.574**	**-168.6**	-170.9	-165.2	**-153.9**	**0.563**	0.532	**0.114**
4.750	**Portugal** 2	**-0.060**	**-149.4**	-151.4	-133.0	**-29.5**	**-0.072**	-0.021	**0.479**
4.125	10	**2.405**	**14.5**	9.7	53.3	**174.7**	**2.370**	2.717	**3.400**
2.750	**Spain** 2	**-0.313**	**-174.8**	-177.0	-168.7	**-96.3**	**-0.327**	-0.377	**-0.189**
1.450	10	**1.614**	**-64.6**	-70.8	-75.8	**-64.8**	**1.564**	1.427	**1.005**
4.250	**Sweden** 2	**-0.699**	**-213.3**	-214.4	-198.5	**-142.1**	**-0.702**	-0.675	**-0.647**
1.000	10	**0.652**	**-160.8**	-164.7	-158.8	**-136.3**	**0.626**	0.596	**0.290**
1.750	**U.K.** 2	**0.457**	**-97.7**	-99.5	-108.0	**-66.7**	**0.448**	0.230	**0.108**
4.250	10	**1.371**	**-88.9**	-92.8	-111.0	**-95.3**	**1.344**	1.075	**0.700**
1.250	**U.S.** 2	**1.434**	**...**	...	...	**...**	**1.442**	1.309	**0.774**
2.250	10	**2.260**	**...**	...	...	**...**	**2.272**	2.184	**1.653**

Commodities

Prices of futures contracts with the most open interest 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 9/20/2017

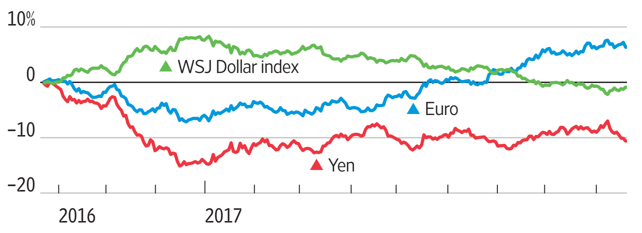
Commodity	Exchange	Last price	One-Day Change Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	350.25	0.25	0.07%	417.25	344.25
Soybeans (cents/bu.)	CBOT	970.25	0.25	0.03	1,047.00	907.00
Wheat (cents/bu.)	CBOT	452.25	2.50	0.56	592.25	422.50
Live cattle (cents/lb.)	CME	115.950	-0.300	-0.26%	122.850	99.825
Cocoa ($/ton)	ICE-US	2,020	22	1.10	2,301	1,794
Coffee (cents/lb.)	ICE-US	134.85	-1.70	-1.24	166.75	119.10
Sugar (cents/lb.)	ICE-US	14.72	0.02	0.14	20.40	13.50
Cotton (cents/lb.)	ICE-US	68.25	-1.00	-1.44	75.75	66.15
Robusta coffee ($/ton)	ICE-EU	2013.00	-22.00	-1.08	2,272.00	1,892.00
Copper ($/lb.)	COMEX	2.9460	-0.0230	-0.77	3.1785	2.5025
Gold ($/troy oz.)	COMEX	1297.90	-18.50	-1.41	1,362.40	1,160.80
Silver ($/troy oz.)	COMEX	17.070	-0.264	-1.52	18.875	14.440
Aluminum ($/mt)*	LME	2,191.00	59.00	2.77	2,191.00	1,688.50
Tin ($/mt)*	LME	20,730.00	5.00	0.02	21,225.00	18,760.00
Copper ($/mt)*	LME	6,565.00	25.00	0.38	6,937.00	5,491.00
Lead ($/mt)*	LME	2,462.50	52.50	2.18	2,481.00	2,022.00
Zinc ($/mt)*	LME	3,157.00	60.00	1.94	3,195.00	2,450.50
Nickel ($/mt)*	LME	11,470.00	450.00	4.08	12,220.00	8,780.00
Rubber (Y.01/ton)	TCE	210.20	-2.00	-0.94	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2737.00	-33.00	-1.19	2876.00	2436.00
Crude oil ($/bbl.)	NYMEX	50.67	-0.02	-0.04	58.37	42.84
NY Harbor ULSD ($/gal.)	NYMEX	1.8063	0.0072	0.40	1.8206	1.3943
RBOB gasoline ($/gal.)	NYMEX	1.6055	-0.0103	-0.64	1.6689	1.2736
Natural gas ($/mmBtu)	NYMEX	3.023	-0.126	-4.00	3.5960	2.8860
Brent crude ($/bbl.)	ICE-EU	55.97	0.04	0.07	60.09	45.51
Gas oil ($/ton)	ICE-EU	541.25	4.25	0.79	542.75	408.25

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on Sept. 21

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



Country/currency	Thu in US$	Thu per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0579	17.2779	**8.9**
Brazil real	0.3187	3.1373	**-3.6**
Canada dollar	0.8111	1.2329	**-8.3**
Chile peso	0.001602	624.20	**-6.8**
Colombia peso	0.0003431	2914.40	**-2.9**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0561	17.8295	**-14.0**
Peru sol	0.3078	3.2490	**-3.1**
Uruguay peso-e	0.0346	28.880	**-1.6**
Venezuela bolivar	0.099858	10.01	**0.2**
Asia-Pacific			
Australia dollar	0.7936	1.2601	**-9.2**
China yuan	0.1516	6.5942	**-5.0**
Hong Kong dollar	0.1281	7.8067	**0.7**
India rupee	0.0154	64.9250	**-4.5**
Indonesia rupiah	0.0000750	13338	**-1.4**
Japan yen	0.008901	112.35	**-4.0**
Kazakhstan tenge	0.002937	340.49	**2.0**
Macau pataca	0.1231	8.1266	**2.7**
Malaysia ringgit-c	0.2382	4.1980	**-6.4**
New Zealand dollar	0.7313	1.3674	**-5.3**
Pakistan rupee	0.0095	105.400	**1.0**
Philippines peso	0.0196	50.959	**2.7**
Singapore dollar	0.7407	1.3500	**-6.7**
South Korea won	0.0008829	1132.57	**-6.2**
Sri Lanka rupee	0.0065454	152.78	**2.9**
Taiwan dollar	0.03311	30.205	**-6.9**
Thailand baht	0.03020	33.110	**-7.5**
Europe			
Bulgaria lev	0.6095	1.6406	**-11.7**
Croatia kuna	0.1596	6.266	**-12.6**
Euro zone euro	1.1939	0.8376	**-11.9**
Czech Rep. koruna-b	0.0458	21.835	**-15.0**
Denmark krone	0.1605	6.2316	**-11.8**
Hungary forint	0.003854	259.46	**-11.8**
Iceland krona	0.009304	107.48	**-4.9**
Norway krone	0.1281	7.8091	**-9.7**
Poland zloty	0.2792	3.5811	**-14.5**
Russia ruble-d	0.01728	57.874	**-5.5**
Sweden krona	0.1254	7.9773	**-12.4**
Switzerland franc	1.0311	0.9698	**-4.8**
Turkey lira	0.2852	3.5060	**-0.5**
Ukraine hryvnia	0.0381	26.2350	**-3.1**
U.K. pound	1.3564	0.7372	**-9.0**
Middle East/Africa			
Bahrain dinar	2.6505	0.3773	**0.03**
Egypt pound-a	0.0567	17.6380	**-2.7**
Israel shekel	0.2851	3.5077	**-8.8**
Kuwait dinar	3.3135	0.3018	**-1.3**
Oman sul rial	2.5971	0.3850	**0.02**
Qatar rial	0.2694	3.713	**2.0**
Saudi Arabia riyal	0.2666	3.7503	**-0.01**
South Africa rand	0.0754	13.2683	**-3.1**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	85.60	-0.02	-0.03	**-7.90**

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Sep 21

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2601	1.7087	1.2989	0.0112	0.1614	1.5041	1.0220	...
Canada	1.2329	1.6718	1.2710	0.0110	0.1579	1.4717	...	0.9783
Euro	0.8376	1.1359	0.8636	0.0075	0.1073	...	0.6795	0.6648
Hong Kong	7.8067	10.5882	8.0489	0.0695	...	9.3200	6.3327	6.1961
Japan	112.3500	152.3700	115.8400	...	14.3920	134.1300	91.1300	89.1800
Switzerland	0.9698	1.3154	...	0.0086	0.1242	1.1580	0.7868	0.7697
U.K.	0.7372	...	0.7602	0.0066	0.0944	0.8803	0.5981	0.5852
U.S.	...	1.3564	1.0311	0.0089	0.1281	1.1939	0.8111	0.7936

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.23722%**	0.52528%
Three month	**1.32833**	0.85672
Six month	**1.49100**	1.24833
One year	**1.76761**	1.56133
Euro Libor		
One month	**-0.40500%**	-0.37400%
Three month	**-0.37871**	-0.32243
Six month	**-0.30500**	-0.21757
One year	**-0.21943**	-0.07186
Euribor		
One month	**-0.37300%**	-0.37100%
Three month	**-0.33000**	-0.30100
Six month	**-0.27200**	-0.20100
One year	**-0.17100**	-0.05900
Yen Libor		
One month	**-0.04393%**	-0.08271%
Three month	**-0.02750**	-0.02064
Six month	**0.00700**	0.00571
One year	**0.10614**	0.10457

	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.	**1.05%**	0.43%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

