

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

THURSDAY, SEPTEMBER 21, 2017 ~ VOL. CCLXX NO. 69

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What's News

Business & Finance

The Fed said it would begin shrinking its bond portfolio next month and indicated it remained on track to raise short-term rates later this year. A1
♦ The Dow edged up 41.79 to a new high of 22412.59 and haven assets fell after the Fed's statement. B11

♦ The SEC disclosed that hackers penetrated its electronic system for storing public-company filings last year and may have traded on the information. A1

♦ Hackers roamed undetected in Equifax's computer network for more than four months before a massive data breach was uncovered. B1

♦ Toshiba's board voted to sell the firm's memory-chip business for \$18 billion to a Bain-led group that includes Apple and Dell. B1

♦ Google is buying part of Taiwanese smartphone maker HTC for \$1.1 billion as it accelerates efforts to crack the handset market. B1

♦ Pfizer sued Johnson & Johnson, alleging J&J thwarted competition to its arthritis drug Remicade. B1

♦ Toys "R" Us's bankruptcy-protection filing has sparked a rout in some of the company's debt. B2

♦ Apple acknowledged problems with cellular connectivity in a new smartwatch. B4

♦ GE is grounding its corporate fleet of jets and is preparing to sell the planes. B3

♦ Thyssenkrupp of Germany and India's Tata plan to pool their steelmaking businesses in Europe. B2

World-Wide

♦ States and cities are set to book a shortfall of at least \$645 billion in retiree health benefits for public employees under new accounting guidelines. A1

♦ Rescuers in Mexico worked to find the living and the dead beneath rubble left by a 7.1-magnitude earthquake. The death toll stood at 230 and was likely to rise. A8

♦ Hurricane Maria pounded Puerto Rico with huge waves, heavy rain and fierce winds and shut down the island's power grid. A3

♦ Trump sparked new wrangling at the U.N. over the Iran nuclear deal by announcing he had decided its fate, without elaborating. A9

♦ Japan and South Korea offered cautious praise for Trump's tough talk against North Korea at the U.N. A9

♦ Mueller is seeking to determine what White House officials knew about a federal investigation into Flynn early this year. A6

♦ McConnell plans a vote next week on the latest GOP effort to unwind the ACA, as Republicans scramble to secure support for the bill. A4

♦ Many states, faced with deadlines, are approving sharp rate rises in ACA insurance plans despite uncertainty over the law's fate. A4

♦ Trump's spending deal with Democrats drew strong support across the political spectrum in a new poll. A4

♦ Refugees from Australia's offshore detention centers will soon arrive in the U.S. under a resettlement deal. A7

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1000+ Employees Segment, 2015

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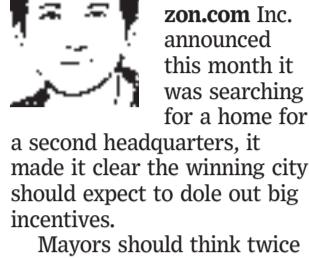
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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Amazon Needs Cities More Than They Need It



When Amazon.com Inc. announced this month it was searching for a home for a second headquarters, it made it clear the winning city should expect to dole out big incentives.

Mayors should think twice before writing a big check because the playing field between cities and companies has changed.

As the U.S. economy has shifted from manufacturing to knowledge-intensive products, that has also altered where companies decide to locate.

Countless places could host a factory or the sort of distribution center Amazon opens several times a year. In that case it makes sense for cities to outbid each other with hefty incentive packages.

But Amazon's head office operation will produce ideas, patents and software, the product of human rather than physical capital. That significantly limits its options.

Whereas physical capital

can be anywhere, including overseas, human capital clusters in a handful of cities defined by deep pools of innovative workers and companies and the quality of life that keeps them there. Such cities don't need to offer cash to attract the likes of Amazon.

Back in the 1990s, it was thought the internet would be the "death of distance." Since employees could work from almost anywhere, they would move to cheap, low-tax cities, fleeing the costly, congested, overtaxed coastal enclaves of California's Bay Area, New York and Boston.

In fact, as Enrico Moretti, an economist at the University of California, Berkeley, notes in his 2012 book, "The New Geography of Jobs," the opposite happened: The wealthiest cities have pulled further ahead while the laggards have fallen further behind. The divergence has grown since the last recession. Mark Muro and Sifan Liu of the Brookings Institution noted in a March article that

The Techie Get Techier

Job creation in the technology industry in recent years has favored cities where the sector is already entrenched. Tech job growth, 2013-15

San Francisco-Oakland-Hayward	31,500
San Jose-Sunnyvale-Santa Clara	27,500
New York-Newark-Jersey City	24,200
Dallas-Fort Worth-Arlington	15,400
Austin-Round Rock	11,200
Seattle-Tacoma-Bellevue	11,100
Los Angeles-Long Beach-Anaheim	10,900
Chicago-Naperville-Elgin	10,300
Atlanta-Sandy Springs-Roswell	10,000
Phoenix-Mesa-Scottsdale	9,500

Note: Includes software publishing, data processing and hosting, computer system design

Source: Brookings Institution analysis of Moody's Analytics data

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between 2010 and 2015, 14 of the country's 100 largest metropolitan areas materially increased their share of the nation's tech jobs. The three biggest share gainers—the San Francisco, San Jose and Austin areas—are already home to clusters of such jobs.

Mr. Moretti attributes this

to the "network effects" of knowledge work: "Once a city attracts some innovative workers and innovative companies, its economy changes in ways that make it even more attractive to other innovators."

Many cities justify throwing massive incentive pack-

ages at new employers on the theory that they will then attract new businesses, creating spillover benefits.

Such logic drove Wisconsin to offer an eye-watering \$3 billion to Taiwan's Foxconn Technology Group to build its first U.S. factory, making liquid crystal displays, in the state's southeast. Foxconn was scoping out a half-dozen other states, all of which could have offered the same basic amenities.

Foxconn isn't about to turn Wisconsin into a hotbed of innovation; public largess virtually never does. Innovative people, top-notch universities and serendipity can.

Silicon Valley owes its preeminence to the decision by William Shockley, one of the transistor's inventors, to start a semiconductor business there in 1956. Seattle was a run-down, declining city when Paul Allen and Bill Gates moved Microsoft to the area to be close to their families in 1979. Microsoft's presence, in turn, encouraged Jeff Bezos to start Amazon there since it

guaranteed access to a lot of software engineers.

World-class universities are usually essential, as Boston and Austin demonstrate. This is a relatively modern phenomenon, but educational disparities are growing: Mr. Moretti has found that since 1980 the best educated cities have expanded their college-educated workforce share much faster than others, defying expectations of convergence.

Mark Sweeney, whose firm McCallum Sweeney Consulting advises companies on where to locate, says there's a good chance the winner of the Amazon headquarters project will pay more than Wisconsin did for Foxconn: "This really is a transformational project."

But what if your city is already brimming with knowledge workers? The case for paying a rich company to do what is in its own interest is much weaker. If Amazon passes you by, odds are another firm will come along.

U.S. WATCH

MICHIGAN

Same-Sex Couples Sue Over Adoption Rules

Same-sex couples seeking to adopt sued the state of Michigan on Wednesday, alleging the state has allowed child-welfare agencies to unconstitutionally discriminate against gay people.

Michigan is among a handful of states that have passed laws allowing adoption and foster-care agencies, including those that receive state money, to turn down prospective parents based on religious objections.

As a result, agencies can reject gay and lesbian couples trying to adopt a child, though they are required to refer the couple to another agency.

The suit, which involves only state-funded child welfare agencies, could have implications for adoption and foster care in states across the country. Three states this year established new protections for child-welfare agencies that ob-

jected on religious grounds to placing children with gay couples. The Michigan Department of Health and Human Services declined to comment.

—Ian Lovett

EDUCATION

Student Debt Varies Wildly Across Nation

Average student loan debt for



PAUL J. RICHARDS/AGENCE FRANCE PRESSE/GETTY IMAGES

GOING FOR A SPIN: A man checked out a rental bike on the streets of Washington, D.C., on Wednesday, as Chinese bike-sharing company Mobike launched in the U.S. capital.

the class of 2016 ranged from \$19,975 in Utah to \$36,367 in New Hampshire, according to a report published Wednesday by the Institute for College Access and Success.

States where private colleges are fairly prevalent, like Pennsylvania and Maine, or where public universities draw more students who pay out-of-state tuition rates, had the most indebted graduates—they averaged more than \$31,000 in loans at graduation.

Low-debt states, including California, New Mexico, Arizona and Florida, are dominated by public university systems with local students.

The share of graduates with debt also varied widely, from 43% in Utah to 77% in West Virginia.

The TICAS report is based on data that schools self-report to Peterson's, a college guide publisher. Just over half of all public and nonprofit private schools share that data.

—Melissa Korn

HACK

Continued from Page One

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

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 written statement. "We also must rec-

ognize—in both the public and private sectors, including the SEC—that there will be intrusions, and that a key component of cyber risk management is resilience and recovery."

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

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 on-

line 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 respond to a message seeking more information about the filings or what companies might have been affected.

SEC officials have sometimes indicated they could take enforcement action against a public company that misled investors about a significant hack that affected share prices.

Mr. Clayton, who is due to testify before the Senate Banking Committee next week, is sure to face questions about his own agency's cyber vulnerabilities.

"We face the risks of cyber threat 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, which was launched to equalize access to information among retail and sophisticated investors, 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. In 2015, a 37-year-old man in Bulgaria filed a fake takeover offer for Avon Products Inc., which succeeded in sending the beauty-product company's shares soaring but netted the mastermind just \$5,000, regulators alleged.

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CORRECTIONS & AMPLIFICATIONS

FedEx Corp.'s chief information officer, Robert Carter, said during a conference call with analysts on Tuesday: "This was not an ordinary cyberattack. We believe that this attack was the result of a nation-state targeting Ukraine and companies that do business there."

The quotation was incorrectly attributed to FedEx finance chief Alan Graf in a Business Watch article Wednesday about the company's earnings.

Kyoya Okazawa is head of institutional clients, global markets, Asia-Pacific for BNP Paribas. An Equities article Wednesday about gains in Japanese stocks incorrectly gave his title as head of global markets, Asia-Pacific.