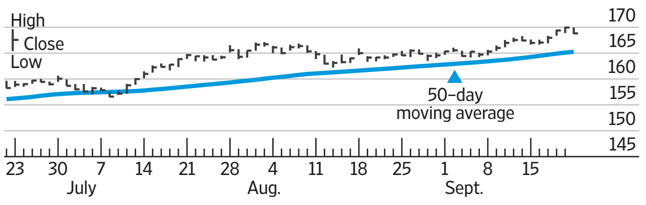
Top Stock Listings

12 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK$	AIAGroup	1299	60.20	0.25	37.60
AU$	AustNZBk	ANZ	29.76	-0.90	-2.17
AU$	BHP	BHP	25.99	-0.76	3.71
HK$	BankofChina	3988	4.01	0.50	16.57
HK$	CKHutchison	0001	100.20	-0.40	13.99
AU$	CSL	CSL	132.81	-0.70	32.27
¥	Canon	7751	3789.00	-0.53	14.99
¥	CentralJapanRwy	9022	19535	0.05	1.59
HK$	ChinaConstructnBk	0939	6.67	-0.15	11.73
HK$	ChinaLifeInsurance	2628	23.85	...	18.07
HK$	ChinaMobile	0941	80.15	-0.68	-2.49
HK$	ChinaPetro&Chem	0386	5.90	0.17	7.27
AU$	CmwlthBkAust	CBA	76.07	-0.29	-7.69
¥	EastJapanRailway	9020	10230	0.79	1.29
¥	Fanuc	6954	22845	0.26	15.29
¥	Hitachi	6501	793.20	-0.10	25.51
TW$	Hon Hai Precisn	2317	111.00	4.23	31.83
¥	HondaMotor	7267	3331.00	0.63	-2.46
KRW	HyundaiMtr	005380	141500	-0.35	-3.08
HK$	Ind&Comml	1398	5.88	0.51	26.45
$	Infosys	INFY	14.60	-1.62	-1.55
¥	JapanTobacco	2914	3683.00	-1.05	-4.19
¥	KDDI	9433	2970.50	0.05	0.37
¥	Mitsubishi	8058	2592.00	-0.78	4.10
¥	MitsubishiElectric	6503	1760.00	-1.07	8.01
¥	MitsubishiUFJFin	8306	719.40	1.71	-0.11
¥	Mitsui	8031	1688.00	-0.21	5.04
¥	Mizuho Fin	8411	198.20	1.17	-5.53
¥	NTTDoCoMo	9437	2574.50	-0.17	-3.32
AU$	NatAustBnk	NAB	31.00	-0.45	1.08
¥	Nintendo	7974	41750	-2.66	70.13
¥	NipponTeleg	9432	5106.00	-0.39	3.95
¥	NissanMotor	7201	1158.00	0.39	-1.49
¥	Panasonic	6752	1642.00	-1.38	38.04
HK$	PingAnInsofChina	2318	62.60	0.32	61.34
$	RelianceIndsGDR	RIGD	51.20	-1.73	62.28
KRW	SamsungElectronics	005930	2640000	1.11	46.50
¥	Seven&I Hldgs	3382	4350.00	-0.66	-2.31
¥	SoftBankGroup	9984	9147.00	-0.92	17.80
¥	Sony	6758	4193.00	-1.18	28.03
¥	Sumitomo Mitsui	8316	4294.00	0.59	-3.72
HK$	SunHngKaiPrp	0016	131.80	-0.83	34.49
TW$	TaiwanSemiMfg	2330	221.00	-0.23	21.76
¥	TakedaPharm	4502	6091.00	-0.25	25.98
HK$	TencentHoldings	0700	347.20	0.23	83.03
¥	TokioMarineHldg	8766	4556.00	0.57	-5.00
¥	ToyotaMtr	7203	6738.00	0.52	-2.04
AU$	Wesfarmers	WES	40.93	-0.80	-2.87
AU$	WestpacBanking	WBC	31.28	-0.38	-4.05
AU$	Woolworths	WOW	25.30	0.08	4.98
Stoxx 50					
CHF	ABB	ABBN	23.98	1.18	11.64
€	ASMLHolding	ASML	138.10	-0.36	29.49
€	AXA	CS	24.86	0.73	3.67
€	AirLiquide	AI	109.30	1.16	3.45
€	Allianz	ALV	185.50	0.73	18.15
€	AB InBev	ABI	98.05	-0.57	-2.49
£	AstraZeneca	AZN	4768.50	0.35	7.46
€	BASF	BAS	88.43	0.66	0.14
€	BNP Paribas	BNP	66.72	1.01	10.19
£	BT Group	BT.A	282.55	-1.50	-22.99
€	BancoBilVizAr	BBVA	7.50	1.71	18.16
€	BancoSantander	SAN	5.69	1.19	14.80
£	Barclays	BARC	190.40	2.42	-14.79
€	Bayer	BAYN	110.40	0.50	11.37
£	BP	BP.	463.50	0.89	-9.05
£	BritishAmTob	BATS	4565.00	-0.89	-1.22
€	Daimler	DAI	66.87	0.44	-5.44
€	DeutscheTelekom	DTE	15.34	-2.17	-5.27
£	Diageo	DGE	2420.50	-0.25	14.72
€	ENI	ENI	13.74	0.73	-11.18
£	GlaxoSmithKline	GSK	1468.00	0.96	-6.02
£	Glencore	GLEN	346.55	-0.63	24.95
£	HSBC Hldgs	HSBA	721.60	-0.19	9.85
€	INGGroep	INGA	15.37	1.19	14.92
£	ImperialBrands	IMB	3214.50	-1.35	-9.26
€	IntesaSanpaolo	ISP	2.97	1.30	22.42
€	LVMHMoetHennessy	MC	229.85	-0.07	26.71
£	LloydsBankingGroup	LLOY	67.45	2.65	7.90
€	LOreal	OR	176.60	-0.95	1.85
£	NationalGrid	NG.	947.90	-0.34	-8.69
CHF	Nestle	NESN	80.70	-0.25	10.47
CHF	Novartis	NOVN	82.95	0.06	11.94
DKK	NovoNordiskB	NOVO-B	306.40	0.99	20.30
£	Prudential	PRU	1773.50	0.40	8.97
£	ReckittBenckiser	RB.	6704.00	-1.24	-2.64
£	RioTinto	RIO	3465.50	-1.18	9.72
CHF	RocheHldgctf	ROG	249.00	0.81	7.05
£	RoyDtchShell A	RDSA	2165.50	0.49	-3.43
€	SAP	SAP	91.74	-0.11	10.78
€	Sanofi	SAN	83.87	1.91	9.06
€	SchneiderElectric	SU	72.81	0.71	10.13
€	Siemens	SIE	117.45	1.29	0.56
€	Telefonica	TEF	9.07	-0.72	2.88
€	Total	FP	45.88	0.46	-3.93
CHF	UBSGroup	UBSG	16.50	1.73	3.45
€	Unilever	UNA	49.52	-1.48	26.61
£	Unilever	ULVR	4261.50	-2.07	29.43
€	Vinci	DG	80.53	0.16	24.47
£	VodafoneGroup	VOD	208.10	-0.95	4.13
CHF	ZurichInsurance	ZURN	288.40	0.07	2.85
DJIA					
$	AmericanExpress	AXP	88.26	-0.19	19.14
$	Apple	AAPL	154.12	-1.25	33.07
$	Boeing	BA	256.51	0.41	64.77
$	Caterpillar	CAT	124.74	-0.09	34.51
$	Chevron	CVX	116.23	-0.12	-1.25
$	CiscoSystems	CSCO	32.72	0.35	8.26
$	Coca-Cola	KO	45.62	-0.35	10.03
$	Disney	DIS	99.03	-0.18	-4.98
$	DowDuPont	DWDP	70.28	-0.18	4.61
$	ExxonMobil	XOM	80.24	-0.38	-11.10
$	GeneralElec	GE	24.75	1.77	-21.68
$	GoldmanSachs	GS	231.00	0.53	-3.53
$	HomeDepot	HD	159.04	0.23	18.62
$	Intel	INTC	36.99	-0.22	1.99
$	IBM	IBM	145.54	-0.24	-12.32
$	JPMorganChase	JPM	95.15	0.58	10.27
$	J&J	JNJ	132.18	-0.78	14.73
$	McDonalds	MCD	159.32	-0.35	30.89
$	Merck	MRK	65.76	-0.04	11.71
$	Microsoft	MSFT	74.60	-0.45	20.05
$	Nike	NKE	53.52	-0.07	5.29
$	Pfizer	PFE	36.06	0.19	11.02
$	Procter&Gamble	PG	93.00	-1.48	10.61
$	3M	MMM	211.24	0.35	18.30
$	Travelers	TRV	121.70	-0.17	-0.59
$	UnitedTech	UTX	114.64	0.47	4.58
$	UnitedHealth	UNH	195.60	-0.08	22.22
$	Visa	V	105.46	0.47	35.17
$	Verizon	VZ	49.12	-0.72	-7.97
$	Wal-Mart	WMT	79.80	-0.87	15.45

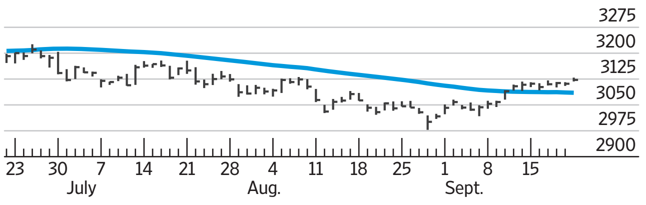
Asia Titans 50

Last: **168.82** ▼ 1.13, or 0.66% YTD ▲ **19.7%**



Stoxx 50

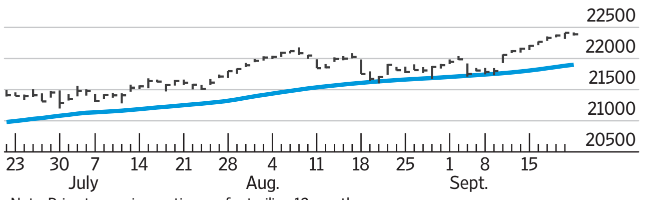
Last: **3122.55** ▲ 11.14, or 0.36% YTD ▲ **3.7%**



Dow Jones Industrial Average

P/E: 21

Last: **22389.65** ▼ 22.94, or 0.10% YTD ▲ **13.3%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

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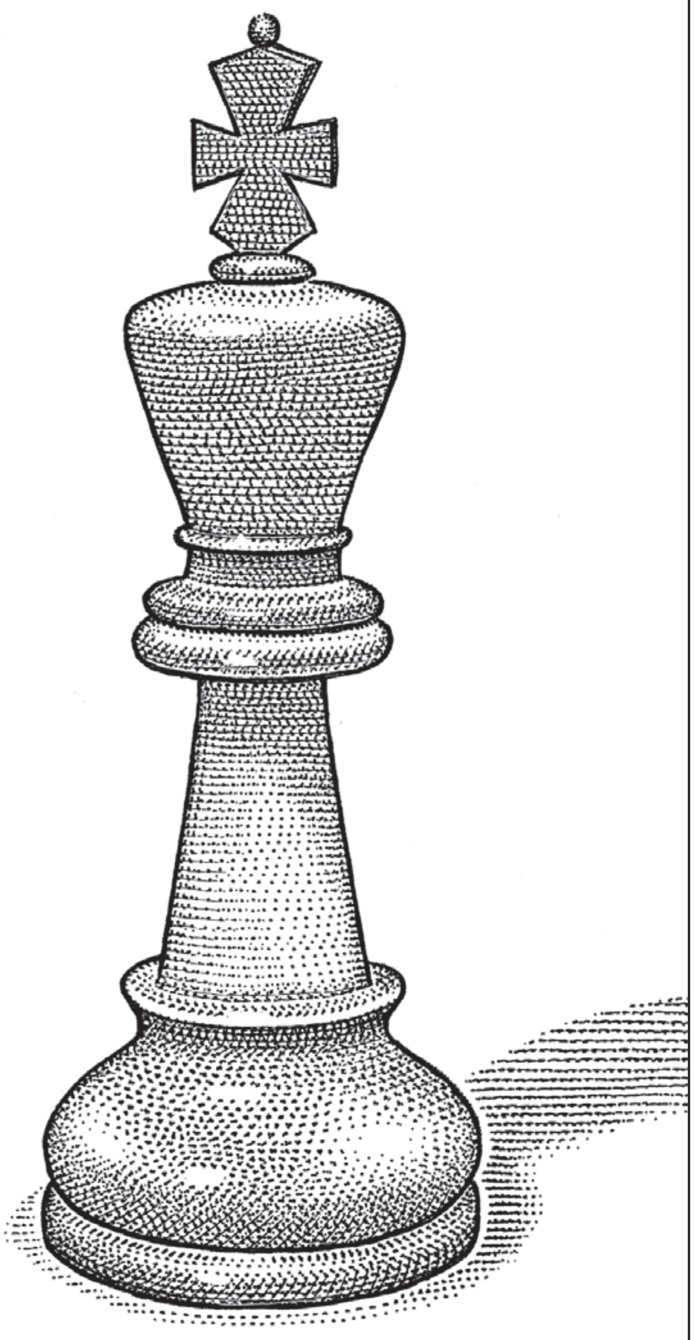

Upcoming Member Events

Annual Meetings

U.S. Meeting
November 13–14, 2017 | Washington, D.C.

Asia Meeting
May 15, 2018 | Tokyo

WSJ editors, policy makers, business leaders and members gather to discuss the most pressing global business issues.

Editor's Dinner Series

September 28, 2017 | New York, NY

October 25, 2017 | Singapore

November 27, 2017 | Tokyo

December 5, 2017 | New York, NY

Moderated by senior WSJ editors, these engagements bring together executives from around the world for dinner and discussion focused on issues facing global business.

D.LIVE

October 16–18, 2017 | Laguna Beach, CA

April 19–20, 2018 | Hong Kong

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MARKETS

For Sale Abroad: U.S. Oil

Hurricane hits price of West Texas crude, boosting its appeal to refiners in Asia

By Alison Sider And Lynn Cook

U.S. oil is trading at the biggest discount to the global price in two years, helping extend a boom in exports from American shale fields to refiners in Europe and Asia.

After Hurricane Harvey hammered the Gulf Coast last month, the price of Nymex crude sank to as much as $6.30 a barrel below its European counterpart, Brent—the widest gap since August 2015.

Harvey has passed, but analysts say the storm will reshape global crude flows for months. The difference between U.S. oil and Brent, the international benchmark, at $5.88 as of Wednesday, is key in determining when it is profitable to ship oil from U.S. ports to places overseas.

A difference of at least $4 makes it attractive for a refiner in countries like China or South Korea to buy oil from shale producers in Texas and North Dakota, said R.T. Dukes, an oil expert with consulting firm Wood Mackenzie.

"Get to a $4 spread and you can take it anywhere in the world," he said.

Take Occidental Petroleum Corp., a major U.S. exporter and large producer in the Permian Basin of West Texas. Occidental is shipping more crude than ever as lower U.S. prices boost demand for oil from the Permian. The company recently struck new deals with customers in South Korea, India, China and countries in Southeast Asia, said Cynthia Walker, an Occidental senior vice president.

While the recent discount on West Texas Intermediate crude, the U.S. reference price, is poised to increase American shipments, the U.S. had already become a disruptive force, sending oil overseas after a ban on most exports was lifted at the end of 2015. In recent years, the rise of the highly productive and nimble U.S. shale industry has pushed oil prices down world-wide. Exports have become a relief valve for U.S. drillers, who have continued to pump despite relatively low prices.

Because many big Gulf Coast refiners are geared to process heavy crude, like the output from Canada and South America, they have continued to import barrels, while some of the output from shale formations has started to flow abroad to refiners set up to process the light variety.

"The export window is wide open," said Michael Wittner, global head of oil research at Société Générale.

Leasing oil tankers can cost anywhere from under $1 a barrel to a few dollars, depending on the length of the trip. For instance, taking oil from Texas to Asia is more expensive since it's a longer voyage than to Argentina or the Netherlands. After tanker owners expanded their fleets in recent years, shipping rates have fallen. They're down 20% to 30% in the past year, depending on where ships are loaded, according to shipping consultancy McQuilling Services LLC.

For now, the WTI-Brent spread is wide enough to offset the expense of loading supertankers that are too heavy for relatively shallow Texas ports, analysts at consultancy JBC Energy said. While the tankers generally have to wait offshore to be loaded by smaller vessels, they are capable of larger volumes, making longer journeys more economical. Analysts at McQuilling Services expect at least 10 of these tankers to be loaded from the U.S. next month—a record.

One big obstacle to more exports could soon be resolved. The Louisiana Offshore Oil Port, or LOOP, is the one place in the U.S. deep enough for supertankers that can most profitably make the journey to Asia. The LOOP is looking to add the capability to load those tankers next year.

U.S. and global oil prices had already drifted apart in August, and during Harvey's peak, WTI tumbled. More than a quarter of total U.S. refining capacity was offline as plants curtailed operations, causing demand for U.S. crude to dwindle. Some refineries are still struggling to return.

At the same time, global oil prices were on an upswing after months of production cuts by the Organization of the Petroleum Exporting Countries and strong summer demand.

Planned maintenance over the summer also limited output from one of the key oil fields in the North Sea that determines the price of Brent.

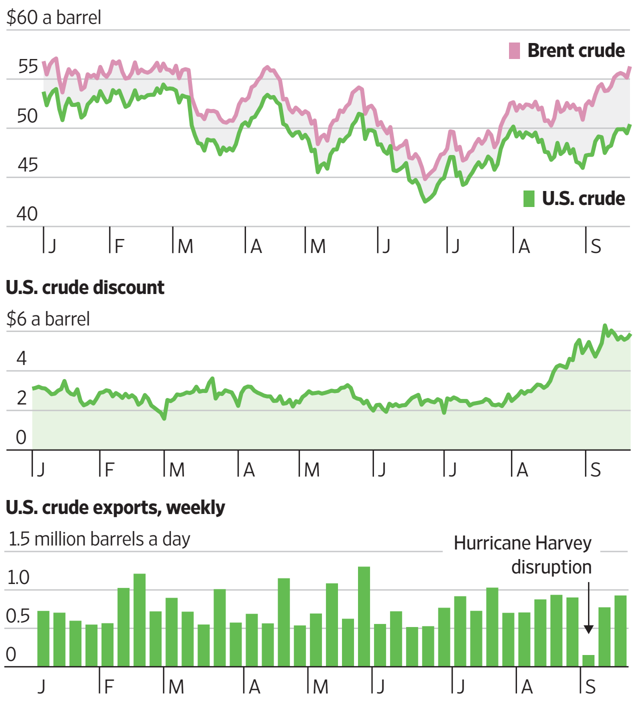
Harvey all but stopped the flow of oil to and from the U.S., but crude exports jumped back up by 775,000 barrels a day to 928,000 barrels a day in the first two weeks of September, as ports along the Gulf reopened following the storm.