Open-air shopping centers and mixed-use property developments are adding outdoor entertainment programs to their projects to attract more

shoppers. In some editions Wednesday, a Property Report article about landlords' efforts to increase foot traffic incorrectly referred to strip malls in the headline and article.

Artist Giuseppe Penone's surname was misspelled as Penoni in a Life & Arts article Tuesday about the Louvre Abu Dhabi, which will open in November.

McCallum Sweeney Consulting advised Boeing Co. in 2003 on a \$3.2 billion tax-incentive package with the state of Washington. A Page One article on Sept. 8 about Amazon.com Inc.'s plan to open a second headquarters incorrectly said it was an \$8.7 billion tax-incentive package in 2013.

A Thonet chair available at retailer Rejuvenation lists for \$275. An article Saturday about the chair in the Fall Off Duty 50 gave its sale price of \$220.

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U.S. NEWS



Powerful winds and heavy rain from the Category 4 storm left a San Juan street littered with debris and downed telephone lines.

Maria Batters Puerto Rico

Hurricane knocks out entire electrical grid; 'we are going to find our island destroyed'

By JOSÉ DE CÓRDOBA
AND JOSEPH DE AVILA

SAN JUAN, Puerto Rico—Hurricane Maria slammed into Puerto Rico, pounding the U.S. territory with huge waves, massive rain and fierce winds and shutting down the power grid across the entire island of 3.4 million people.

Maria made landfall on the island's southeast section early Wednesday as a Category 4 storm with maximum sustained winds of 155 miles an hour, the most powerful hurricane to hit Puerto Rico since a 1928 storm that killed more than 300 people.

"Around here, everything is destroyed," said Luis Diaz, a car company owner from Fa-

jardo, a coastal town roughly 30 miles north of where Maria made landfall. Mr. Diaz said the area had been hit by waves as high as 25 feet. "We are going to be without light for a long, long time."

A spokesman for Gov. Ricardo Rosselló said the storm had cut off virtually all power from the entire island for the foreseeable future.

"I am making a call for calm, understanding and prudence during these difficult days for Puerto Rico," he wrote.

As Maria tore across the island, floods coursed through neighborhoods. Storm surges rose 5 feet above ground level in spots, according to the National Hurricane Center. By early afternoon, Maria had been downgraded to a Category 3 storm, moving off the island's north coast but still delivering strong winds and heavy rains.

Hours before the storm made landfall in Puerto Rico, its

winds knocked out power in many places throughout the island. Puerto Rico's electricity grid had been hit hard two weeks ago when Hurricane Irma passed off the island's north coast. Thousands who lost power during Irma never had it restored before Maria hit.

"This hurricane will be a historic event for the people of Puerto Rico," Abner Gómez, executive director of Puerto Rico's emergency management agency, said at a media briefing Wednesday. "We are going to find our island destroyed....The effects are incalculable."

Mr. Gómez said key transmission lines on the island had been knocked out of service, leaving 100% of the island without power. He said he couldn't provide precise information on loss of running water because the water utility's headquarters suffered an electricity outage.

Carlos Anselmi, a meteorologist with the National Weather

Service in Puerto Rico, said rainfall estimates ranged from 15 to 35 inches around the island and were breaking records and triggering flooding. Buoy measured storm surges of 20 to 25 feet, he said.

"This is the worst I've seen," said Walter Pedreira, a solar-energy developer who was riding the storm out in a house in a San Juan suburb. "It will take a long time, maybe a couple of years to recover."

Before hitting Puerto Rico, Maria struck St. Croix in the U.S. Virgin Islands.

And on Monday night, the storm—then a Category 5—took into the island of Dominica. An adviser to Prime Minister Roosevelt Skerrit said the hurricane had claimed seven lives and knocked out all telephone service.

—Adrian Campo-Flores contributed to this article.

◆ Many island homeowners have no insurance..... B10

Storms Strain U.S. Sewer Systems

BY KATE KING
AND VALERIE BAUERLEIN

In the days after Hurricane Irma slammed Brunswick, Ga., most businesses and restaurants were shut down. The problem wasn't just flooding or hurricane damage, it was also untreated sewage mixing with floodwater, seeping out of manholes and overwhelming an aging system of pipes and pumps.

Residents were asked not to take showers, wash dishes or flush toilets for four days, and schools were closed for more than a week. Crews, facing extensive power outages, worked to bring the sewage system back online in order to restore service.

Downtown sandwich shop Wrap Happy had no damage or flooding, but lost days of business because the water and sewer restrictions made it difficult for evacuees to return home and kept life from getting back to normal.

"It shut down our customer base," said Taneka Beasley, whose family owns Wrap Happy.

The Brunswick-Glynn Joint Water & Sewer Commission, which serves about 30,000 residential and commercial sewer customers and treats about eight million gallons of wastewater a day, said on its website that the area saw widespread sewer overflows but the wastewater "contained very dilute and minimal human waste."

Hurricanes Harvey and Irma killed dozens of people, destroyed thousands of homes, and caused flooding that has lasted weeks in some cases. They also exposed the failings of aging sewer systems that were unable to cope with the heavy rainfall and flooding. As a result, many released untreated sewage into streets, rivers and homes of affected towns and counties.

Local governments in Florida have filed more than 250 notices of pollution with state regulators in the days since Irma made landfall in southwest Florida. In Texas, two wastewater treatment facilities in Harris



A home on St. Simons Island, off the Georgia coast, was surrounded by water after Hurricane Irma.

Nursing Home's License Suspended

A Florida health-care regulator on Wednesday suspended the license of a nursing home tied to the deaths of eight patients after Hurricane Irma knocked out its air conditioning.

The order came a day after the Rehabilitation Center at Hollywood Hills sued the state to block two previous orders, both of which effectively shut down the home. Under direction from Gov. Rick Scott, the state has taken several steps to stop operations at the facility following the deaths last week.

The nursing home's resi-

dents "did not receive timely medical care because the trained medical professionals at the facility overwhelmingly delayed calling 911," Florida's Agency for Health Care Administration said, citing initial findings from an investigation.

Kirsten Ullman, the nursing home's co-counsel, said in a statement that nursing-home staff "continuously monitored" patients, and multiple medical professionals attended patients in the hours leading up to the emergency evacuation. She said the state's allegations "simply do not describe the conditions observed by these multiple caregivers."

—Melanie Evans

and Jon Kamp

County were destroyed by Harvey, and eight others remain nonoperational in five counties including Harris three weeks after the record-setting rainfall.

It is impossible to design sewage treatment facilities that can handle every storm, experts said, and recent hurricanes have delivered unprecedented rainfall and flooding in some areas.

But the recent storms mag-

nified a problem that occurs regularly across the country, albeit on a smaller scale: sewage spills from overburdened and underfunded wastewater treatment systems.

"We're still in a place where there's not enough funding to really take care of this underground infrastructure," said Rebecca Shelton, an Atlanta-based member of the American Soci-

ety of Civil Engineers specializing in wastewater treatment.

Sewage spills can contaminate drinking water, kill fish and close beaches to swimmers. The Environmental Protection Agency, which regulates water quality under the federal Clean Water Act of 1972, said that while sewage spills have significantly decreased over the past 40 years, 23,000 to 75,000 sewer overflows still occur in the U.S. every year.

The EPA works with states to provide low-cost loans to municipal treatment plants for capital and environmental projects, and last year awarded \$7.6 billion in funding. But the brunt of operation and infrastructure costs for the nation's sewer systems are paid by customers.

Most American wastewater treatment facilities are operated by local governments as public utilities that charge rates based on usage, said Matt Fabian, partner at the research firm Municipal Market Analytics. Costs have increased in recent years as sewage systems grapple with meeting new federal environmental regulations and more consistent or extreme weather events as well as regular maintenance costs, he said.

Misahara



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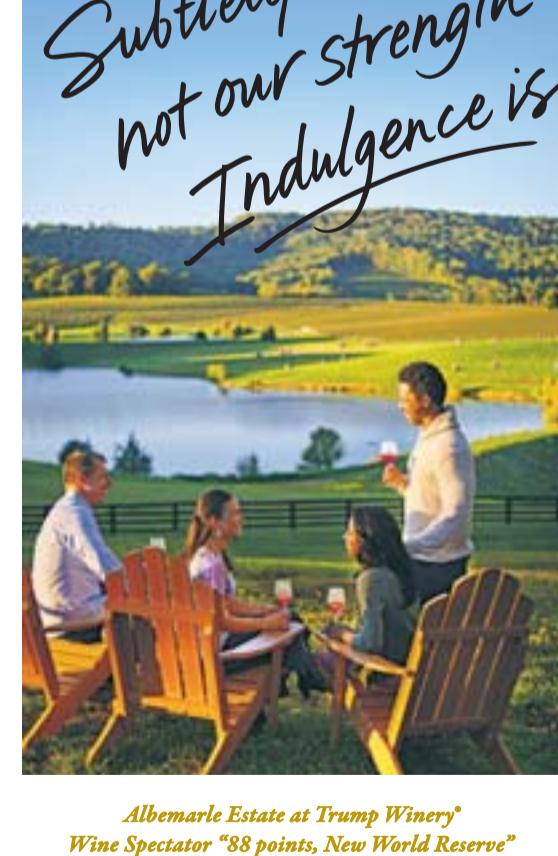
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U.S. NEWS

McConnell Plans Vote on GOP Health Bill

Senate leader is still working to secure enough votes to pass Graham-Cassidy plan

BY KRISTINA PETERSON AND LOUISE RADNOFSKY

WASHINGTON—Senate Majority Leader Mitch McConnell plans to hold a vote next week on the latest GOP effort to unwind the Affordable Care Act, his spokesman said Wednesday as Republicans scrambled to secure enough support to pass the bill.

A spokesman for Mr. McConnell (R., Ky.) said it was “the leader’s intention to consider Graham-Cassidy on the floor next week,” referring to the bill sponsored by GOP Sens. Lindsey Graham of South Carolina and Bill Cassidy of Louisiana.

The spokesman’s statement didn’t commit the Senate to a vote, which would need to happen before the end of next week for Republicans to pass the measure by a simple majority.