Analysts expect crude exports to hit records in the coming months. Volumes are likely to surge to 1.3 million barrels a day in the last three months of the year—more than double amounts from the same time last year, analysts at Energy Aspects say.

—Stephanie Yang contributed to this article.

Mind the Gap

U.S. oil is trading below global crude by the most in two years. That is helping boost American oil exports.



Sources: WSJ Market Data Group (prices); Energy Information Administration (exports)
THE WALL STREET JOURNAL.

AMELIE QUERFURTH/AGENCE FRANCE-PRESSE/GETTY IMAGES

Shares of Commerzbank rose 3.5%, adding to Wednesday's gains.

Bank Shares Gain In Europe and Asia

By Riva Gold And Kenan Machado

Bank shares climbed Thursday and commodities came under pressure as investors ramped up bets that the Federal Reserve would tighten monetary policy.

THURSDAY'S MARKETS

The Stoxx Europe 600 rose 0.2%, led by a 1.5% advance in lenders. Gains in banks and insurance companies also helped boost Japan's Nikkei Stock Average by 0.2%, while U.S. stocks slipped on declines in technology companies.

Fed officials kept the door open for a December interest-rate rise at the conclusion of their September meeting, and higher rates tend to boost lending profitability. Fed-fund futures tracked by CME Group, which are used by investors to bet on central bank policy, showed investors now see a 73.4% chance of higher U.S. interest rates by the end of 2017, compared with 57.7% a day earlier.

Officials also said they would begin shrinking the U.S. central bank's portfolio of bonds in October.

Yields on 10-year German government bonds rose to 0.456% Thursday from 0.435% Wednesday before the Fed decision, while 10-year Treasury yields edged down to 2.262% by midday from 2.276% after the announcement Wednesday. Yields move inversely to prices.

The WSJ Dollar Index, which tracks the greenback against a basket of 16 currencies, was up 0.1%.

The higher dollar hurt commodities prices. Gold fell 1.6% to $1,290.70 an ounce by midday, while London-listed copper futures fell 1.5%.

The Dow Jones Industrial Average slipped 28 points, or 0.1%, to 22384 around midday. The S&P 500 fell 0.1%, while the tech-heavy Nasdaq Composite fell 0.3%. Technology stocks in the S&P 500 fell 0.5%.

Shares of Commerzbank rallied 3.5%, extending gains Wednesday following a Reuters report that Italy's UniCredit is interested in merging with the state-backed lender. But the German government favors Commerzbank tying up with France's BNP Paribas, Reuters reported Thursday. BNP shares bulked up 1%, while UniCredit shares ended 2% higher.

HEARD ON THE STREET

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Fed Paves Way for ECB to Follow

The central bank choir is getting back in tune—and the Federal Reserve's signals that it is pushing on to higher rates and a smaller balance sheet may make life easier for the European Central Bank in its own exit from emergency monetary policy.

The Fed was slightly more hawkish Wednesday than the market was expecting, by continuing to indicate a further rate rise in 2017 and three in 2018. That pushed the dollar and U.S. bond yields higher.

But the Fed is still moving gradually and indeed, signaled a slightly lower longer-run interest rate of 2.75% than the 3% indicated in June.

That should mean Treasury yields and the dollar don't rise too sharply, which could potentially upset the stronger growth picture that is helping markets absorb central bank plans to reduce stimulus.

For the ECB, the Fed looks to be making the right decision, as the dollar may now be less of a one-way bet against the euro than it has been in recent months.

That eases the way for ECB policy makers to wind down their bond-buying program: The rise in the euro had started to complicate that task by making the ECB's inflation target harder to hit.

Had the Fed backed down, the euro might have risen further.

But the euro's trade-weighted exchange rate appears to have found some stability, helped by a rebound in the U.K. pound thanks to the Bank of England's own signals that rates may rise.

The outlook for policy remains finely balanced.

A sharp rise in inflation would be a big problem, though for now that remains an outlier.

There is also uncertainty about Fed policy, given Janet Yellen's term as chairwoman expires early in 2018. And as the pace of balance-sheet reduction builds, it may become a bigger challenge for markets than it appears at present.

But for now, stronger growth means there is room for central banks to withdraw stimulus gently: Emergency settings no longer look appropriate.

Indeed, faced with a brighter outlook, policy can remain very accommodative even if it is tightened, central bankers are suggesting. "Monetary policy has to move in order to stand still," is how Bank of England Gov. Mark Carney described it this week.

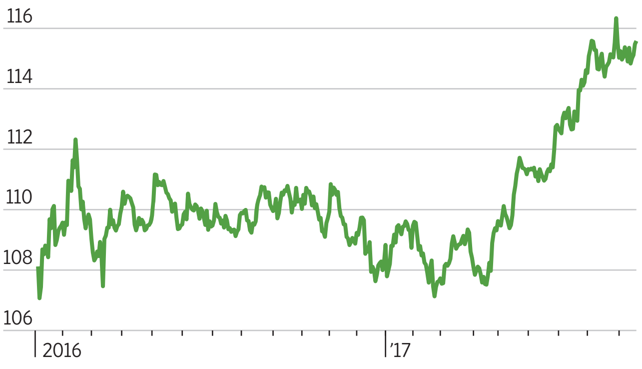
In effect, a more robust economic picture means monetary policy doesn't have to do so much heavy lifting.

That aim may be easier to achieve if central banks are going in the same direction at the same time. The Fed's persistence has opened up that path.

—Richard Barley

A New Plateau?

Euro effective exchange-rate index, weighted against 38 trading partners*



*Data through Wednesday Source: European Central Bank THE WALL STREET JOURNAL.

OVERHEARD

Given the way that investors are obsessing over the Federal Reserve's most recent economic projections, it is a good time to look back on where they were 10 years ago.

In September 2007, it was clear something was amiss with the U.S. economy. Housing prices were falling and mortgage defaults were rising.

High gasoline prices were pinching consumers and the job market was deteriorating.

Fed policy makers were worried: At their meeting that month they cut rates. But their projections show they expected the storm to pass quickly.

They thought the unemployment rate would only inch up a bit over the next several years, never topping 5%. The economy would expand 2.2% in 2008 before picking up to 2.5% in the following years. Inflation would settle into just under a 2% rate.

Three months later, the recession began.

The Signal From China's Downgrade

A rating agency has again downgraded China, and there is little new information to digest. It may be worth reading between the lines.

Joining Fitch and Moody's, Standard & Poor's downgraded China's sovereign rating. Citing well known worries, the agency said China's accumulating debt was raising risks.

As with previous downgrades, markets may shrug it off. However, this downgrade comes at a sensitive time. In a few weeks, China's Communist Party will hold its 19th National Congress, in which President Xi Jinping is expected to consolidate power.

But most telling was S&P's assertion that compared with its similarly rated peers, China had "less transparency, and a more restricted flow of information."

The assertion is China is less open than when it earned its upgrade in 2010. In many ways, the once unstoppable China economic reform story, remains, if not in reverse, then showing little progress. That should be taken seriously as investors pin hopes on the Congress to deliver market-friendly changes to the economy.

It is a curious side note that in S&P's assessment, one big concern—the government's contingent liabilities—isn't a central point of worry. Contrary to Moody's, which cited rising contingent liabilities for its downgrade, S&P figures debt, net of state assets, will shrink in the next few years to around 46% of GDP from 51% this year, even as it expects the economy to grow more slowly. Reducing debt amid slower growth is tough. The downgrade highlights the challenge. *—Anjani Trivedi*

What Google Wants From the HTC Purchase

If nothing else, Google's deal with **HTC** should settle the question of whether it is serious about making its own phones.

Not that $1.1 billion is a heavy sum for a company with nearly $91 billion in net cash on hand. **Alphabet** Inc.'s Google actually spent 12 times as much six years ago to buy Motorola Mobility. But that purchase was more about acquiring patents than about dabbling in phone hardware, and Google got out three years later, after Motorola racked up a cumulative pretax operating loss of $2.7 billion.

The deal with HTC announced Thursday is less risky. For its $1.1 billion, **Google** is getting the large HTC team that helped develop Google's first branded smartphone, the Pixel, launched late last year. The Pixel drew strong reviews, but its success has been constrained by production problems. IDC estimates Google has sold about 2.8 million of the smartphones globally, which would translate into a market share of about 0.2%.

Hiring a couple of thousand engineers from HTC won't solve that problem right away. Though once a strong No. 2 to **Samsung** in smartphones running on Google's Android operating system, HTC—like Motorola before it—has been steamrollered by Samsung. From a peak of more than 44 million in 2011, sales of HTC smartphones fell last year to less than 14 million last year, according to IDC. Samsung's shipments exceeded 300 million phones.

But Google doesn't need to match Samsung's numbers to be a success. Nor is this deal necessarily about Apple-hardware envy. Increasing the Pixel's share of just the premium segment would benefit the features and services Google is looking to deploy for all Android phones—such as its artificial-intelligence-powered Google Assistant software—and help keep Android users on board.

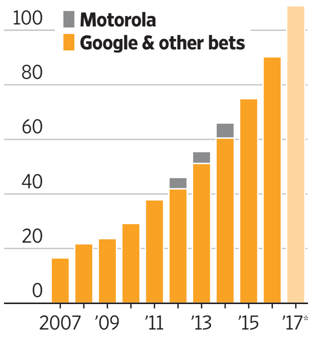
In the long run, Google's scaled-up efforts in phones could be bad news for other makers of high-end Android smartphones. For all of Samsung's scale, most of its profits came from the premium segment, and one more big player could hurt that important business. And apart from beefing up its hardware, Samsung has been trying to differentiate its smartphones by offering services like a virtual assistant and a payment system. But most users prefer Google's.

The smartphone business is brutally competitive, so Google—even with its deep pockets—is taking a gamble. But this time, it is a manageable one.

—Dan Gallagher and Jacky Wong

Re-dial

Alphabet's revenue by source



*Projection Sources: the company, FactSet
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Why in-the-know drinkers go for Spanish cider W3

OFF DUTY

Décor inspired by a pilgrimage to a private school's famed concrete library W4

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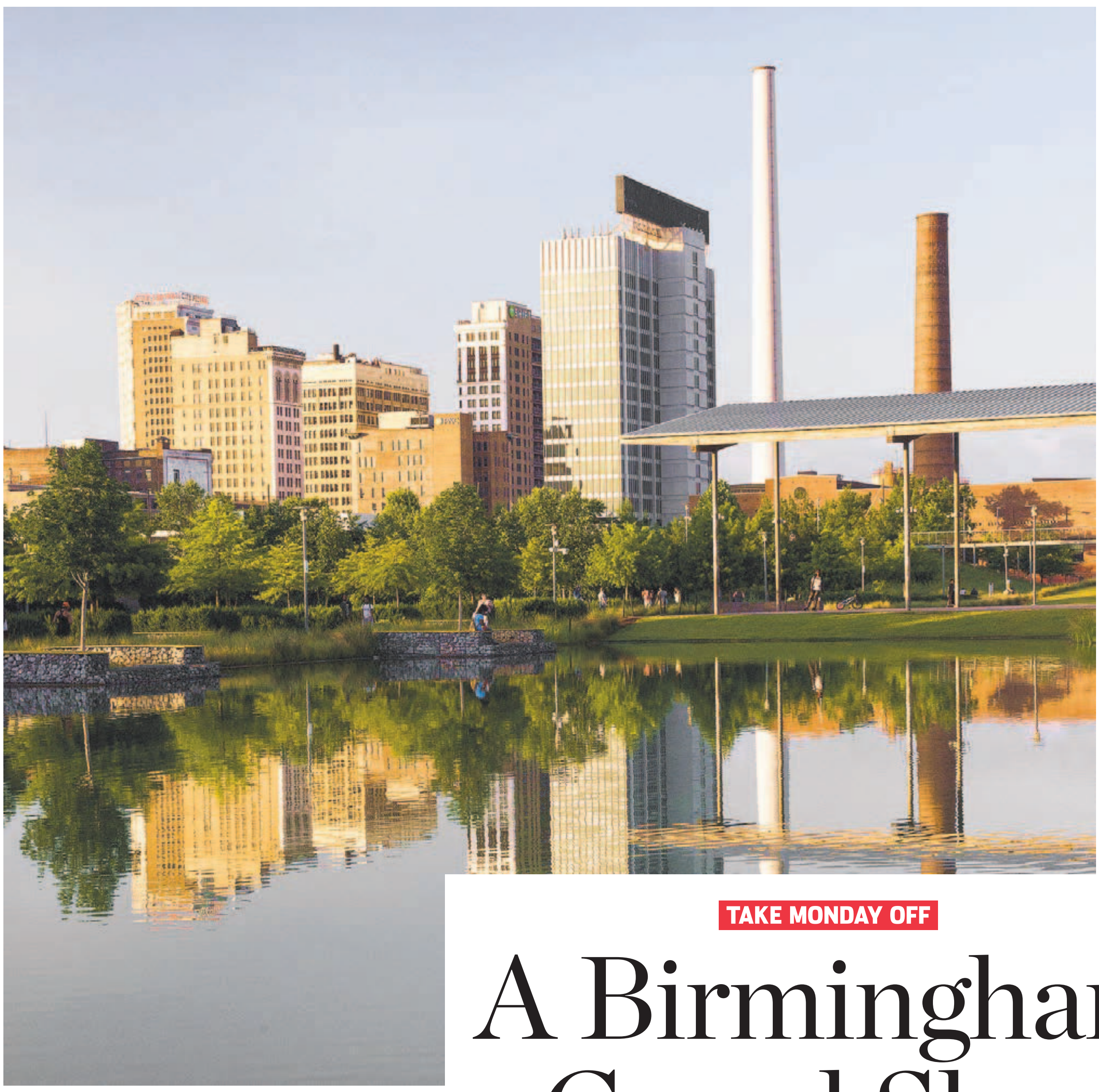

TAKE MONDAY OFF

A Birmingham Grand Slam

Packed with winning diversions, a whirlwind long weekend in Alabama's biggest city reveals an American revival

ANNA MAZUREK FOR THE WALL STREET JOURNAL

DAYBREAK IN ALABAMA Clockwise from top left: Railroad Park, which opened in 2010 in downtown Birmingham, Ala.; the Negro Southern League Museum, which holds the largest collection of artifacts from the Negro League; Hot and Hot Fish Club's tomato, fried okra and smoked bacon salad; the 'LightsRail' installation under the 18th Street viaduct.