After falling short of repealing the 2010 law, known as Obamacare, this summer, Senate Republicans are loath to hold another failed health-care vote this month, especially since a frustrated President Donald Trump has turned to cutting deals with Democrats.

But a successful vote could help Mr. McConnell and Senate Republicans score points with their conservative constituents, who criticized them over the August recess for producing few legislative victories, even though Republicans control Congress and the White House.

Supporters were still working Wednesday to pin down the votes needed to pass the legislation. With no Democrats expected to support the bill, GOP leaders can afford to lose no

more than two Republican votes. The measure already has one GOP opponent, and several others have expressed concerns about it.

Sen. Lisa Murkowski (R., Alaska), who opposed her party’s latest health-care measure in July, said she remained undecided after meeting with Messrs. Graham and Cassidy on Wednesday.

“We’re going to need to better understand the impact to a high-cost, low-density state like Alaska,” Ms. Murkowski said as she left the meeting, held in the office of her state’s junior U.S. senator, Dan Sullivan, a fellow Republican who is also undecided.

Mr. Trump said Wednesday that the bill “has a very good chance.”

“Certainly we’re at 47 or 48 already senators, and a lot of others are looking at it very positively,” he said.

Sens. Susan Collins of Maine and John McCain of Arizona, both Republicans who opposed the July bill, have expressed concerns over the process used in crafting the latest measure.

Republicans have dwindling time left to tap into a procedural shortcut expiring Sept. 30 that would allow them to pass the health-care bill by a simple majority. Starting Oct. 1, the legislation would need 60 votes to clear the Senate, where Republicans hold 52 seats. Vice President Mike Pence would cast a tiebreaking vote in the event of a 50-50 split.

The Graham-Cassidy bill would repeal many of the law’s provisions and turn the money into block grants that states could use to set up their own health systems. It would also let states waive some of the law’s coverage requirements, meaning, for example, insurers would be able to charge higher premiums for people with pre-existing medical conditions if



Senate Majority Leader Mitch McConnell, at lectern, intends to hold a vote next week on the Republicans’ latest health-care proposal.

they live in states that receive such a waiver.

Under the legislation, states that seek waivers must demonstrate that they can provide people with costly medical conditions access to affordable coverage. But the bill doesn’t specify how states must meet that requirement, and health analysts said it is essentially unenforceable.

Mr. Trump said Wednesday night on Twitter that pre-existing conditions would be covered. “I would not sign Graham-Cassidy if it did not include coverage of pre-existing conditions. It does!” he said.

Graham-Cassidy also would significantly cut funding for Medicaid, a federal-state program for low-income and disabled people, and get rid of the expansion under which some states have added people to the program.

Latest Push Could Hurt CHIP Funding

WASHINGTON—The 11th-hour push to dismantle major portions of the Affordable Care Act by the end of the month is imperiling funding for several popular bipartisan health programs set to expire Sept. 30.

The top Republican and Democrat on the Senate Finance Committee brokered a deal last week to reauthorize funding for the Children’s Health Insurance Program, or CHIP, for five years, just as the program’s funding is set to phase out.

But the Republican push to advance a repeal bill, from Sens. Lindsey Graham of South Carolina and Bill Cassidy of Louisiana, is complicating the lawmakers’ ability to get the

CHIP deal across the finish line in time, according to people familiar with the planning. That could, in turn, endanger other smaller health programs with Sept. 30 funding cliffs, which lawmakers had hoped to attach to the CHIP legislation.

GOP leaders have already sidelined another bipartisan health-care effort, a possible deal to stabilize ACA insurance markets, in the hopes of keeping attention on their repeal effort. Now, CHIP legislation has been put on hold, as both sides focus on the Graham-Cassidy measure.

“I will continue to work with my colleagues on the Finance Committee to advance CHIP and other critical healthcare provisions in a fiscally responsible manner and as quickly as possible,” said Sen. Orrin Hatch (R., Utah.), the committee chairman.

Nearly nine million children

receive health insurance through CHIP, a program that covers children in low-income families who make too much to qualify for Medicaid. Some Republicans argue funding can be reauthorized as late as December, since only a handful of states would exhaust their funds by then, according to an estimate from the Medicaid and CHIP Payment and Access Commission, a nonpartisan legislative agency that provides analysis and recommendations to Congress.

“I want to reauthorize it,” Mr. Graham said Wednesday.

State officials and advocates, however, warn that without a guarantee of federal funding in October, many states would begin winding down their programs, sending out termination notices and possibly paring back eligibility requirements.

—Michelle Hackman

Health Law’s Uncertainty Drives Up Insurers’ Rates

BY ANNA WILDE MATHEWS

Many state regulators are approving sharp rate increases for Affordable Care Act insurance plans that will be sold next year, as they are forced to make decisions despite the latest uncertainty about the law’s future.

The 2018 premiums for ACA plans were supposed to be locked in Wednesday, under a federal deadline, at the same time that Republicans in the Senate are moving toward a potential vote next week on legislation that would scrap most of the health law.

A spokeswoman for the Centers for Medicare and Medicaid Services said all rates would be finalized by the deadline.

States including Kentucky, Mississippi and Virginia are approving average rates for major insurers that are at least 25% higher than 2017’s rates, according to regulators, with a sizable share of those boosts tied to uncertainty at the federal level.

The highest-stake concern facing most states is what to do about federal payments for cost-sharing reductions—an issue that officials hoped would be resolved months ago. The



Health insurance rates for many people will climb next year under moves recently approved by state regulators.

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

The White House allowed this month’s payments to go through, but long term there is no guarantee they will continue to be funded.

The Congressional Budget Office has estimated that the loss of the payments would result in premiums rising about

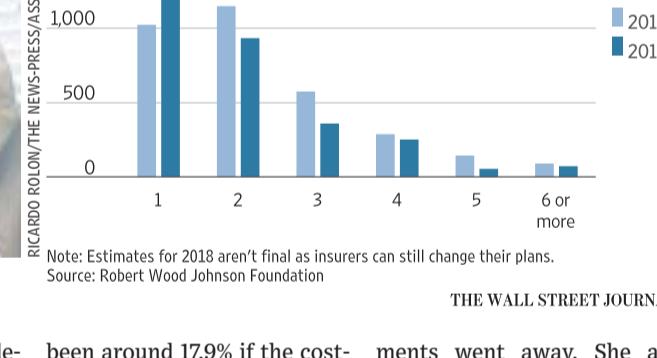
20% on average for the middle-tier ACA “silver” plans.

“Most of the states are very likely to approve rates with extra margin built in” for the potential loss of the cost-sharing payments, said Jim O’Connor, a principal at consultants Milliman Inc.

Mississippi’s insurance commissioner, Mike Chaney, said he is approving a 47.4% average premium increase for the state’s one ACA exchange insurer, which would have

Counting Counties

Number of U.S. counties with a given number of insurers participating in their Affordable Care Act exchanges



Note: Estimates for 2018 aren’t final as insurers can still change their plans.

Source: Robert Wood Johnson Foundation

guarantee the cost-sharing payments has stalled, and the Republican ACA repeal bill now under discussion doesn’t include funding for them, according to Larry Levitt, a senior vice president at Kaiser Family Foundation.

The repeal bill also doesn’t include money aimed at stabilizing the exchanges next year, he said, though it does allot some for 2019 and 2020.

However, the bill does effectively repeal the ACA’s mandate for most people to have insurance—a development typically not reflected in the rates that regulators are now approving, though a number of insurers did assume that the mandate would be weakly enforced.

Insurers have said that, without the mandate, rates need to be higher because of the potential loss of healthy enrollees.

Another high-stakes deadline arrives Sept. 27, when insurers must make their final decisions about where to offer ACA exchange plans. Those contract signings may end up occurring around the time of a Senate vote, adding to the stakes for nervous insurers.

—Stephanie Armour

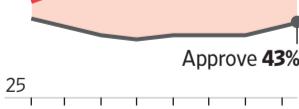
contributed to this article.

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?



ON TAXES

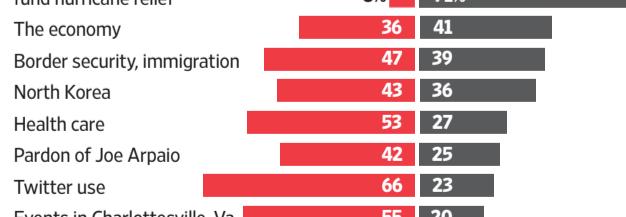
To fund the government, how would you tax...



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.

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



Do businesses pay their fair share in taxes?



Do you think you pay your fair share in taxes?



THE WALL STREET JOURNAL.

President’s Bipartisan Outreach Gets Strong Support in New Poll

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.