BY MARLI GUZZETTA

IN THE JUTTING chin of the Appalachians, near Alabama's mineral-rich Red Mountain, men made the pig iron that girded America's industrial revolution. The city that appeared around them, almost out of nowhere, exploded from about 3,000 people in 1880 to 26,000 just a decade later. By the early 1900s, city stakeholders had christened Birmingham, Ala., "the Magic City"—and the moniker stuck. Even now, the name of seemingly every business in town, from Magic City Pet Care to Magic City Law, recalls those boomtown roots. These days, the old iron town is forging another radical transformation. The local-maker renaissance sweeping the South is redefining downtown Birmingham as a 21st-century creative hub, refining its peanut roasters, installing laudable restaurants in once-crumbling storefronts and seeding green space in the rusted footprint of old rail industry. Don't expect the gentility of Charleston or Savannah. This is a city that holds weddings and music festivals inside an abandoned iron furnace. But unapologetic grit and a fair share of alchemy have long been Birmingham's biggest draws.

DAY ONE // FRIDAY

5 p.m. Fly into to Birmingham-Shuttlesworth Airport, where a line at the rental-car counter is as unlikely as the possibility you'll hit traffic along the easy 15-minute drive to downtown's historic Redmont Hotel. Two red-coated bellmen will welcome you to the intimate lobby, where a white-jacketed bartender pours day's-end cocktails under a 10-foot-long chandelier that was refurbished in the 2015 renovation. Beyond the reception area's gunmetal velour sofas and wall of mirrored subway tile, the elevator's original art-deco doors are the same ones that opened to carry Hank Williams up to his last sleep on earth in 1952 *(from about $210 a night, redmontbirmingham.com)*.

6 p.m. Order a pre-dinner drink at the Redmont's gothic-glam rooftop bar and watch the sun set behind the hotel's classic sign.

7:30 p.m. Drive or take a car service 2 miles to the Five Points neighborhood for dinner at Highlands Bar & Grill. Chef/owner Frank Stitt, a Bham native who trained with Alice Waters and Richard Olney, returned home in 1980 and opened the restaurant a couple of years later. His classic French and modern Californian techniques elevated Southern flavors, giving a city recently gutted by lost industry a success to rally around. Soon enough he began racking up national food awards. Pastry chef Dolester Miles, known for her lemon meringue tart, is also contending for best in her class *(2011 11th Ave. S., highlandsbarandgrill.com)*.

9:30 p.m. Take 18th Street through the art installation "LightRails"—a rainbow-lit tunnel illuminated by artist Bill FitzGibbons—on your way to the Collins bar. Under a ceiling hung with paper planes, sip tailor-made concoctions for a rather affordable $8-$12 *(2125 2nd Ave. N, thecollinsbar.com)*.

10:30 p.m. Up for one more drink? Around the corner, find your way to the uniquely entertain-

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THREE DAYS IN URBAN APPALACHIA

Continued from page W1

ing Atomic Bar & Lounge. In the '60s pop-art lounge, your fellow patrons may be wearing costumes they borrowed from behind the bar. If you're not ready for that much fun, the Sex Panther cocktail comes with a more discreet adornment, a "lick em and stick em" tattoo *(2113 1st Ave. N, theatomiclounge.com).*

ANNA MAZUREK FOR THE WALL STREET JOURNAL; MAP BY JAMES GULLIVER HANCOCK

ALABAMA GLAMOUR Winslet and Rhys, a modern mercantile shop in Birmingham's Avondale neighborhood, specializes in small-batch handmade goods.

DAY TWO // SATURDAY

9 a.m. Start your morning at Feast and Forest, a sunny loft cafe. Diners sit elbow-to-elbow noshing on breakfast sandwiches with apple butter and tomato jam or stone ground grits with poached eggs and cremini mushrooms *(212 24th St. N, feastandforest.com).*

10 a.m. Drive a mile to the old Dr Pepper Syrup Plant and Bottling Company, where the Market at Pepper Place showcases local growers, bakers, chefs and such. The Birmingham Candy Company, for one, makes everything from scratch *(2829 2nd Ave. S, pepperplacemarket.com).* Across the parking lot, is Southern Living-alum Charlie Thigpen's Garden Gallery, with an artful assortment of planters and sculptures *(2805 2nd Ave. S, charliethigpensgardengallery.com).*

10:30 a.m. Take First Ave N into the city's industrial borderlands and see the ancient red bones of Sloss Furnace. After the Civil War, pig iron (easily transportable iron) created Birmingham, and Sloss Furnace created the pig iron. After demand dried up in the 1970s, Sloss began its second act as a romantic, if slightly spooky industrial ruin and National Historic Landmark. Today, the Sloss Music & Arts Fest holds concerts at the foot of a blast furnace every summer *(slossfest.com).* Historian Richard Neely leads excellent tours on the second weekend of each month *(20 32nd St. N, slossfurnaces.com).*

11:30 a.m. Three miles east, musician Duquette Johnston and his family draw from their travels to stock their shop, Club Duquette, a hipster general store, with everything from biodynamic Californian chocolate to French pocket knives *(17 55th Pl. S., clubduquette.co).* Across the street, Armand Margjeka's Open Shop Woodlawn sells men's designer clothing, displayed so fastidiously it looks like a minimalist art gallery *(5529 1st Ave. S., openshopwoodlawn.com).*

12:30 p.m. If you're up for a fresh pressing of "Jethro Tull: The String Quartets" and maybe a trim, some 10,000 new and used vinyl albums at Seasick Records *(5508 Crestwood Blvd., seasickbham.com)* share a space with the barber chairs of Newman's Classic Cuts *(newmansclassiccuts.com).*

1:30 p.m. A mile and a half west, you'll find the neighborhood of Avondale, which old-timers remember as the long-ago home of Miss Fancy, an elephant who resided at Avondale Park's now-closed zoo. Since the park's renovation in 2011, the neighborhood has attracted a clutch of good restaurants and watering holes. Among the most cherished is Saw's Soul Kitchen, a tiny smokehouse. Alabama barbecue is known for its white sauce—a dance of mayo and vinegar—and the wings here will show you why locals insist it's far superior to barbecue in other states *(215 41st St. S, sawsbbq.com).*

2:15 p.m. After lunch, walk a block to grab a scoop of ice cream made with seasonal ingredients at Big Spoon Creamery *(4000 3rd Ave. S, bigspooncreamery.com).* Next door, Winslet and Rhys is a modern mercantile store that also sells works by artists from the co-working space behind the shop *(winsletandrhys.com).*

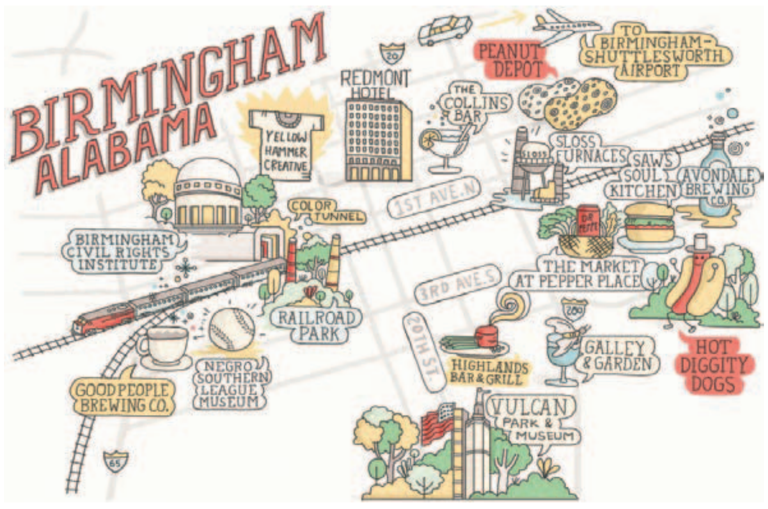
WING NUTS From top: An order of wings, slathered in Alabama's signature white barbecue sauce, at Saw's Soul Kitchen; Carrigan's Public House gastropub on Birmingham's historic Morris Avenue.

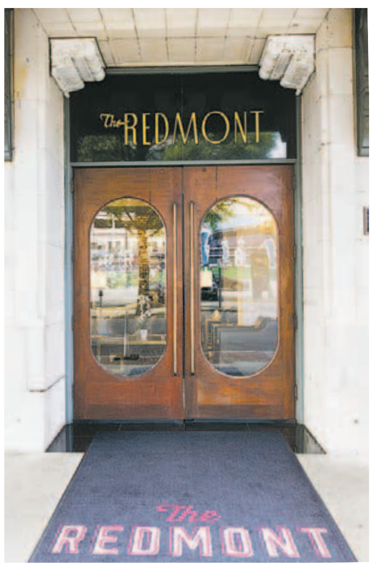
3:30 p.m. Drive 10 minutes west and park near Regions Field. On its east side, the Negro Southern League Museum displays uniforms and other artifacts from the likes of Willie Mays and Satchel Paige (both players for the Birmingham Black Barons), who changed a segregated America through baseball *(120 16th St. S, birminghamnslm.org).*

5 p.m. Two blocks north, folks will be squeezing R&R from the last drops of sunlight at the thriving Railroad Park *(1600 1st Ave S, railroadpark.org).* Follow the streams to the corner of First Ave S and 14th Street S. You'll see the Minor League Regions Field with its impossible-to-miss "Birmingham" sign on the steel facade and overlooking the Good People Brewing Company across the street. Head there for a frosty pull of their Coffee Oatmeal Stout *(114 14th St. S, goodpeoplebrewing.com).*

8 p.m. After freshening up back at the Redmont hotel, drive 10 minutes to Hot and Hot Fish Club, helmed by James Beard winner Chris Hastings for an inspired menu of fresh Gulf seafood *(2180 11th Ct. S, hotandhotfishclub.com).*

9 p.m. It's back to Avondale. At indie music venue Saturn, lights dim for acts like Neko Case, Vince Staples or Kishi Bashi *(200 41st St. S, saturnbirmingham.com).* On the corner, above Fancy's on 5th, Hot Diggity Dogs conceals the entrance to a '20s-style speakeasy named Marble Ring. Walk through the phone booth and you'll find patrons taking their highballs in high-backed chairs under chandeliers *(430 41st St S, hotdiggitydogsbham.com).* Next door, funky Parkside is a beloved neighborhood bar with an Airstream trailer on its back patio that serves dressed-up bar food *(4036 5th Ave. S, hotboxbhm.com).* If you'd prefer more privacy, head to the rails for a drink at Carrigan's Public House, a cozy, repurposed warehouse where you can watch the trains pass *(2430 Morris Ave., carriganspub.com).*





PEDAL TO THE METAL Clockwise from top left: The Barber Vintage Motorsports Museum; Sloss Furnaces, a National Historic Landmark and now a popular concert venue; the 1925 Redmont hotel in downtown Birmingham.

DAY THREE // SUNDAY

9 a.m. Wear something you can move in (or fill up in) and return to Avondale. Saturn's coffee bar, Satellite, serves pillowy brioche Hero doughnuts on Sunday mornings until they're all gone.

10 a.m. About 10 miles southwest, the mining site that fueled Birmingham's industrial growth spurt, now abandoned, has been reborn as Red Mountain Park, with 15 miles of trail shaded by longleaf pine, hickory and oak *(2011 Frankfurt Dr., redmountainpark.org).*

12 p.m. On the way back into town, stop to take in Joe Minter's "African Village in America" from the curb. Mr. Minter has spent decades filling the land around his home with found-art sculptures enshrining national tragedies and acts of violence against people of color. If Mr. Minter sees you, he might come out to chat, spirit stick clanking at his side *(931 Nassau Ave. SW.).*

2 p.m. It's a quick drive back toward Five Points. At Galley and Garden, starched-white tablecloths greet you for Sunday brunch in the stately, historic Merritt House. The french toast is stuffed with whipped local goat cheese, and the bowl of Gulf shrimp and stone-ground grits can hold its own anywhere in the South *(2220 Highland Ave. S, galleyandgarden.com).*

3 p.m. Downtown, at the Civil Rights Institute, you'll find the cell bars behind which Martin Luther King Jr. wrote his "Letter from Birmingham Jail," five months before a KKK bombing took the lives of four black children at the 16th Street Baptist Church across the street from the institute *(520 16th St N, bcri.org).*

4 p.m. In the Birmingham Museum of Art, take in one of the most comprehensive collections in the Southeast, including the largest Wedgwood exhibit outside of England *(2000 Reverend Abraham Woods Jr. Blvd., artsbma.org).*

5:30 p.m. Drive to Vulcan Park, named for the god of the forge, and make a tourists' pilgrimage to see the 56-foot cast-iron statue of Vulcan. An elevator beside the statue's towering pedestal will ferry you 11 stories up to an observation platform with a panoramic view over Birmingham *(1701 Valley View Dr., visitvulcan.com).*

7 p.m. Many city bars and restaurants close on Sunday, which means Birminghamians (and often their dogs) end the weekend at the breweries. After the sun sets, drive 15 minutes back to Avondale and find a seat in the string-lit, backyard block party at Avondale Brewing Co., where Miss Fancy's Tripelis is always cold *(201 41st St. S, avondalebrewing.com).*

8:30 p.m. Next is a 30-minute drive (or cab) to the tiny, nearly empty downtown of Bessemer, Ala., unexpected seat of a James Beard winner for "American Classics." At 110 years old, the Bright Star is Alabama's oldest continuously operating restaurant. The Greek-meets-Southern eatery doubles as a sort of museum for Alabama college football, whose coaches and players often visit. Sit in the Bear Bryant booth and order the time-tested fried snapper throats served with a lemon wedge on a lone kale leaf garnish *(304 19th St. N, thebrightstar.com).*

DAY FOUR // MONDAY

9:30 a.m. After you check out, wake up with a cinnamon and Alabama honey latte at cult Southern roaster Revelator Coffee, a few blocks from your hotel *(1826 3rd Ave. N, revelatorcoffee.com).*

10 a.m. Make a quick stop at the Peanut Place, where the antique roasters have been firing since the early 1900s. Grab a warm bag of spicy Cajun peanuts for the flight home *(2049 Morris Ave.).*

12 p.m. A half mile east at Yo Mama's, the crunchy, salty-sweet fried chicken and waffles might ruin you for life *(2328 2nd Ave. N, yomamasrestaurant.com).*

1 p.m. Before heading to the airport, take the highway 20 miles east of town to Leeds. You'll find the gleaming spoils of over 1,400 painstakingly restored bikes and cars set behind thick walls of pine. Founded by Bham businessman George Barber, the Barber Vintage Motorsports Museum displays some of the world's rarest motorbikes, including the mad-genius Britten V1000 *(6030 Barber Motorsports Pkwy., barbermuseum.org).*

The Insiders' Cider

Invigorating, earthy, dry and highly drinkable, Spanish ciders express a wild side we forgot the apple had

BY WILLIAM BOSTWICK

APPLES ABOUND at this time of year, as fall's signature fruit spills from grocery bins around the country. But a crop so common still holds mysteries. Spanish cider, or *sidra*, reveals surprising facets of the apple (and occasionally the pear, too).

An ancient style that's landed stateside relatively recently, sidra is even winning over drinkers who had all but given up on cider. Until recently, Max Toste, owner of Deep Ellum bar in Allston, Mass., found all the ciders he tasted too sweet, too one-note. "Just apple juice," in his words. And for the most part, he was right: The majority of modern American cider is made not with old-fashioned cider apples—tannic, complex, powerfully sour fruit full of the acids that give good cider its sweet-sharp balance—but with the lunchbox-friendly sugar bombs most domestic orchard acreage is given over to these days.

Then, 10 years ago, Mr. Toste had a fateful sip. A friend had a find he wanted Mr. Toste—always a fan of odd, old beverages—to try. The corked, green-glass bottle with an indecipherable label held no clues. The liquid inside, poured into a delicate, thimble-size cup, was cloudy and nearly flat. And yet that cool dram gave off fireworks of flavor: tangy, earthy, spicy, bone-dry. "I couldn't believe how complex it was," Mr. Toste recalled.

He had found sidra, and he went on to make an enthusiastic study of this category. Spain grows hundreds of apple varieties—some 200 in Asturias, a region not quite the size of Connecticut on the Bay of Biscay from which most Spanish cider hails. These are "craggy apples you can't eat raw," Mr. Toste said. Varieties range from puckering Raxao to sharply bitter Regona, and frequently a single sidra will feature several.

> 'In winter you might want something heavier, like a red wine, but in fall cider is light and refreshing.'

And whereas American and British cider makers favor clean- and crisp-fermenting lab-grown yeasts, sidra ferments au natural, slowly and with relatively little resulting carbonation, thanks to wild yeasts and souring bacteria in the orchards where the apples grow. "It's not about intervening or interfering, but curating what nature does," said James Asbel, founder of U.S. importer Ciders of Spain.

Though made simply, cider is served with flourish in Spain, poured from a wall-mounted barrel or bottle held high, sending a long arc of liquid into a small glass called a *culín*. The real point of this trick, called *escanciar*, or throwing, is aeration. The atmosphere at Spanish cider houses is raucous—sawdust-covered floors sodden with cast-off dregs, rafters echoing folk songs—and above the din, the ceremonial, thunderous *txotx*, or tapping of the cider barrels.

In autumn, cider is served with harvest feasts of hearty farm-country fare. "The north of Spain is similar to the northeast U.S. in its weather and its food," said Jonah Miller, chef at Huertas, a restaurant in Manhattan heavily focused on the cooking (and accompanying drinks) of northern Spain. "In Asturias, rich stews and braises. In the Basque Country, big T-bone steaks." For all of which cider makes an ideal match. "In winter you might want something heavier, like a red wine, but in fall cider is light and refreshing but tart enough to cut the fat," Mr. Miller added.

Fitting, then, that the best places to find these ciders in America are a new generation of restaurants like Huertas that aim to reveal a more nuanced picture of Spanish food, beyond the tired tapas and paellas that have often stood in for Iberian cuisine in this country. A combination of new Spanish cooking and customers willing to explore the more adventurous flavors of funk and sour have set the stage for sidra to gain ground here.

Still, sidra can, as yet, be hard to find outside of restaurants already hip to its charms. And when you do come upon a few sidras at your local bottle shop, how to choose the best? Mr. Toste has his own rule of thumb: The less English on the label, the better. "Look for all those crazy Basque words, lots of Ts and Xs."

Forget helpful listings of apple varieties or stamps indicating protected designation of origin. But you can generalize: "Basque ciders have a reputation of being more vinegary, more acetic, more tannic," said Mr. Toste. "They're made in a coastal area with more salt in the air, and closer to France, so they use French apples, which are more tannic." Asturian cider skews earthier and funkier.

But each cider producer is as unique as its trees and the microbes flourishing among them. Blame—or thank—that untamed fermentation. Nature commands the process of making sidra. They're all exciting, but the only way to truly know what's in each bottle is to taste for yourself.

F. MARTIN RAMIN/THE WALL STREET JOURNAL

PICK OF THE BUNCH // OUTSTANDING SPANISH CIDERS TO SIP THIS FALL

1 Trabanco Cosecha Propia (6% ABV) A great entry-level cider, sour and simple like Granny Smiths and grapefruits. Soft enough to drink alone but with a cutting edge that complements mellow, lighter autumn fare like *fabada*, an Asturian bean stew.

2 Guzmán Riestra Sidra Brut Nature (8% ABV) Bottled using France's traditional méthode Champenoise, this bright and bubbling geyser of sharp funk is a perfect pairing with oysters.

3 Isastegi Sagardo Naturala (6% ABV) Funky and fresh, a Basque Country splash of salty ocean spray, racing and prickly. The fruit comes through woody and musty—fallen apples in piles of autumn leaves.

4 Sidra Natural Riestra (6% ABV) Made from equal quantities tannic Normandy apples and sour Spanish ones, this cider is still, dry and cloudy with a smoothly lactic, buttermilk bite. Great with fried seafood.

5 Viuda de Angelón Sidra de Pera (5.2% ABV) A sparkling pear cider made from tannic cider-specific cultivars. Low in sugar but blossoming with fruity, floral notes—an orchard in late-season bloom. Delicious with cheese or fruit desserts.

6 Viuda de Angelón 1947 Sidra de Nueva Expresión (6% ABV) Slightly sparkling, spicy and warm as fresh-baked pie. Less sharp than most, this one's nice served at room temperature, to let its fuller-bodied sweetness shine.

7 Bordatto Basa Jaun (7% ABV) A variety show of 19 different apples, blended and bottle-aged. Slightly sweet with a rough, mineral finish: green apple rock candy, emphasis on the rock.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Steamed Clams With Basil-Cilantro Pesto

The Chef
Julia Sullivan

Her Restaurant
Henrietta Red in Nashville, Tenn.

What She's Known For
Cooking that's at once modern and cozy. A way with shellfish, from raw to roasted. Fresh, bright dishes suffused with the flavor of wood fire.

CLAMS GIVE so much and ask so little. Just don't overcook them. That's about all you need to know to enjoy these bivalves at their plump and briny best.

At Henrietta Red in Nashville, chef Julia Sullivan has made shellfish a specialty. "Our clams are shipped in twice a week from a great producer out in Washington State," she said. She does right by them with a fast steam over high heat, preserving the clams' tenderness and catching their flavorful brine in a simple pan sauce.

In this version, her third Slow Food Fast recipe, Ms. Sullivan combines quick-cooked clams with diced tomatoes, fennel and white wine. "It's summery and light," she said—just the thing for this in-between season when the days are still warm but the nights are longer and a bit chillier. For a little added heat, toss in a couple of minced Fresno chiles.

A swirl of basil-cilantro pesto stirred in before serving makes a delicious sauce of the clams' fragrant cooking broth, with a herbal edge and a bit of heft. Be sure to serve some crusty bread on the side to sop up every drop.

—Kitty Greenwald

TOTAL TIME: 15 minutes SERVES: 4

3 cloves garlic, minced
3 cups basil leaves
1½ cups cilantro leaves
½ cup olive oil
Sea salt and freshly ground black pepper
½ lemon
1 medium yellow onion, minced
1 large fennel bulb, finely minced
2 Fresno chiles, seeded and minced (optional)
¼ cup white wine
48 Manila clams or littleneck clams, cleaned and purged of grit
1 large tomato, diced
4 slices toasted country bread

1. In a blender or food processor, pulse half the garlic with basil and cilantro. With motor running, drizzle in half the oil and season with salt and lemon juice to taste. Set pesto aside.

2. Set a lidded heavy pot over medium heat. Swirl in remaining olive oil. Once oil is hot, add onions and fennel, and sweat until soft but not yet taking on color, about 5 minutes. Add remaining garlic and chiles, if using. Cook until aromatic, about 2 minutes.

3. Add wine, increase heat to high and bring to a boil. Stir in clams, cover and cook until shells begin to open, about 3 minutes. Add tomatoes and continue cooking, covered, until clams open completely and meat is plump, about 4 minutes more. Remove pan from heat and discard any clams that haven't opened.

4. With a slotted spoon or tongs, divide clams among four bowls, leaving broth in pan. Stir half the pesto into broth, taste and adjust seasoning with salt and lemon juice.

5. Ladle broth and vegetables over clams and drizzle remaining pesto over top. Serve with bread and an empty bowl for shells.

KATE SEARS FOR THE WALL STREET JOURNAL, FOOD STYLING BY JAMIE KIMM, PROP STYLING BY NIDIA CUEVA; ILLUSTRATION BY MICHAEL HOEWELER

HOT TAKE Steamed over high heat just until they open, the clams in this recipe remain plump as they release their flavorful brine into the cooking broth.

PILGRIMAGE

How I Warmed To Concrete

A graduate of Phillips Exeter Academy returns to its celebrated but imposing library—and gets it

BY SARA BLISS

THE FIRST TIME I saw the library at Phillips Exeter Academy, I didn't understand the fuss. For five hours in the car, my interior-designer mother raved about this triumph by mid-20th-century architect Louis I. Kahn. Arriving at the school's admissions office for my interview, however, I distinctly remember my 14-year-old self glancing at the library and thinking that nothing about the 1971 building said "masterpiece."

The brick nine-story cube—its corners chamfered and its windows and doorways forming a grid—stood bulky and boxy alongside the New Hampshire prep school's neo-Georgian dorms. Later, we passed through one of its unassuming glass and aluminum doors and entered a narrow vestibule dominated by a travertine double staircase. The steps' solid balustrades blocked our view until we reached the top—and then the heavens opened and the architecture angels sang. "Isn't it incredible?" my mother asked. It was impossible not to be awe-struck.

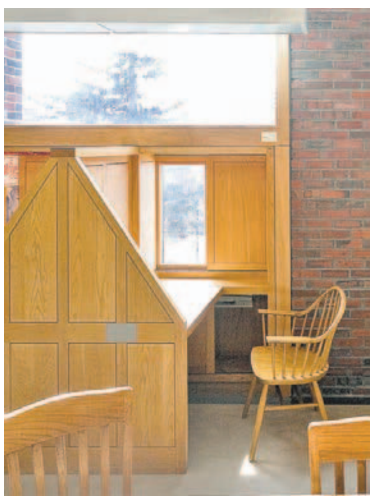
'Kahn's library asks something of you in terms of engagement.'

The atrium soars 67 feet, capped by massive concrete X beams filtering light from windows just above. Its concrete walls boast huge circular cutouts, across which run four open stories housing the book stacks, their in-facing walls clad in teak. "When you arrive at that central void you are delivered into an architecture that has a lot more presence and grandeur than the Georgian buildings outside," explained William Hall, author of "Concrete" (*Phaidon*), a book on contemporary buildings constructed of the material.

Still, during my first two years at Exeter, I almost never used the library. It was echoey and often cold. The built-in oak carrels and their spindle chairs, positioned near windows, were assigned to day students so they had a home base on campus. Boarders' versions were set away from the windows. I studied in the snugness of my room.

Senior year, I realized my lagging grades required me to sequester myself from the pull of friends across the hall and MTV dance parties in the common room. The utter quiet of the library served.