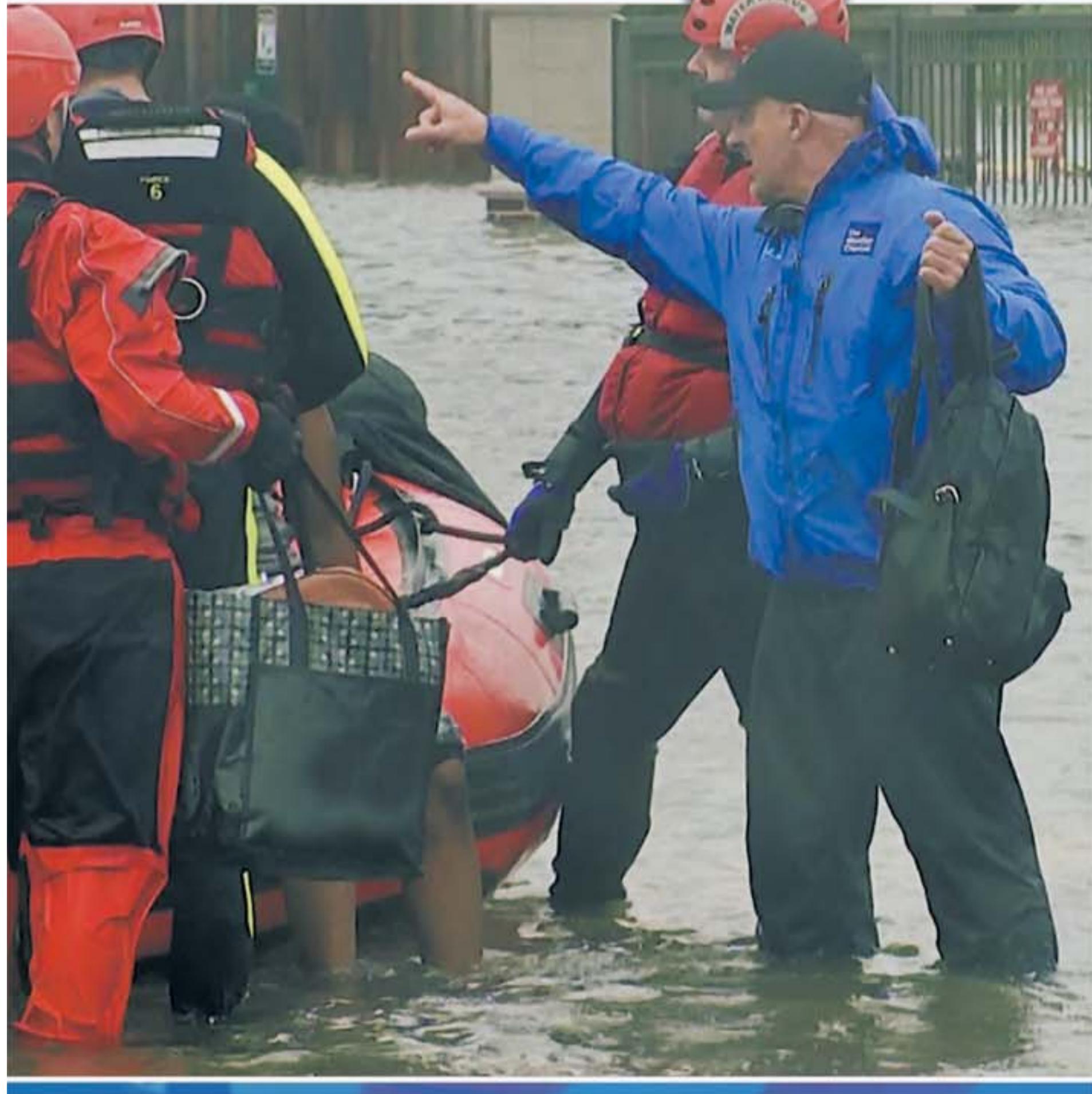
“When you have the president bashing them for not doing enough on his agenda,” Mr. McInturff said, “it’s left them in a really precarious situation.”

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.

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U.S. NEWS

Mueller Studies White House Ties to Flynn

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 Quentin 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 has denied interfering, and Mr. Trump has denied any collusion.

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.



Special counsel Robert Mueller is examining whether the U.S. probe of Mike Flynn was obstructed.

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 con-

versations 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 or-

dered 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.

TING SHEN/XINHUA/ZUMA PRESS

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. Investigators are trying to better understand what the then-acting attorney general, Sally Yates, warned them about Mr. Flynn, the person said.

In May Ms. Yates told Congress she alerted a top White House official that Mr. Flynn had misled Mr. Pence about his conversations with a top Russian diplomat, and that it had put him at risk of blackmail.

Yellen's Next Steps? She Isn't Saying

By HARRIET TORY

Federal Reserve officials didn't raise short-term interest rates Wednesday, but a December increase remains on the table. Meanwhile, the central bank said it would initiate in October its plan to shrink its securities holdings. Here are key takeaways from the Fed's two-day policy meeting:

Looking to December

The Fed's summary of economic projections suggests officials are still on track to raise short-term interest rates once more this year, most likely at the Dec. 12-13 meeting when Chairwoman Janet Yellen is scheduled to hold her next press conference. The Fed meets again Oct. 31-Nov. 1, but no news conference is scheduled then.

Fed officials expect to raise rates three more times next year, a forecast unchanged from when they last submitted economic projections in June. Officials lowered their median forecast for the path of rates in 2019: They now expect two rate increases that year, down from three. Officials expect rates to rise once in 2020.

Interest Rates

Fed officials brought down their expectation for where

they see interest rates settling in the longer run, to 2.75% from an earlier forecast of 3%. The drift downward reflects a lowering in officials' view of the so-called neutral rate, an underlying interest rate that is consistent with the economy operating at its full potential and expanding without overheating. Ms. Yellen said that "because the neutral rate currently appears to be quite low by historical standards, the federal-funds rate would not have to rise much further to get to a neutral policy stance."

Chairwoman's Future
Ms. Yellen is keeping her cards close to her chest regarding what she thinks about her future as her term as chairwoman ends Feb. 3, 2018.

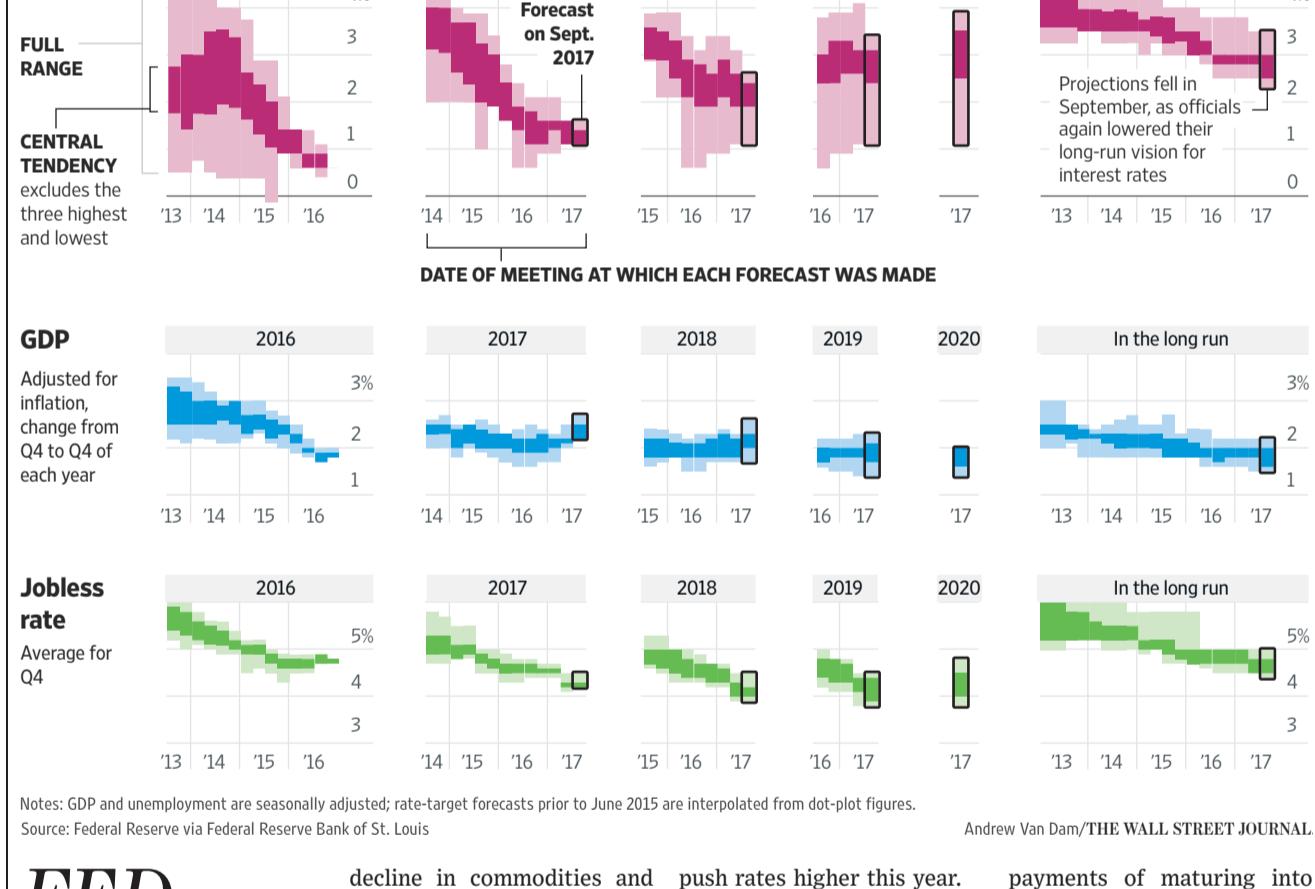
She reiterated Wednesday that she intends to serve out her current term, but said, "I'm really not going to comment on my intentions beyond that."

Ms. Yellen said that she hasn't had a meeting with President Donald Trump, a Republican, since the early days of his presidency. The two have met just once, for about 15 minutes, in the Oval Office in February. Mr. Trump has said he is considering renominating Ms. Yellen, but that he is considering others for the post as well.

Familiar Forecasts

The Federal Open Market Committee's forecasts for GDP growth in 2017 and 2018 are slightly more optimistic, but the predicted speed of rate increases has nonetheless slowed slightly.

The Fed's evolving economic forecasts, by meeting



FED

Continued from Page One
Fed officials have stopped raising rates in the past.

"A lower prospective terminal rate means that the Fed is less likely to over-tighten and harm the economy—clearly a good thing for broad equity indexes," said Roberto Perli, an analyst at research firm Cornerstone Macro LP.

The Fed has raised rates by a quarter percentage point four times since late 2015, most recently in June to a range between 1% and 1.25%, after keeping them near zero for seven years.

Officials released their projection of interest rates for 2020 for the first time, and they implied many officials see little need to raise rates after 2019. They continue to expect three rate increases next year, two in 2019 and one in 2020.

Since officials met in July, the unemployment rate has held near a 16-year low, but inflation has stayed soft, challenging the expectation of top officials, including Ms. Yellen, that a deceleration in price pressures this spring would prove transitory.

The Fed's preferred annual inflation gauge, excluding volatile food and energy categories, was 1.4% in July, down from 1.9% in January and below the central bank's 2% target.

In recent years, easily observed developments such as a

decline in commodities and energy prices, a stronger dollar and labor-market slack helped explain why inflation undershot the Fed's target, but those influences have faded and yet inflation hasn't rebounded.