Kahn dispensed with the classic library layout: a central reading room with rows of desks and sallow



Spindle chairs add a touch of history.

lamp light. His square atrium remains nearly empty, and the outer rings of each floor offer sun-drenched sanctuaries that I found after some exploring.

Four cozy red armchairs on the main floor, each framed by an oversize rectangular window, and an empty carrel with views of the treetops became my go-to spots. All flood with light during the day.

William Whittaker, University of Pennsylvania Curator of the Architectural Archives, is not surprised the library revealed its charms to me slowly. "It's not just a building, it is a work of art, and works of art take time," he said. "Kahn's library asks something of you in terms of engagement and connection."

I recently returned to the library, after two decades. The moment at the top of the stairs still took my breath away. This time, however, I kicked myself for not spending every minute I could studying there.

Almost 50 years old, the building remains contemporary; its massive cutouts and materials cutting-edge. "Concrete paired with teak provides instant tension and excitement in the space," said Mr. Hall.

Today, the formerly industrial material still conveys modernity. Retailers like West Elm and CB2 hawk concrete tables, stools, planters. "It has a clean contemporary look that brings a lot of dimension to a space," explained Olivia Rassow of AllModern, a retail site devoted to contemporary furniture.

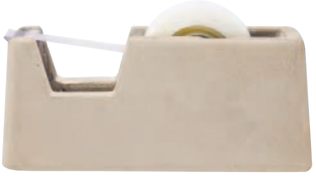
Architect and designer Craig Bassam, inspired by a 2011 trip to Exeter library, created his own take on the spindle chair for BassamFellows. "Kahn didn't choose chairs that would have identified the building as a 1970s structure," he said. "He chose an archetype that is super minimal and structurally sound. Kind of a radical choice."

Kahn's obsession with natural light stayed with me after my revisit. At home, I usually huddle at my desk in a corner of the apartment. Today, I moved to the dining table, which sun hits all day. Everything seems clearer, crisper, even happier bathed in light.

BIBLIO TECH The iconoclastic library by U.S. architect Louis I. Kahn

IWAN BAAN (INTERIORS)

KAHN ARTISTRY // THE STYLE OF THE MODERNIST'S MASTERPIECE BROUGHT HOME



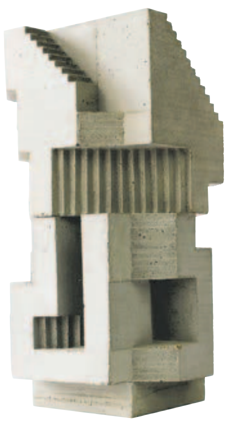
Concrete Tape Dispenser Small, $25, *areaware.com*

Piet Boon CON-03 Concrete Wallpaper, *$299 per roll, nlxl.com*

Matter Lamp, *$319, schoolhouse.com*

BassamFellows Spindle Chair, *from $1,630, dwr.com*

Mid-Century Wall Desk, *$1,600, westelm.com*



Cubic Geometry SIX-11, *$400, davidumemoto.com*

Lipscomb Coffee Table, *$725, allmodern.com*

FRESH PICK

A TWIST OF PLATE

The famed Delft pottery pattern is reimagined as dishy fabrics and wall-coverings

Clockwise from top: Royal Delft Blue Fabric in Eternity, Inspiration and Icons Patterns, *$284 per yard, starkcarpet.com*

WE ALL KNOW the iconic Delft pattern: the blue-and-white windmills, peacocks, florals that hail from Holland and are as deeply Dutch as Vermeer. But until recently, it lived chiefly on pottery. For the first time in the 400-year history of Royal Delft, the last remaining factory of 33 in the earthenware's namesake city, the pattern is migrating deftly to furniture and walls. This fall, Scalamandré introduces the Nicolette Mayer-Royal Delft Collection of 17 wallpaper designs and 10 textiles.

Ms. Mayer, a Palm Springs, Fla.-based textile designer, collaborated with the legendary delftware factory, combining motifs from pottery introduced in the late-1700s with more modern touches. She also brought a welcome breath of modernity to the wallpaper by using grass cloth and nonwoven papers that might have disoriented Vermeer. Interior designer Mark Sikes suggests using the same pattern of wallpaper and fabric to envelop, drape, even upholster a single room: "It creates a single point of view and it's also so easy." The delicate floral prints lend themselves to a bedroom while the tableware-heavy motifs better suit a kitchen or dining room, creating the illusion that different plates—and rather precious ones at that—hang on the wall. *—Eleanore Park*

Royal Delft Collections Blue Wallpaper, *$184 per yard, starkcarpet.com*

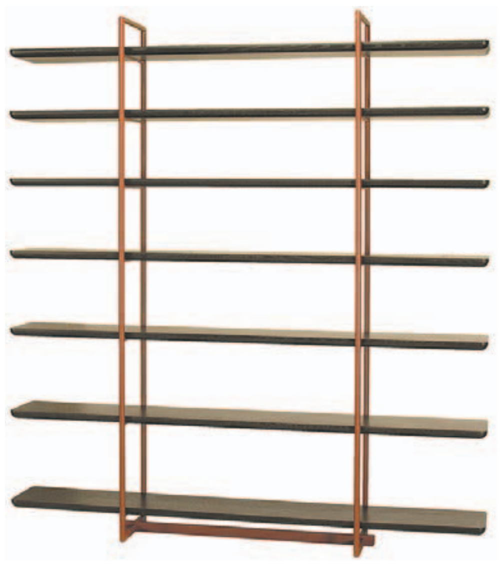
F. MARTIN RAMIN/THE WALL STREET JOURNAL

THE MEDIATOR

In Search of Finer Dining

The Challenge To bridge the stylistic conflict in a couple's dining room between a hulking iron sideboard and a refined, Midcentury Modern-inflected table set. Designers suggest pieces that will help the two get along

From left: Charlotte Chairs, *from $1,700,* and Cassidy Table, *from $9,400, both Noé Duchaufour-Lawrence by Bernhardt, bernhardtdesign.com.* Industrial Tool Chest Small Sideboard, *$1,095, rh.com*



Solution 1

Introduce metal and wood shelves, then fill them with a unifying color. New York architect and interior designer Charles Nafie recommends Altai shelving, from Skram Furniture. Ebonized ash wood shelves and metal supports combine the materials of the elegant walnut dining set and right-angled iron sideboard. And the unit's grid, so light and airy, combines geometry and grace. "Then you bring some life and color with accessories in the unit," he said, "possibly tying in with the color of the upholstery you've chosen for the seats." Altai Shelving, *$8,375, skramfurniture.com*

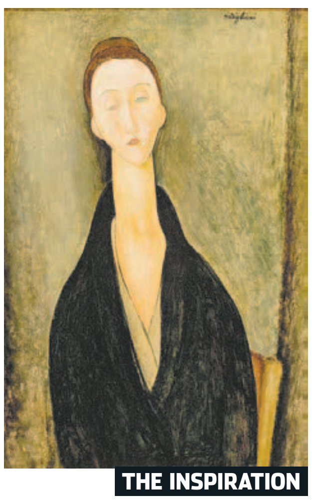
Solution 2

Add a lamp that's both organic and geometric. "I love how the rounded body speaks to the table and chairs and the square shade relates to the panels in the chest," said Los Angeles designer Amy Sklar of the French midcentury light fixture she suggested. The ceramic's random, naturalistic pattern and texture balances the industrial character of the sideboard, which is modeled on a turn-of-the-20th-century French toolbox. And, of course, the lamp's color "brings in the yellow of the dining chairs upholstery." Monumental Vintage Yellow Ceramic Lamp, *$975, chairish.com*

Solution 3

Borrow scale from the chest and color from the seats' upholstery. New York designer Caleb Anderson recommends this nearly 3-foot-square giclée print. Sizable, dramatic and squared-off, it echoes the buffet's weighty presence but also nods to the table and chairs in its palette and 1950s-style abstraction. Mr. Anderson said many home-goods retailers now include art in their offerings, including affordable high-quality prints that give a sense of brush strokes. "It gives people the opportunity to have artwork of size in their home," he said. Sun Kissed Abstracts, *from $850, wshome.com*

FLOWER SCHOOL



THE INSPIRATION

Willow and fading Limelight hydrangea capture the sadness of painter Amedeo Modigliani's portrait, 'Lunia Czechowska' (1919)

Vessel: Nancy Bauch of White Forest Pottery, *designer's own*

THE ARRANGEMENT

A FALL BOUQUET À LA MODIGLIANI

Floral designer **Lindsey Taylor** riffs on a melancholy portrait by the Italian artist

THE MOURNFUL MOOD of artist Amedeo Modigliani's work seemed apt for a season marked by decay and the baring of trees. So, for my September arrangement, I was understandably drawn to "Modigliani Unmasked," an exhibit running until Feb. 4 at the Jewish Museum of New York, particularly this affecting 1919 oil portrait, "Lunia Czechowska."

I started with an almost black vase I've long owned, as attenuated and somber as Lunia herself. Sometimes when the vessel looks so much like the art work, it's tricky to avoid making the floral portion look redundant. So I kept the flowers, all from my yard, simple.

Leafy salix purpurea 'Nana' willow had the right sage color and busyness of the brushy background. Fading Hydrangea paniculata 'Limelight'—white, cream and pink—echoed the subject's face, and the buttery green of a zinnia stood in for the highlights in her skin. An annual, Ammi 'Dara,' added a cascade of plums and pinks, its droop aping Lunia's forlornness.

FAST FIVE

THROWAWAY REMARKABLE

We searched for wastepaper baskets that aren't covered with twee florals or decoupaged spaniels. Below, the results

Swing Bin, *about $70, store.moheim.com*

Quartz Modern Recycling Bin, *$48, rebinus.com*

Sophia Black Wire Wastecan, *$50, cb2.com*

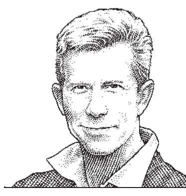
Hollywood Wastebasket, *$98, jonathanadler.com*

Painted Lady Waste Bin, *$275, nickeykehoe.com*

Market Edit by Cara Gibbs

STEPHEN KENT JOHNSON FOR THE WALL STREET JOURNAL, FLORAL STYLING BY LINDSEY TAYLOR (ARRANGEMENT); AMEDEO MODIGLIANI, LUNIA CZECHOWSKA, 1919, MUSEU DE ARTE DE SÃO PAULO. PHOTOGRAPH BY JOÃO MUSA (INSPIRATION); F. MARTIN RAMIN/THE WALL STREET JOURNAL (WASTEBASKETS); ERIN GIBSON (SKLAR)

RUMBLE SEAT DAN NEIL



Frankfurt 2017: China, EVs, and Dieselgate

TWO WEEKS ago (Sept. 11), the night before the IAA Frankfurt International Motor Show opened to the press, I strolled through the doors of Daimler Mercedes-Benz' vast, lighter-than-air pavilion thinking I knew the story. I even had a headline: Daimler AG's Stuck Throttle.

The oldest and biggest of the German automaking giants, Daimler's recent financials have rocked. Group revenue was up 3% (153.3 billion Euro) in 2016, with record profits (8.8 billion). Mercedes-Benz Cars in particular has come roaring back to retake the title of world's number-one premium luxury brand. Sales were up 9% in Q2 2017 alone. Product design is killing it.

Even the Formula One team is winning. Lounging on stage, an Amazonian creature in a windswept carbon-fiber negligee: the Mercedes-AMG Project ONE, a street-legal hypercar built around the +1,000-hp hybrid powertrain of a Formula One car. Each of 275 copies costs $2.7 million Euros. The engine revs to over 11 grand. That should be lively.

BIG BENZ Mercedes-AMG unveiled the $2.7 million Project ONE the night before the IAA Frankfurt International Motor Show.

But Daimler's solemn commitment to eternally high returns, what it calls a "sustainable" 10% net profit to shareholders, means it can't let off the throttle, ever. And it's heading for a wall. A Great Wall. In China.

See? I even had catchy phrases at the ready.

Two days before Daimler's pep rally, on Sept. 9, industry ministers in China confirmed that, like France, the U.K., Norway and the Netherlands, the world's largest vehicle market (24.4 million in 2016) would phase out fossil-fuel vehicle sales in favor of widespread, state-sponsored vehicle electrification.

Because of climate change? Sort of, sure. But with its cities shrouded with deadly tailpipe smog, China's air-quality concerns are more regional than global. The nation of 1.37 billion souls is also trying to kick the imported-oil habit. China has already outlined tough electrification mandates for automakers, with costly penalties behind them, that have left the German automakers crying for mercy. With German Chancellor Angela Merkel's help, they got the start date pushed back to 2019.

Though not unexpected, China's announcement brings two things to the EV battery industry it sorely needs: certainty of demand (albeit compulsory) and scale. Global battery production is expected to double in the next five years. As down-payment on its plan to lead the world in energy storage devices, China will add 120 gigawatt-hours of annual battery production capacity by 2021. That's three times the output of Tesla's Gigafactory. VW Group board member for research and development Ulrich Eichhorn told Automotive News the company will need 200 gigawatt-hours worth of batteries by 2025 to meet its goals.

Now sooner than later, China's mandates will push the market price of batteries below the $100/kWh threshold at which—thereabouts, all things equal—an EV design attains cost-parity with an internal-combustion vehicle. After that, Katy bar the door.

The other skunk at Daimler's picnic was Dieselgate. Two years after clean-air investigators discovered emissions-cheating software in VW Group products, affecting more than 11 million vehicles world-wide, the scandal and public ire has become general. In remarks from the stage, Daimler AG chairman Dr. Dieter Zetsche pushed back on growing sentiment in Europe to restrict diesel vehicles if not ban them altogether. "It's a fact that it's worthwhile to improve modern diesel engines rather than to ban them," Mr. Zetsche said. "That is why Daimler has invested 3 billion Euros in the further development of our diesel engines."