In her press conference, Ms. Yellen acknowledged the inflation shortfall had proved more persistent and was more broad-based than officials had anticipated. "I can't say I can easily point to a sufficient set of factors that explain this year why inflation has been as low," she said.

She said officials had more work to do to determine if the inflation soft patch would continue, and if it did, it could require an even more gradual pace of rate rises.

Weather-related disruptions from hurricanes in Florida, Louisiana and Texas could distort economic data in the months ahead, complicating efforts to answer those questions. The Fed's postmeeting statement said it didn't expect the storms to change the economy's performance over time.

The combination of relatively stable economic projections and a shallower path for rate increases shows Fed officials think the economy either can't withstand or won't need very high interest rates to achieve the modest growth and low inflation forecast.

The Fed isn't likely to alter rates at its next meeting, held on Oct. 31-Nov. 1, leaving a mid-December policy meeting as its last scheduled chance to

push rates higher this year. Traders in futures markets placed a 70% probability on a rate increase by December, up from 57% before the meeting, according to CME Group.

Meantime, the Fed has managed to formulate plans to shrink its \$4.5 trillion portfolio of bonds and other assets without provoking much concern from investors.

Markets haven't reacted much in part because other central banks are still buying government bonds and other assets and because the Fed's plan will unfold very gradually.

Mortgage rates, for example, which have benefited from the Fed's purchases of more than \$1.7 trillion in mortgage-backed securities, are near their lowest levels of the year, the Mortgage Bankers Association said Wednesday.

"This has turned out to be a positive year for global economies and markets. Risk appetite is there. I think they saw an opportunity," said Richard Clarida, an economist at Pacific Investment Management Co., or Pimco.

Beginning in October, the Fed will end its practice of fully reinvesting the principal

payments of maturing into new bonds and instead allow \$10 billion in holdings to roll off without reinvestment every month. Those amounts will increase by \$10 billion each quarter to a maximum of \$50 billion.

Ms. Yellen said there was a "high bar" to resume reinvestments, and the Fed would only do so in the event of a "significant shock that's a material deterioration to the outlook." She didn't outline any circumstance under which the Fed would accelerate the runoff.

How Ms. Yellen navigates this final chapter could shape how future policy makers view the relative merits of the bond-buying episodes in subsequent downturns and could offer a road map for other central banks, especially the European Central Bank, that are preparing their own retreat.

Some uncertainty hangs over the policy path in the coming year because President Donald Trump will have the opportunity to nominate a new Fed chair and vice chair.

Ms. Yellen didn't say at the press conference whether she wanted to serve a second term, volunteering only that she had not met with Mr. Trump since an introductory meeting shortly after his inauguration.

Mr. Trump has been complimentary of Ms. Yellen's stewardship of the Fed when he has been asked, though he says he hasn't decided whether to ask her to serve a second term.



Janet Yellen plans to serve through the end of her current term as Fed chairwoman in February. She isn't commenting beyond that.

WORLD NEWS

China, U.S. Vie to Map Mutations

Scientists gather data from millions in effort to customize treatment for a host of diseases

By PREETIKA RANA

CHENGDU, China—In this western Chinese city famed for panda conservation, scientists are advancing the world's most ambitious effort to save a far-less-endangered species: humans.

Their goal is to collect and analyze vast amounts of genetic data from Chinese citizens to help unearth the causes of diseases from cancer to schizophrenia, and pave the way for novel treatments.

Scientists here hope to identify mutations, or glitches in genes, that contribute to disease, then eventually personalize medicine based on the genetic blueprint of each individual—an emerging and lucrative field known as precision medicine.

China's President Xi Jinping has made such scientific innovation a centerpiece of his national goals. In this case, scientists at state-run Sichuan University in Chengdu are part of a nationwide plan to decode the genetic makeup of at least one million citizens. The multi-billion-dollar program is designed to catapult China to the forefront of a field now dominated by the West.

China is betting it can meet its data-collection goal by 2020—two years earlier than the U.S. says it expects to achieve the same target, even though the U.S. unveiled its precision-medicine initiative more than a year before Beijing did in March 2016. Other countries including the U.K., France and Qatar are pursuing smaller programs.

"It has the potential to place us at the frontier of modern medicine," said Zhan Qimin, a scientist who was involved with drafting China's plan.



A technician at Tsinghua University in Beijing looks at the report from a DNA sequencing process.

grant to take part in China's effort. The nation's population of 1.4 billion offers a huge resource for scientists, who are primarily studying cancers, cardiovascular diseases and neurological disorders. Samples are separately drawn from healthy volunteers so that scientists can map different ethnic groups and understand whether a group is more prone to a certain disease.

At the West China Hospital, Mr. Shi's team is focusing on extracting tumor tissues and other samples from colon cancer patients. The samples are packed in dry ice and flown to Beijing, where two other state-run universities analyze them using sequencers—machines that break genetic information into a readable code.

Scientists will try to deduce which mutations, and in which genes, contributed to each patient becoming sick so that drugs can be tailor-made to treat them.

The same disease can be triggered by different mutations, and in different genes, underscoring the need to personalize treatment based on a patient's genetic blueprint. Designing such precise therapies requires a huge trove of genetic data that scientists can mine to identify patterns.

Mr. Shi estimates it would take until 2020 to draw conclusive patterns and validate potential findings, after which, Chinese Peptide Co., a local drug company, would attempt to use his research to develop new colon cancer medicines—a complex process that would also take years, he said.

China is committed to spending more than \$9 billion to carry out its program through 2030, according to state media reports. In the U.S., Congress has so far granted \$527 million to the Department of Health and Human Services, which oversees major bodies leading the drive. Future funding is tied to the annual federal budget.

Australia To Send Refugees To U.S.

By ROB TAYLOR

CANBERRA, Australia—The first refugees from Australia's offshore detention centers will soon arrive in the U.S. under a resettlement deal that President Donald Trump blasted as "dumb," before his administration agreed to honor it.

Immigration Minister Peter Dutton said about 50 refugees from Australian-backed detention camps in the South Pacific nations of Papua New Guinea and Nauru would receive confirmation letters under the U.S. Refugee Admissions Program in coming days.

The U.S. State Department confirmed on Wednesday that 54 refugees had been given approval. Mr. Dutton said decisions on some 1,200 other refugees were expected "in due course."

"All refugees approved for travel to the United States from Nauru and Papua New Guinea have passed the same stringent vetting processes that apply to all refugees considered for admission to the United States, and any individual not deemed to have met our vetting requirements will not be admitted to the U.S.," a State official said.

Australian Prime Minister Malcolm Turnbull said it was up to the U.S. to decide how many people were accepted under the "extreme vetting" processes ordered by Mr. Trump.

"President Trump had some reservations about it to say the least, but nonetheless, he is honoring that commitment made by his predecessor," he said on Wednesday.

The deal prompted an angry phone exchange in January between Messrs. Trump and Turnbull, with the U.S. leader later suggesting he could back out.

Gene Race

China is bidding to leapfrog to the front of genetic research, but its data-collection program lacks the rigor of the U.S. plan.

Five national precision-medicine programs

Announced	Country	Genetic data expected to be drawn from	Collected by year
2016	China	At least 1 million people	2020
2015	U.S.	At least 1 million	2022
2013	Saudi Arabia	100,000	2018
2012	U.K.	75,000	2017
2015	Qatar*	6,000	2017

China vs. U.S.

	China	U.S.
Data collection started	●	○
Data stored on a common server	○	●
Participants granted access to their data analysis	○	●
Participants' lifestyles monitored	○	●

*Pilot program

Source: staff reports

THE WALL STREET JOURNAL

tal. While volunteers' consent is sought before drawing samples, most participants agree and don't expect much in return, he said. "We can't promise to share anything with them. At this stage, we don't know what we may find ourselves," Mr. Shi said.

The U.S. plans to share personal results with participants, who will also get aggregated group results relating to the study they are taking part in.

Mr. Shi is among the first batch of scientists to receive a


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WORLD NEWS

Mexico Scrambles to Find Quake Victims

Death toll reaches 230 as rescuers race to save the living, retrieve the dead around the capital

BY JUAN MONTES
AND ROBBIE WHELAN

MEXICO CITY—Soldiers, rescue workers and volunteers worked Wednesday to find the living and the dead beneath rubble left by a 7.1-magnitude earthquake that destroyed scores of buildings in Mexico's capital and surrounding states.

The head of Mexico's Civil Defense Agency said Wednesday afternoon that at least 230 people had died, almost half of them in the country's capital. An estimated 1,800 people were injured, federal officials said. The death toll was expected to rise as an unknown number of people remain trapped in collapsed buildings.

President Enrique Peña Nieto declared three days of mourning for the people killed in the earthquake, the second one this month. Another quake hit southern Mexico on Sept. 7, killing close to 100 people.

In a slight revision downward, Mexico City officials said 38 buildings collapsed, most of them multistory apartment or office buildings that fell sideways or pancaked upon themselves. Social media was full of messages seeking the whereabouts of loved ones, as well as pictures of children who couldn't find their parents and abandoned pets missing their owners.

Federal authorities deployed some 27,000 army, marines and federal police to boost security and help in the recovery. Authorities said 52 people have been rescued from collapsed buildings in Mexico City. But others were still trapped on Wednesday.



Rescuers searched the debris of a collapsed building in Mexico City on Wednesday. The capital city bore the brunt of damage from Tuesday's 7.1-magnitude earthquake.

BRIAN L. FRANK FOR THE WALL STREET JOURNAL

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

The timing of the quake stunned Mexicans—coming on the anniversary of a devastating 1985 earthquake and less than two weeks after another big quake struck the country.

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 city 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 their mother 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 vol-

unteers used sledgehammers, pickaxes, shovels, their hands and construction machinery, frantically removing buckets full of debris to dump trucks.

The Cruz family kept a nervous vigil at the site since Tuesday afternoon and couldn't bring themselves to eat. There had been no news of her mother.

"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, located 60 miles south of the capital in Chiautla de Tapia, a town in neighboring Puebla state, according to Mexico's seismological service.

—Dudley Althaus
and Anthony Harrup
contributed to this article.

Focus Turns to Fate Of Children Trapped In Collapsed School

MEXICO CITY—Residents of the Mexican capital spent Wednesday grieving or trying to help recovery efforts after Tuesday's devastating earthquake. But many also spent the day rooting for a few children trapped alive under tons of concrete.

Rescuers worked for hours at the Enrique Rebsamen school, where at least 25 children died along with four

adults. By midmorning Wednesday, with television networks broadcasting live, a cheer went up at the site, as thermal sensors detected what they believed were two girls still alive. The sensor later detected more signs of life.

One girl, identified as Fa-tima by El Universal newspaper and believed to be 8 years old, was trapped behind a wall on what had been the second floor of the school.

"Can you hear us, little one?" rescuers shouted into a small hole in the rubble.

Hours after the quake, Fa-

tima, with what little battery that she had on her cellphone, began to send WhatsApp messages to relatives: "I'm fine, I'm with four other children trapped, help us, we're thirsty," her parents told El Universal.

Earlier Wednesday, rescuers freed a child named Victor who had spent the night caught by a collapsed brick fence, with only his head and right arm free. When soldiers found him, he asked for water and said he could barely breathe. He never cried, rescue workers told El Universal newspaper.

—Juan Montes

Earlier Wednesday, rescuers freed a child named Victor who had spent the night caught by a collapsed brick fence, with only his head and right arm free. When soldiers found him, he asked for water and said he could barely breathe. He never cried, rescue workers told El Universal newspaper.

—Juan Montes

Geography and Building Codes Play Important Role

BY DUDLEY ALTHAUS
AND DANIELA HERNANDEZ

MEXICO CITY—This city is one of the worst places to be when an earthquake strikes. That's because it sits on a former lake bed and near an array of tectonic plates that have been crashing into each other for more than a million years.

Mexico City's central neighborhoods were built on the bed of a long since drained highland lake on whose islands the Aztecs had built their city. The soft lake bed means that when a quake strikes, the ground goes very wobbly.

"Think of a bowl of jelly. If you shake it, it just keeps on shaking," said Gavin Hayes, a research geophysicist at the U.S. Geological Survey.

As an earthquake hits, soft materials, like clay, near the surface slow down incoming seismic waves, causing an energy pileup that can further augment shaking, according to Jascha Polet, a seismologist at the California State Polytechnic University, Pomona.

Sometimes, the soft sediment moves on its own in response to the earth shifting, further increasing the risk for structural damage to buildings, seismologists said. That movement can continue after the earthquake has stopped.

Nearly all of the estimated 38 buildings that fell during Tuesday's quake are located in areas of the former lake bed. Most of the capital and adjoining suburbs that together are home to more than 20 million people, sit on bedrock and emerged largely unscathed.

During the quake, buildings were visibly shaking and scores either toppled over or collapsed. Several of the downed buildings were shorter, older structures that perhaps hadn't been retrofitted to comply with more earthquake-focused building codes.

Mexico City's building codes improved dramatically in the years following the city's 1985 earthquake, a magnitude 8.1 tremor that killed more than 6,000 people and toppled nearly 2,300 buildings.

After 1985, "the building codes changed a lot," said Ricardo Warman, an architect who builds houses in the Condesa and Roma neighbor-

hoods, among the hardest hit. "That is why most of the buildings that fell are from the 1950s, '60s and '70s."

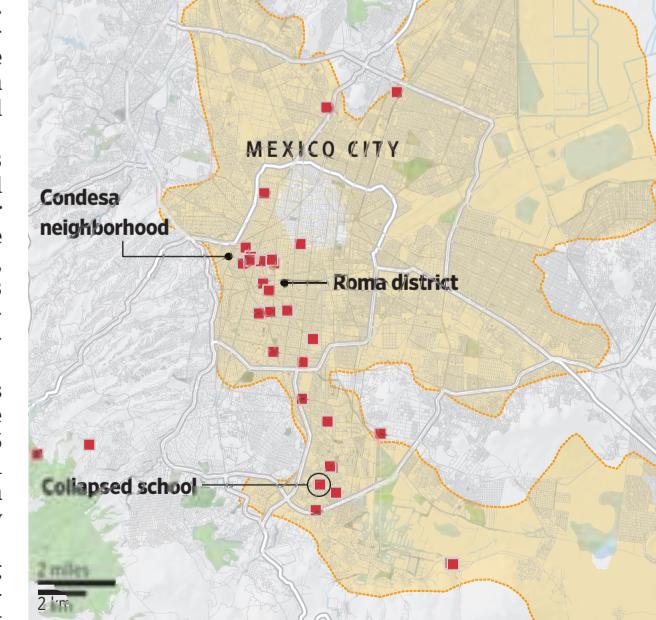
Mexico City's builders through the past three decades have been required to use sturdier columns and support beams. Lighter materials have replaced heavy concrete in multistory walls, floors and ceilings. Structures have been strength-

ened as their total weight has dropped, Mr. Warman said.

Of the older buildings, only those that suffered structural damage in the 1985 quake were required to undergo renovations to strengthen their ability to withstand temblors, such as reinforcing support columns and beams, Mr. Warman said.

Uneven Ground

Most of the buildings destroyed were in areas that were once covered by lakes. The relatively soft soil in this area was cited as a major reason for the destruction that occurred during an earthquake in 1985.



Sources: Mexican government (building locations); San Antonio College (lake area)

THE WALL STREET JOURNAL



'Los Topos' commemorating the Sept. 19, 1985, quake in a photo taken shortly before Tuesday's upheaval.

'Moles' Dig for Survivors

BY SANTIAGO PÉREZ
AND ROBBIE WHELAN

MEXICO CITY—The ritual is grimly familiar to most Mexicans: When a member of the Topos raises a clenched right fist from atop the rubble of a building collapsed by an earthquake, everyone goes silent so rescue workers can hear any pleas for help.

On Wednesday, the Topos—Spanish for moles—were out in force across this city.

They are a Mexican innovation, a volunteer force of usually small men and women who climb through shaky, extremely damaged buildings to pull survivors from the debris. They have become renowned for their bravery and skill in much of the world, helping rescue survivors of quakes and disasters from Iran to Indonesia.

On Wednesday, they were needed much closer to home.

"We came to this building just 20 minutes after it fell, and we haven't stopped, almost 24 hours later," said Alejandro Méndez, a 37-year-old civil-protection specialist who joined a Topos group 14 years ago.

Between late Tuesday and early Wednesday, Mr. Méndez and members of his Rescate Internacional Topos group helped rescue as many as 10 people from two collapsed buildings in the Villa Coapa district in southern Mexico City. They also retrieved more than a dozen bodies.

The Topos came to life exactly 32 years before Tuesday's earthquake, in the morning of Sept. 19, 1985. That is when an 8.1-magnitude earthquake leveled large sections of central Mexico City and killed at least 6,000 people. There are several Topos nonprofit organizations. All have specialized skills in rescue operations.

A member of Topos Adrenalina at the site, Ismael Villegas, age 46, was in Ecuador last year to help victims of a major quake there. The collapsed buildings in Mexico City, he said, were far larger than those in Ecuador, "with many, many people trapped."

After a quake, Topos arrive with their dogs to trace possible locations where survivors could be trapped. They begin to snake into the rubble, shouting: "Is there anyone in there?"

What they do next at a collapse site is the so-called *técnica topo*, or mole technique. "It's a purely Mexican technique," Mr. Villegas said. "Basically it consists of making tunnels between floors and between slabs. There are always spaces you can find and open up with a tunnel. And those tunnels are where you find life."

—Anthony Harrup
contributed to this article.

WORLD NEWS

President's Warning to Pyongyang Lifts Allies

Japan and South Korea offered cautious praise for President Donald Trump's tough talk against Pyongyang in his first address to the United Nations General Assembly, where he threatened to "totally destroy" North Korea should it attack America or its allies.

By Te-Ping Chen in Beijing and Megumi Fujikawa in Tokyo

China, meanwhile, reiterated its calls for the standoff to be resolved through dialogue, while Chinese state media criticized the president's remarks.

"We hope relevant parties can exercise restraint," said foreign ministry spokesman Lu Kang, who said U.N. resolutions aimed at Pyongyang reflected the "common will and consensus" of the international community.

Speaking at the General Assembly on Wednesday, Japanese Prime Minister Shinzo Abe said North Korean nuclear weapons either already were, or were on the verge of becoming, hydrogen bombs, presenting an unprecedented threat. He said Japan consistently supported the U.S. stance that "all options are on the table" in dealing with North Korea.

Mr. Trump on Tuesday blasted North Korea's pursuit of nuclear weapons and its missile program. He warned that Kim Jong Un's regime was "on a suicide mission," referring to the North Korean leader as "Rocket Man," and said de-nuclearization was its only acceptable option. Pyongyang has said in recent weeks that it wouldn't give up its nuclear weapons under any conditions.

A spokesman for South Korea's presidential office said the speech demonstrated the seriousness with which Washington regards the North Korean nuclear crisis.

Trump's Position Shakes Iran Deal

UNITED NATIONS—U.S. officials and their European allies exchanged sharply differing views on the benefits of the Iran nuclear accord Wednesday, capping a day of debate inflamed by President Donald Trump's assertion that he had decided on whether to stick with the deal—while not revealing his decision.

Secretary of State Rex Til-

By Felicia Schwartz,
Farnaz Fassihi
and Emre Peker

lerson met Wednesday night with international officials, but he said that Mr. Trump hadn't shared his conclusion with "anybody externally" and that the U.S. didn't tell the Europeans whether they would continue adhering to the deal. Mr. Tillerson wouldn't tell reporters what Mr. Trump would do.

But it was clear Mr. Trump's declaration—"I have decided," he said three times when asked about the nuclear deal—upended the day's discussions, prompting criticism from Iranian leaders and a scramble by European officials to try to calm the debate and address the U.S.'s concerns.

The Trump administration wants an agreement that addresses Iran's support for the Syrian regime, its allegedly malicious cyber activities and its testing of ballistic missiles.

Mr. Trump is leaning toward refusing to certify, officials and people familiar with the talks said. Mr. Trump faces an Oct. 15 deadline to certify Iran's compliance with the deal to Congress. If he doesn't do so, that would start a 60-day clock for Congress to consider reinstating the nuclear sanctions waived as part of the 2015 accord.