With respect, that is a bit post-hoc: It's the 3 billion Euros already spent that makes it worthwhile, not the other way around. Even the Project ONE raised an eyebrow.

In any event, Mr. Zetsche will have to take it up with the people and parliaments of Europe. In the two years, diesel's market share has fallen by 8%. Even in the home court of Germany, sales fell 14% in August from 2016. Madrid, Paris, and Athens have announced diesel bans to combat urban concentrations of NOx and particulates, coming fully into force by 2015. Even Daimler's hometown of Stuttgart wants to brush the city's famous soot from its shoulders.

It's worse that it looks. In Western Europe the carmakers depend on the profits from large luxury vehicles, many with diesel engines, which produce less carbon per kilometer than gasoline equivalents. Without diesel's carbon offset, automakers have no hope of meeting the European Union's fleet-average standards (95 grams per kilometer by 2021) or avoiding hefty pollution fines, Brussels' bill for noncompliance.

> China's EV mandates represent a whole new industrial super-gravity.

The theme of Mercedes-Benz media gala was #settingthemood; but everywhere I looked I saw #sunkcostfallacy, the human tendency to double-down on bad bets, for fear of losing what economists call sunk costs. But sunk costs are not recoverable in any case, thus the fallacy.

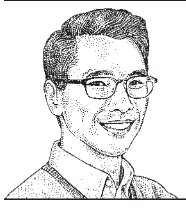
It's hard knowing when to walk away. But walk away. Diesel is politically doomed in Europe. China's electrification mandates represent a whole new industrial super-gravity. Given these events, and rising public sanction, Mr. Zetsche, how long can the German car industry afford to hang on to diesel? Long enough to recover sunk costs? Oh dear.

Anyway, even that wasn't the big story, the real story. Did you see those heels F1 driver Lewis Hamilton was wearing? G'wan, mate.

BMW Concept X7 iPerformance is a near-production-ready full-size, three-row SUV. Without diesel, German automakers' big-car profits in Europe are at risk.

The electric, autonomous Audi Aicon (A.I.) concept offers a preview of driverless luxury cars. There are no pedals or steering wheel in the cabin.

THE FIXER MICHAEL HSU



Tiny Tech Hacks for When You're In a Pinch

OVER THREE-AND-A-HALF years, I've had the privilege of trying to solve your tech and gadget problems. I'll be moving on to other adventures soon. For my last column, I wanted to share a few tips that readers of The Fixer—a very inventive group—have shared with me.

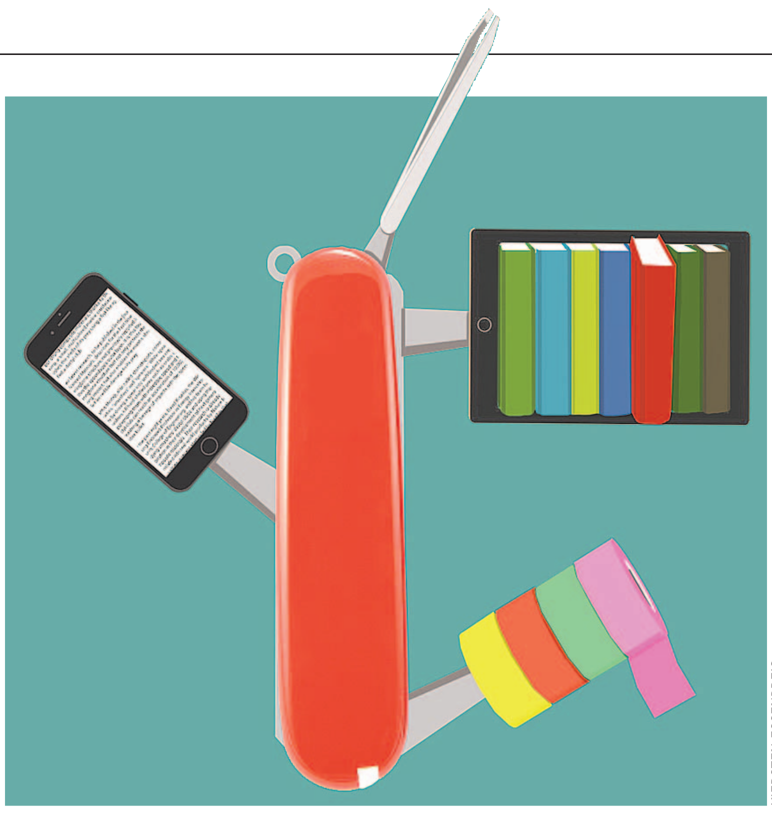
Turning Your iPhone Into A Magnifier

After I ran a column about gadgets for reading small type, Larry Winans emailed me about a trick he uses to turn his iPhone or iPad into a digital magnifier: Open the Camera app, aim your device at the offending tiny text, then zoom in on it using the pinch-out gesture. "You can vary the zoom level easily," Mr. Winans writes. The iPhone and iPad's official Magnifier function, enabled by going to "Settings" followed by "General" and "Accessibility," achieves the same effect.

E-Books on the Cheap

In response to a column about ways to score free e-books, Jim Vander Spek and others emailed to let me know about BookBub (*bookbub.com*), a site that alerts you to discounted titles for your Kindle and other e-readers. After you register with the site, it emails you updates so you can track specific authors or genres as relevant books go on sale. Among the current titles the site is highlighting: Martha Stewart's "Martha's American Food," and Jon Meacham's Pulitzer Prize-winning biography of Andrew Jackson, "American Lion"; both are selling for $3.

More than a few readers expressed surprise that I hadn't mentioned Project Gutenberg, a volunteer-run site that offers over 54,000 free e-books. You can import Project Gutenberg books to a Kindle by opening the Kindle's web browser and visiting *m.gutenberg.org*. Alternatively, import titles to your smartphone's Kindle app. Just visit the same URL from your smartphone's web browser, choose a title, then tap the Kindle format. You'll be prompted to "Open in Kindle." Agree, and—whoosh—the book is yours.



KIERSTEN ESSENPREIS

A Duct Tape Alternative

As you might expect, I can't live without duct tape, but I'm not crazy about the gummy residue it sometimes leaves. Gaffer tape possesses similar fix-it-all powers but comes off more cleanly and tears more neatly. Allen Green emailed me about a product his company offers called MicroGaffer (*microgaffer.com*). It's the same gaffer tape that photo, video and audio pros use to wrap cables, but while theirs arrives in a huge heavy roll (usually weighing over a pound), 1-inch-wide MicroGaffer is sold in a more manageable size that weighs just 2 ounces. MicroGaffer costs $21.50 for a four-roll pack.

Tweezers That Are Worth The Investment

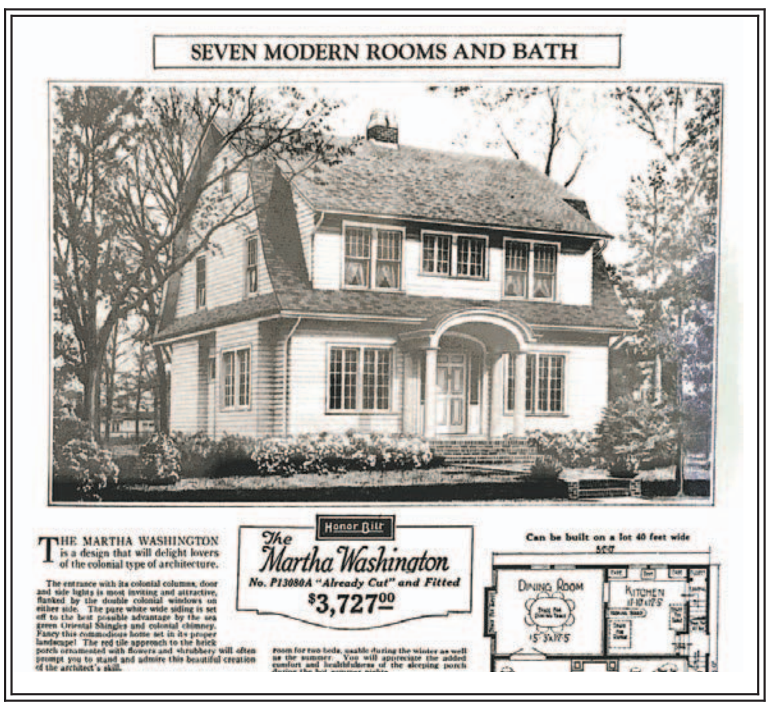
Finally, a colleague asked if there was any product that I love but haven't had a chance to recommend. One that came immediately to mind: Rubis tweezers (*rubis.ch*), which make easy work of removing a recalcitrant tick or barely visible splinter. Whereas using lesser tweezers can feel like trying to grab something with slippery mittens, Rubis are precise. Each pair is made by hand in Switzerland to exacting standards—evident in the way the tiny tool offers a firm and sure grip. Rubis tweezers are expensive—around $40—but very durable. I've had mine for over a decade and they still look like new.

IT'S BEEN AN honor writing this column. Thank you for reading and for sharing your frustrations and insights with me. In his final personal-advice column for Salon, Garrison Keillor wrote, "It was exhilarating to get the chance to be useful, which is always an issue for a writer." I feel the same way. My sincere thanks for the opportunity to solve a small, specific problem or two.

Kit Homes: An Appreciation

Sold from the pages of a catalog, these houses had high-quality materials and were shipped to faraway places. Those that remain today can sell for over $1 million.

ELI MEIR KAPLAN FOR THE WALL STREET JOURNAL (3); SEARS ARCHIVE (HISTORICAL)



FROM THE CATALOG Michael and Megan Spratt bought a 1925 Colonial-style home in Washington, D.C., above, for $1.06 million last year. The home's original owners picked this design, the Martha Washington, from the pages of a Sears, Roebuck and Co. catalog, right. Top right, the Spratts with their children, Trevor and Genevieve; below, the living room.

BY NANCY KEATES

A 1925 COLONIAL-STYLE HOME in Washington, D.C., that sold last year for $1.06 million had humble beginnings. It was a Sears, Roebuck and Co. kit home, the Martha Washington, advertised in the company's ubiquitous catalog for $3,727 in the 1920s.

"It was something that made it unique," says Michael Spratt, an attorney who bought the house with his wife, Megan. "It was really solidly built."

From 1908 to the 1940s, Sears, Roebuck sold an estimated 70,000 kit homes in about 370 different styles, from Colonials to bungalows. In the 1920s, prices

Please turn to page W10

IN LONDON, BUYERS LIKE IKE

The World War II headquarters of Dwight D. Eisenhower on Grosvenor Square are being transformed into luxury residences, with some priced above $65 million; more than half have already been sold.

BY RUTH BLOOMFIELD

DURING WORLD WAR II, Gen. Dwight D. Eisenhower masterminded the victory of the Allied forces from an office on London's Grosvenor Square.

The view of the tree-lined square that the future president looked out upon has changed little since the 1940s—but London's property market certainly has.

Eisenhower's former military headquarters are now being transformed into luxury residences, with some priced above £50 million, or about $67.7 million.

By next summer when the redevelopment of 20 Grosvenor Square is complete, the large private office used by Eisenhower as his U.K. base in 1942 during the Allied invasion of French North Africa, and in the immediate run up to the D-Day landings of 1944, will have been repurposed into two first-floor bedroom suites.

"When we first bought the building we found a giant map of the world, with the U.S. right in the middle, in what was Eisenhower's office," said Alex Michelin, co-founder of Finchatton, the project's developer.

The map proved too fragile to salvage, but the floor plaque commemorating the building's role as the former headquarters of the U.S. Naval Forces Europe will be repurposed as a table top for one of the building's commu-

Please turn to page W8

FINCHATTON

LONDON LUXE A rendering of the redeveloped 20 Grosvenor Square, set to be completed next summer.

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A family getaway in the south of France

IN LONDON, BUYERS LIKE IKE

FINCHATTON (2); DWIGHT D. EISENHOWER PRESIDENTIAL LIBRARY & MUSEUM (HISTORICAL)

Continued from page W7
nal areas.

Other than the building's red-brick facade, this plaque will be the only original feature in a redevelopment that has involved entirely rebuilding the inside of the building.

Grosvenor Square was laid out in the 1720s as a Georgian garden square surrounded by townhouses. An early resident was John Adams, first American minister to Great Britain, and the second president of the U.S., who lived on the square between 1785 and 1788. The square is at the heart of the Mayfair neighborhood, which was, at the time, almost exclusively residential. But over the centuries that followed most of the original houses were demolished and rebuilt (often several times) and gradually replaced with offices, apartments, as well as the U.S. Embassy and the Canadian High Commission.

During World War II, the U.S. Navy took over a 1930s apartment building on the square. Eisenhower's arrival prompted its nickname, "Eisenhowerplatz," in honor of the Supreme Commander of the Allied Expeditionary Forces.

The Navy continued to use the building until 2009. In 2013 it was sold to Finchatton and the Abu Dhabi Investment Council for £250 million.

Permits for the 250,000-square-foot building's conversion into 37 residences was granted in 2014, and the first owners will move in next summer.

The developers added two extra stories to the building, bringing it to eight stories. They also sunk a three-level basement beneath the building, which will provide space for a host of amenities: a pool surrounded by four-poster day beds, a wine cellar, a games room, function

GENERAL IDEA Above and below, interiors of the residences at 20 Grosvenor Square, shown in renderings; right, Dwight D. Eisenhower meets with military aides at 20 Grosvenor Square in 1944.

and meeting rooms, and a movie theater with leather armchairs and cocktail lounge style tables.

The interiors are a symphony of slightly bland good taste: kitchens designed by Finchatton and built by Bulthaup, bathrooms in a mixture of black-and-white, book-matched marble, a color scheme heavily dominated by tones of gray and taupe, silk carpets and linen wallpapers.