Following an evening meeting of the joint commission responsible for implementing the nuclear accord, European officials said all parties agreed it was working and that Iran was in compliance with its terms. "The agreement is concerning the nuclear program," said



Iran's President Hassan Rouhani criticized Mr. Trump at the U.N.

Frederica Mogherini, the European Union's foreign-policy chief. "As such, it's delivering. We all agreed that all parties are fulfilling their commitments, the agreement is being implemented. If there are other issues, we can discuss other issues in different fora."

Mr. Tillerson said that the exchange, held on the sidelines of an annual gathering of world leaders at the United Nations General Assembly, was candid, and that the U.S. has significant problems with the nuclear agreement, which was negotiated by the administration of former President Barack Obama.

"I think it's pretty difficult to say that the expectation of the parties who negotiated

this agreement have been met," he said, adding the deal has failed to deliver stability to the region. "Perhaps the technical aspects have, but in the broader context, the aspiration has not."

The U.S. argued that allies should join in steps such as imposing new sanctions against Iran, acknowledging they have been wary of doing so because of commitments under the deal.

Mr. Tillerson described his first contact with Iranian Foreign Minister Javad Zarif as "matter of fact" and "not an angry tone at all." He said there "was no yelling, we didn't throw shoes at one another."

Iran on Wednesday warned bluntly that the nuclear deal

Abbas Welcomes Gaza Deal, Pushes Two-State Solution

Palestinian Authority President Mahmoud Abbas on Wednesday heralded an agreement brokered by Egypt that will see militant group Hamas cede control of the Gaza Strip to his government, a significant development for the Palestinian national movement but one that faces obstacles to implementation.

Hamas took control of the impoverished Gaza Strip after parliamentary elections in 2006 and an armed conflict in 2007, leading to a stalemate within the Palestinian movement.

There have been no presidential or parliamentary elections since then, with the militant group presiding over Gaza and the Palestinian Authority, led by Mr. Abbas's Fatah party, ruling in the West Bank.

The two sides in recent days announced an agreement aimed at reconciliation.

Mr. Abbas, addressing the United Nations General Assembly in New York as the head of a nonmember observer state, said the Hamas-controlled gov-

ernment in the Gaza Strip had been "canceled." Mr. Abbas said the agreement would enable the Palestinian Authority to exercise its control in the Gaza Strip and allow for general elections to be held.

A major obstacle to reconciliation between Hamas and the Palestinian Authority will be whether the militant group allows Mr. Abbas's police into Gaza to manage security.

Mr. Abbas spent the bulk of his address assailing Israel. In contrast, Israeli Prime Minister Benjamin Netanyahu devoted very little of his speech on Tuesday to the Israeli-Palestinian conflict and instead focused on threats from Iran.

In his address, Mr. Abbas asked the nations gathered to uphold a vision for a two-state solution to the Israeli-Palestinian conflict, which he said was under threat.

President Donald Trump met with Mr. Abbas on the sidelines of the General Assembly and said there was a "good chance" of achieving Israeli-Palestinian peace. Still, the White House hasn't committed publicly to the establishment of a Palestinian state.

—Paul Sonne and Rory Jones

ments to media and in private bilateral meetings with Messrs. Trump and Rouhani.

French President Emmanuel Macron said he is trying to persuade Mr. Trump to not walk away from the agreement, and proposed a new initiative he hopes will persuade the U.S. to continue honoring the agreement.

Mr. Macron said he proposed that world powers keep the nuclear deal in place, but seek broad negotiations with Iran that address other issues that trouble the U.S., including Iran's development of ballistic missiles, how it uses its influence in the Middle East and the situation that will prevail after the current agreement expires in 2025.

NOTHING MYSTERIOUS

FOR VISIONARY INVESTORS

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WORLD NEWS

Italy's 5 Star Courts Broader Support



By GIOVANNI LEGORANO

ROME—Italy's antiestablishment 5 Star Movement is picking a new standard-bearer with a key qualification: He looks and talks like a mainstream politician.

The 5 Star Movement—one of Europe's largest upstart political parties—is set to choose Luigi Di Maio, the 31-year-old deputy speaker of the lower house of Parliament, as its candidate for prime minister in Italy's next general election, which must occur by May. He is running in an online vote this week, with the winner to be anointed on Saturday as 5 Star kicks off its campaign.

In Mr. Di Maio, an observant Catholic who prefers a suit and tie to the jeans worn by many 5 Star proponents, the group is choosing a figure who could pick off voters angry with established parties

but wary of the movement's firebrands and its more radical ideas.

"We absolutely don't want to create a populist, extremist and anti-European Italy," he told a group of Italian business leaders early this month.

'We don't want to create a populist, extremist and anti-European Italy.'

"Our objective is creating [and] building, not destroying....We have always repudiated populism."

Fueled by discontent over slow growth, high and persistent unemployment and a political class many voters see as self-serving, the movement founded by comedian Beppe

Grillo has rocketed to prominence. It took a quarter of the votes in its first national election attempt in 2013, and then won mayoral races in Rome, Turin and elsewhere last year.

Even as antiestablishment movements fade elsewhere in Europe, the movement's popularity has remained robust despite a series of high-profile stumbles from its outsider politicians, who have included students and unemployed workers.

But the rise of a man whose first paid regular job was as a member of Parliament has fed into criticism that the movement—which displays inexperience like a badge of honor—is unprepared to govern.

Nicola Biondo, a former 5 Star spokesman, said Mr. Di Maio "embodies the weaknesses of the movement....Giving large responsibilities to people who have never had any responsibility—they are

just too young—will be a disaster."

Mr. Di Maio said that regardless of the party's experience, Italy needs change. The 5 Star Movement "wanted more time to learn, to grow, to demonstrate it can run this country," he said during an appearance at Harvard University in May. "But given that experts have reduced the country to these conditions, we had no time." Mr. Di Maio declined requests for an interview.

An Ipsos poll this month for the Corriere della Sera daily asking voter intentions put support for the 5 Star Movement at about 27%, matching the Democratic Party—whose Paolo Gentiloni is currently premier—as Italy's largest.

The movement has vowed tougher anticorruption laws and a minimum guaranteed income if it emerges from coming elections as head of a minority government.

FROM PAGE ONE

STATES

Continued from Page One

data. That is in addition to the \$1.1 trillion that states need to pay for promised pension benefits, according to Pew.

The new level of transparency around retiree health expenses for public workers could lower municipal-bond prices and force new decisions to reduce or scrap retiree health benefits as a way of coping with ballooning future costs, some analysts and researchers said. "I think the market has understated the concern," said Richard Ciccareone, president and chief executive of Merritt Research Services LLC, a research firm that tracks municipal bonds.

Rising retiree health-care costs are compounding government pressures when many state and local officials are struggling to manage bal-

looning pension liabilities and balance their budgets. Waves of baby boomers are already wrapping up their working lives, and expenses are expected to rise in coming years.

"By not dealing with it, we could be setting ourselves up for a very unwelcome surprise," said New York State Comptroller Thomas DiNapoli.

The change will lower bottom lines by tens of billions for some state governments. In New York, the state's health-care liabilities as reported on its balance sheet will jump to \$72 billion once the new accounting rules are in place, up from \$17 billion. That new total would be 10 times the state's pension liabilities, Mr. DiNapoli's office said.

Mr. DiNapoli said New York has been upfront with bond-rating firms about its retiree health liabilities, but he hopes the new numbers will provide a wake-up call for policy makers. For the last decade, he has

helped draft legislation annually that would establish a fund to set money aside for retiree health costs, but he said those bills have stalled.

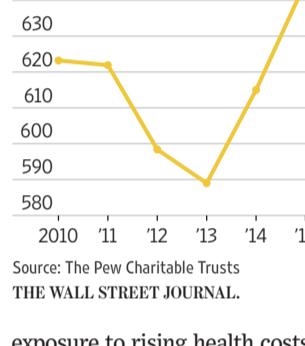
"If you can put money towards a school or a senior center today, that has a lot more appeal," Mr. DiNapoli said.

Most states have almost no money saved up for future retiree health-care costs and treat the benefits as an operating expense. States had just \$48 billion in assets set aside as of 2015, compared with \$693 billion in liabilities, according to Pew.

One state that has been setting aside more is Michigan, where retiree health-care liabilities have dropped by roughly \$20 billion since 2012 partly because of added state payments. The state also stopped offering retiree health care to new employees, instead contributing an additional 2% of salary to their defined-contribution plans to limit the state's

Medical Attention

Net retiree health-care liabilities for all U.S. states



Source: The Pew Charitable Trusts
THE WALL STREET JOURNAL.

exposure to rising health costs.

"It's transferring the risk for those inflationary items from the state to the employees," said Kerrie Vanden Bosch, director of Michigan's Office of Retirement Services.

Even so, states' retiree health obligations are still much smaller than future pen-

sion promises, which are already reported this way. Even if states were to start setting aside money for future costs, annual state spending on retiree health care would still be just 3.4% of expenditures, compared with 1.4% today, according to a study by the National Association of State Retirement Administrators and the Center for State and Local Government Excellence.

States that want to bring their liabilities down will likely face fewer legal hurdles to benefit cuts than they have with public pensions, which enjoy ironclad legal protections in many states. Courts have often upheld employers' rights to increase health-care costs and reduce coverage unless the benefits are laid out in explicit detail in a collective-bargaining agreement or protected by a state constitution, said University of Minnesota Law School Professor Amy Monahan.

Among more than 80 state and local governments surveyed last year by Segal Consulting, 57% said they were somewhat or very likely to reduce benefits in response to the new accounting standards. The guidelines aren't mandatory, though they are widely followed and ignoring them can complicate audits.

The American Federation of State, County and Municipal Employees, which represents public-sector workers, opposed the new Governmental Accounting Standards Board guidelines.

It said that "implementing new standards during a fragile recovery may lead to hasty and unwarranted decisions about retiree health benefits."

"If you're going to tell people that you're going to give the best years of your life as a firefighter or cop, you have to figure out a way to bridge those people to Medicare," said Steven Kreisberg, director of research and collective bargaining for the union.