The residences officially go on sale this month, but buyers have been quietly picking up homes at 20 Grosvenor Square ever since news of Finchatton's purchase of the building broke. More than half of the residences already have been sold.

Charles Leigh, sales director at Finchatton, said buyers range in age from their early 30s to late 70s, and come from all over the world, with countries including India, Belgium, Chile and Russia represented; there are also buyers from North America and the Middle East. Three sets of buyers have purchased two apartments each; they plan to live in one and use the other to house ageing relatives or student offspring.

These buyers do have one thing in common: extreme wealth.

Apartments sold so far range in price from about $23 million to "north of" $67 million, with homes overlooking the square commanding about $10,000 per square foot. On average, the development has sold at around $4,700 per square foot

During World War II, the U.S. Navy took over an apartment building on Grosvenor Square. Eisenhower's arrival prompted the square's nickname, 'Eisenhowerplatz.'

Currently available are three- to four-bedroom apartments, starting at about $23 million, and five-bedroom apartments that are "just shy" of about $54 million.

Finchatton has now owned 20 Grosvenor Square for four years, negotiating its purchase as prime central London's market was starting to recover from the recession. While workmen were digging out its basement and removing its innards, prices in prime London were soaring as international buyers piled into its luxury market.

Over the past two years, however, prices have peaked, plateaued and fallen. According to Knight Frank, prices dropped an average of 6.7% across prime central London in the year to January, with Mayfair enduring a fall of 4.4%

Mr. Michelin, along with most observers, blames the stumbling market on a series of increases in Stamp Duty rates imposed by the British Government. Anyone spending £50 million, or about $67.7 million, on a second home in London will now incur a levy of £7,413,750, or a little over $10 million.

"The biggest difference ... [in the market] ... is a lack of urgency," he said. "People still have money, and a desire to buy in London, but these people are usually discretionary and there is no feeling that if I don't buy this I am going to lose it."

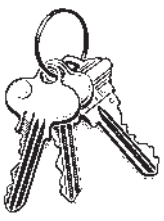
Nonetheless, apartments at 20 Grosvenor Square have continued to sell, slowly but steadily.

A selling point is the involvement of Four Seasons Hotels and Resorts, which will run the building's services. Residents will pay an annual service charge of around $16 to $19 per square foot, covering maintenance and access to the leisure facilities, and will pay on top of that for "extras," which range from grocery delivery and dog walking to massage treatments.

SPREAD SHEET | ALINA DIZIK

HARVEY'S EFFECT ON HIGH-END HOMES

In Houston, closings on luxury homes fell sharply after the hurricane, but listing and sales prices dipped only slightly after the storm



Hurricane Harvey wreaked havoc on Houston and caused billions of dollars in property damage. One segment of the real-estate market, however, was less impacted: luxury homes.

While the number of sales that closed fell markedly after the hurricane, both listing prices and sales prices fell only slightly, according to Multiple Listing Service data from the Houston Association of Realtors.

The median list price was down 3.1% and the median sales price was down 2.2%.

For its analysis, the association looked at luxury-home listings, defined as $1 million and up, between Jan. 1 and Aug. 24, and compared data to listings between Aug. 25 and Sept. 11. In its analysis of home sales, the association compared sales between Aug. 7 and Aug. 24 to

LOS ANGELES TIMES/GETTY IMAGES

those between Aug. 25 and Sept. 11.

Only a slight price decrease for luxury homes is predicted in the coming months, says James Gaines, chief economist at the Real Estate Center at Texas A&M University. "We're expecting it to bounce right back up," he says. "For the most part, these [homeowners] were able to absorb it."

Real-estate agent Tim Surratt says he is fielding dozens of calls from homeowners who are considering listing their flood-damaged homes. He is also hearing from potential buyers looking to buy a fixer upper.

Ebb and Flow

The change in inventory and sales prices of homes listed for over $1 million in Houston two weeks before and two weeks after Hurricane Harvey struck.

	Before Harvey	After Harvey	% Change
Median list price	$1,574,000	$1,525,000	-3.11%
No. of listings	1,420	1,528	7.61%
Median sale price	$1,385,000	$1,354,000	-2.24%
No. of sales closed	103	50	-51.46%

Source: Houston Association of Realtors, MLS

"It's a juggling act," says Mr. Surratt, who is with Greenwood King Properties. Those looking to make a purchase are now more concerned about previous flooding, he adds.

Celebrity photographer Evin Thayer is keeping his $1.2 million contemporary home—not damaged in the flooding—on the market. He is betting that some buyers are eager to invest in a never-flooded home in Houston Heights, which sits on high ground. Despite regular showings, Mr. Thayer, who is working with Mr. Surratt, hasn't received any offers. "It's been quiet," he says.

More buyers are thinking vertically these days, says Robert Bland of Pelican Builders, developer of the Wilshire, a luxury condo building under construction in the River Oaks District. Ten days after the storm, Mr. Bland signed four contracts for units ranging from $800,000 to $3 million. "In a twisted kind of way, it's been a plus," he says.

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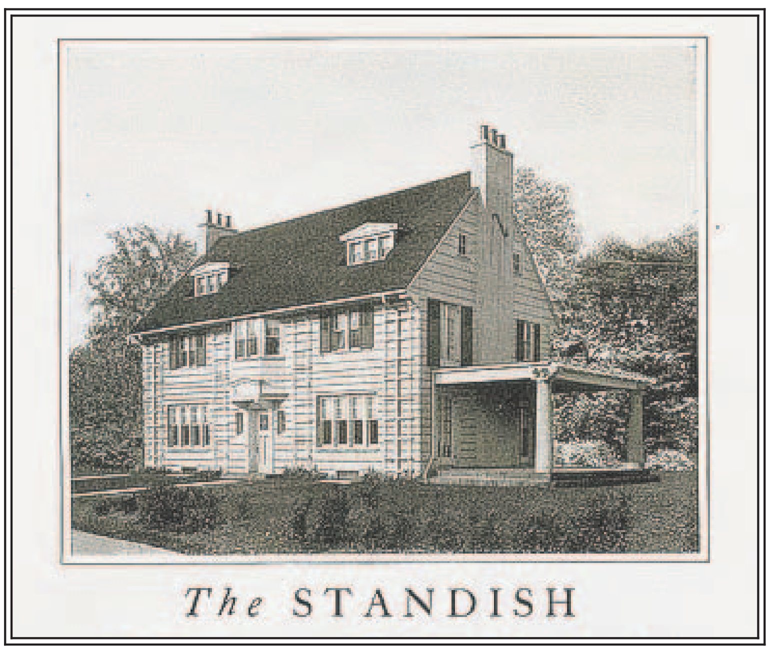
CATALOG KIT HOMES: AN APPRECIATION

TIME CAPSULE In Indianapolis, Scott and Amy Wise listed their home for $725,000. Left, their home, the Hammond, as depicted in a Sears, Roebuck catalog. Above, a plaque on the home; right, the couple with their kids, Lincoln, Slater, Vaughn and Ivy.

CHRIS SMITH FOR THE WALL STREET JOURNAL (3); SEARS ARCHIVE (HISTORICAL)



PICTURE PERFECT Richard and Jill Lane paid $2.75 million earlier this year for a 1920s kit home in Washington, D.C., made by Lewis Manufacturing. At right, a rendering of their home, the Standish, in an advertisement.

STEPHEN VOSS FOR THE WALL STREET JOURNAL; LEWIS MANUFACTURING (HISTORICAL)

TIMELESS DESIGN In Washington, D.C., Caity and Michael Callison, top left, own a kit home, above, from the Liberty line advertised by Lewis Manufacturing, left. A $300,000 renovation added space but kept the home's original roofline.

STEPHEN VOSS FOR THE WALL STREET JOURNAL (2); LEWIS MANUFACTURING (HISTORICAL)

Continued from page W7

ranged from about $600 to $6,000, which is roughly $8,400 to $84,000 in today's dollars. Once purchased, all of the parts—lumber, windows, cabinets, nails, paint and more—were shipped across the country for assembly on the customer's lot.

In the first half of the 1900s, seven national companies sold kit homes from catalogs, but Sears, Roebuck and Montgomery Ward were the best known. Today, nobody knows exactly how many of the homes remain. But real-estate agents say they're seeing more listings emphasizing a kit-home provenance.

When real-estate agent Anna Mackler listed a kit-home in Washington, D.C., the marketing materials crowed, "Own a piece of history!" In May, the home sold for about $636,000—which was $200,000 over the asking price. The kit-home angle "made it more appealing by adding to its character," Ms. Mackler says.

Catarina Bannier, an agent with Evers & Co. Real Estate in Washington, says she has been getting more emails from real-estate agents, owners and buyers who want to know if a house is from a catalog and if it increases a home's value. That depends on its location, she says. In April, she sold a stately 1920s, five-bedroom brick kit home made by a company called Lewis Manufacturing for $2.75 million.

The buyers, Richard and Jill Lane, say that after purchasing the house they, became more interested in the history, discovering it was one of only four authenticated Standish models still standing. The exterior, says Mr. Lane, a 54-year-old principal in a commercial real-estate firm, has classic style and curb appeal.

Some homeowners have completely overhauled their kit homes. In the capital's Chevy Chase neighborhood, Michael and Caity Callison have a Liberty kit home also made by Lewis Manufacturing that they purchased about 30 years ago. Mr. Callison, a 63-year-old architect, did a $300,000 renovation in 2005, adding about 900 square feet. He created a master bedroom on the lower level so it wouldn't affect the home's original roofline. "I didn't want to change the character of the house," he says.

Kit homes appealed to buyers at the time because they were affordable, included quality materials and could be shipped to faraway places.

In Indianapolis, Russ Lawrence, a real-estate agent with F.C. Tucker Co., listed a renovated, 6,000-square-foot, 1930s Sears, Roebuck house in April that is located in a neighborhood where most of the older homes have been torn down and replaced with big new houses. Its history has been a selling point, Mr. Lawrence says. "Every single person who sees it mentions the Sears history. There's a curiosity factor," he says.

The current owners, Scott Wise, 44, who founded a chain of brewhouse restaurants, and his wife, Amy, 43, say the previous owner kept the character of the kit house but added on a new master bedroom and addition in the back of the house. "This is a perfect amalgamation," says Mr. Wise.

Their four children don't grasp the significance of the home, but they're sad to leave it: The family has listed the home for $725,000 to move to a house with more space.

Most people knew about kit houses in their heyday because everyone had a Sears catalog in their house, says Andrew Mutch, an information-technology administrator who lives in a Sears kit house in Novi, Mich. About five years ago Mr. Mutch, 45, started driving around looking for kit homes using a field guide called "Houses By Mail," posting his findings on his Kit House Hunters blog.

Mr. Mutch is part of a small network of kit-house enthusiasts across the country who are intent on documenting the remaining kit homes.

"It's kind of like bird watching," says Judith Chabot, a French teacher in St. Louis who moderates the Sears Modern Homes Facebook page and writes the Sears House Seeker blog about the kit houses she finds around the country. She says there are over 8,200 documented Sears kit homes and around 1,000 from the other kit companies.

When Eric Romain, a 32, an auto-industry engineer, and his wife, Jenna, 28, an accountant, bought their 1,400-square-foot house in Royal Oak, Mich., for $269,500 in 2015, they knew it was a kit house from the real-estate listing ads, but they didn't know what that meant. The learning process that ensued has changed Mr. Romain's life.

He started by researching the model of his home, a Sears, Roebuck 1925 Vallonia, digging up the blueprints and photos as far back as the 1930s, and examining how the house had changed over the years. Now he is working to undo the changes, including restoring the porch railings, and he has plans to take off the aluminum siding.

While awareness of kit homes has increased, there is no organized effort to try to save them. Gloria Henn recently put the 1,584-square-foot, four-bedroom kit house her husband's grandfather built in the 1950s in Mashpee, Mass., on the market for $1.295 million. She knows it'll likely be torn down since the location, right on Cape Cod's Waquoit Bay, is more enticing than the house, which has no heat and sits on a cinder block foundation. "My neighbors are upset with me. They say I should donate it," she says.

That's not to say kit homes will disappear—there are still companies that make them today. As housing prices have gone up and subcontractors are in greater demand, more people are opting for kit homes—and these are typically bigger than their predecessors.

"It's a shift," says Dave Kimball, whose Warner, N.H.-based company Shelter-Kit has shipped components for homes as large as 8,000 square feet—a product that cost $300,000. Like most modern kit homes, Shelter-Kit includes everything needed to create the shell, but not the interior materials, windows, doors, plumbing or electrical.

Lindal Cedar Homes, based in Washington state, has sold about 50,000 kit homes since 1945. The models start at about $100,000 and range in size from 700 square feet to 25,000 square feet.

What has changed, says vice president of marketing Signe Benson, is that the younger clients now want modern instead of traditional designs. And most of her company's customers hire contractors to build the homes.

Bob Andreasen built a 7,000-square-foot Lindal kit home as a vacation house for his daughters and grandchildren in Sheffield, Mass. He says the quality of the materials was better than he could source himself and the cost, at $220 a square foot for the finished product, was lower than a new custom home. The house took about seven months to build. Mr. Andreasen, a 70-year-old former spec-home developer who lives in Greenwich, Conn., doesn't anticipate kit homes will catch on widely because people don't want to do the work themselves anymore.

For do-it-yourselfers, the savings can be dramatic. Jeff Yoder, 34, an information-technology support specialist, built a three-bedroom, two-bathroom, 2,760-square-foot Shelter-kit house in Ypsilanti, Mich., in nine months. The home, finished in March, cost $125,000 and included everything except the land. His wife, Grace, 33, hung most of the drywall. Having never built a house himself, he had a tough time convincing the bank to give him a construction loan. "Everyone is always amazed," he says.