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WORLD NEWS

Myanmar's Rohingya Flood Bangladesh

Members of Muslim minority struggle to survive after fleeing military crackdown

BY SYED ZAIN AL-MAHMOOD

TEKNAF, Bangladesh—Rashida, 20 years old, stood in the driving monsoon rain, trying to shelter her 10-day-old son with the end of her head scarf. She jostled with a crowd of about 100 people trying to reach a truck where volunteers were handing out packets of food.

She had no chance of getting close while cradling the infant. "I won't be able to eat today," she said. "If I can't get those packets, I have to go hungry."

Rashida is one of more than 410,000 Rohingya, a Muslim minority in Buddhist-majority Myanmar, who have fled to Bangladesh in recent weeks to escape a military crackdown in their home state of Rakhine. Many are camped out around the tiny border town of Teknaf, overwhelming support systems. Aid groups have warned of a humanitarian catastrophe.

Myanmar leader Aung San Suu Kyi said in a speech on Tuesday that the military hadn't conducted "clearance operations" in Rakhine since Sept. 5 and questioned why Rohingya were fleeing to Bangladesh.

Rashida said on Monday

that she saw attacks after that date. "She is lying. They are still burning our villages, killing people," she said.

Flames and smoke were visible on Wednesday in a Rohingya village on the bank of the Naf River, which separates the countries.

The Myanmar government didn't respond to questions about reports of continuing operations.

Rashida, who goes by one name, spends nights on the ground with a dozen other refugees, under a piece of tarpaulin propped up by bamboo.

The army came to Rashida's village near Rathedaung on the morning of Sept. 5, she said. She and her husband, Muhammad Yunus, a farmer, had sat down for breakfast when a neighbor burst in. Their village would be attacked, he said, and everyone had to leave.

Before Rashida, heavily pregnant, could gather her belongings, the village was surrounded by troops and a Buddhist mob, she said. "They came in shooting and setting homes on fire with flamethrowers," she recalls.

Rashida and her husband were separated as panicked villagers tried to escape. She hasn't heard from him since and doesn't know if he is alive. She joined other Rohingya women and children in a five-day trek through rice fields and



Rashida, a Rohingya woman, carries her newborn in Bangladesh, where she has fled from Myanmar.

least 80 large-scale fires in inhabited areas across northern Rakhine since Aug. 25.

"The evidence is irrefutable—the Myanmar security forces are setting northern Rakhine state ablaze in a targeted campaign to push the Rohingya people out of Myanmar," said Tirana Hassan, Amnesty's crisis-response director.

The latest violence erupted after Rohingya militants raided 30 police posts on Aug. 25. More than 3,000 people have been killed in the military crackdown that followed, according to the Bangladesh government and rights groups; Rohingya survivors say the number could be far higher.

Myanmar says the army is battling militants and trying to restore peace and stability.

Myanmar considers the Rohingya Muslims illegal immigrants from Bangladesh, though many have lived for generations in Rakhine, once an independent kingdom known as Arakan.

Bangladeshi officials say the Rohingya are Myanmar's problem and have called on the international community to help create safe zones in Rakhine to protect civilians. Bangladesh was already home to 400,000 displaced Rohingya before the latest crisis.

—Myo Myo
in Yangon, Myanmar,
contributed to this article.

wooded terrain to the Bangladesh border. Along the way, she gave birth in the woods.

Such accounts are common in the makeshift camps here, and are consistent with reports by human-rights groups that have accused the Myanmar military and army-backed Rakhine militias of carrying out ethnic

cleansing. The United Nations has backed that description.

Myanmar Defense Minister Sein Win said the government "did not do any kind of ethnic cleansing."

People fled to Bangladesh because they had links with terrorists, he said. Some Muslim villagers were still in the border

town of Maungdaw and weren't fleeing anywhere, he said, adding that the military was providing security for everyone there, including Muslims.

Amnesty International used satellite imagery, fire-detection data, photographs and videos to support a statement on Sept. 14 that there had been at

WORLD WATCH



Kenyan Chief Justice David Maraga, center, was flanked by other Supreme Court judges in session in Nairobi on Wednesday.

KENYA

Electoral Commission Failures Explained

The country's top court lambasted electoral officials in a detailed account of the reasoning behind its unprecedented annulment of August's presidential election.

The Electoral and Boundaries Commission failed to upload all of the legal forms verifying electoral results in thousands of polling station and shouldn't

have put out official results without them, the court said. A court study of a random sample of those that were provided found that many lacked proper watermarks, stamps and other marks of validity.

The justices added that the commission didn't comply with court requests to provide proof its electoral systems hadn't been hacked, and results therefore possibly compromised.

A new vote for president is scheduled for October.

—Matina Stevis-Gridneff

SPAIN

Thirteen Arrested Before Catalonia Poll

Police arrested 13 people in the region of Catalonia and in Madrid for their alleged involvement in planning a vote to secede from Spain, the boldest move yet by Spanish authorities to stop the proposed Oct. 1 ballot.

Early on Wednesday, Spain's Civil Guard police forces searched 22 properties, including

offices of Catalonia's regional administration in Barcelona, and arrested an official in charge of the region's economy, Josep Maria Jové, according to a spokesman for the Catalan government.

Twelve other people, most of them regional-government officials, were arrested on suspicion of abetting the organization of the unauthorized independence referendum, according to a police spokesman. One of those arrested was detained in Madrid.

—Jeannette Neumann

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IN DEPTH

TWEET

Continued from Page One
passing the original.

Ukraine has taken painful hits in its conflict with Russia, losing control of Crimea and some eastern territory and watching power grids fall to hackers allegedly from Russia. In the Twitter theater of conflict, however, it's holding its own.

The @Ukraine versus @Russia battle pits one of the world's cyberwarfare superpowers against the three nerdy Twitter comedians behind @Ukraine. The low-budget effort is run by Yarema Dukh, 30, and a colleague who have full-time jobs as press officers for Ukraine's president, and a third volunteer.

"It's cool when we kick Russia's ass," Mr. Dukh said in an interview in a coffee shop near the presidential administration.

For all its formidable inter-

net propaganda machinery, the Kremlin isn't very good at the peculiar and acquired humor of Twitter. About 80% of the tweets on Ukraine and NATO are concocted by Russian bots, according to NATO's Strategic Communications Centre of Excellence. They generally aren't very comic.

Thousands of tweeters have taken @Ukraine's side in its spats with accounts run by Russian foreign affairs staff. @Ukraine is generally funnier than @Russia, Twitter users say, and better at digging up obscure moments from American cartoons, the kind of retro pop culture humor that resonates internationally.

In one exchange, @Ukraine pasted a clip from "The Simpsons" in reply to @Russia. In it, a Russian diplomat's nameplate flips to read "Soviet Union." It went viral.

"Everyone in Ukraine is affected by the war, and it would be wrong not to use every tool

we have to fight back," says Mr. Dukh.

The Twitter fight "is an old phenomenon in a new form," says Mark Galeotti, a senior researcher at Prague's Institute of International Relations, who compares it to the Space Race or the Cold War's U.S.-Soviet hockey games.

"Once upon a time it would have been a chess match between the two countries," he says. "It's silly and petty, but then again human beings are silly and petty. So in that sense Twitter is fulfilling its role."

Many governments are ditching the stodgy politesse of public diplomacy in favor of juvenile tweets. U.S. President Donald Trump's regular insults of other world leaders have inspired some to fire back. Mexico's former president Vicente Fox often responds in profanity-packed English.

"He has found a way to make Twitter and Facebook an as effective if not more effective

bully pulpit than the actual Mexican presidency," said Adam Sharp, Twitter's former head of governments.

"While you were breeding moose, we were busy propagating the world," tweeted Denmark's official account to Sweden's, posting an article claiming Danish sperm donors were in demand.

"Sometimes it gets a bit, how can I say, rowdy," said Jacob Stenberg, the Swedish government official behind his country's account. "We're allowed to show that we're human beings and we can have fun."

The cyberbrawling echoes a disruption a century and a half ago, when the telegraph turned statecraft into a quick-reaction business of sharply-worded cables. "My God, this is the end of diplomacy," British statesman Lord Palmerston is said to have remarked.

Earlier this month, @Russia posted a picture of a flower

taken in "Crimea, Russia."

@Ukraine replied with a shot of John Travolta looking around an empty room: "The image eloquently captures the number of those who thinks likewise," it said.

Days later, a Russian embassy tweeted an esoteric summary of a United Nations report about Ukraine.

@Ukraine replied with a clip of Jimbo Jones, a cartoon bully from "The Simpsons," captioned "WRONG WAY, DINGUS."

This is all new for Ukraine. When the new presidential team arrived after pro-Russian president fled in 2014, they found a computer-illiterate bureaucracy. Most computers either didn't have a password or the password was just one keystroke—a tap of the space bar.

Mr. Dukh says he grew up absorbing English from American comedies, such as "Rick and Morty" and "Forrest Gump." He first visited an English-speaking country in 2014.

Russia does have some quirky Twitter users. Its London embassy is an eager poster that jabs Western critics. When Louise Mensch, an anti-Kremlin conspiracy theorist and former British member of Parliament, tweeted about the Russian embassy cat, saying the British Foreign Office's kitty "could run rings round her," @RussianEmbassy corrected her with a single word: "Him."

Ms. Mensch, a former employee of News Corp., the owner of The Wall Street Journal, didn't respond to requests for comment.

Ukraine has allies in the fight. When a Russian account in August boasted about Crimea's recent economic development, @Crimea, an account run by Mr. Dukh and his colleagues, shot back: "Guys, it's really time to try something new. Upholding human rights and not invading neighbours maybe?"

@Ukraine applauded the zinger: "K.O. with style."

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 to 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 public Q-and-A, one man asked the chancellor when he would be able to marry his boyfriend. During her lengthy 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 decades-long opposition to same-sex marriage, signaling support for a vote in which lawmakers would be exempt from following the party line.

German 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."

MERKEL

Continued from Page One
tended her sway over a wide 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 conservative 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 political 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 post-war order.

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



JOHN MACDOUGALL/AGENCE FRANCE PRESSE/GTY IMAGES

Angela Merkel | By the Numbers

63

Age

12

Years as chancellor

3

Number of elections won

5.8m

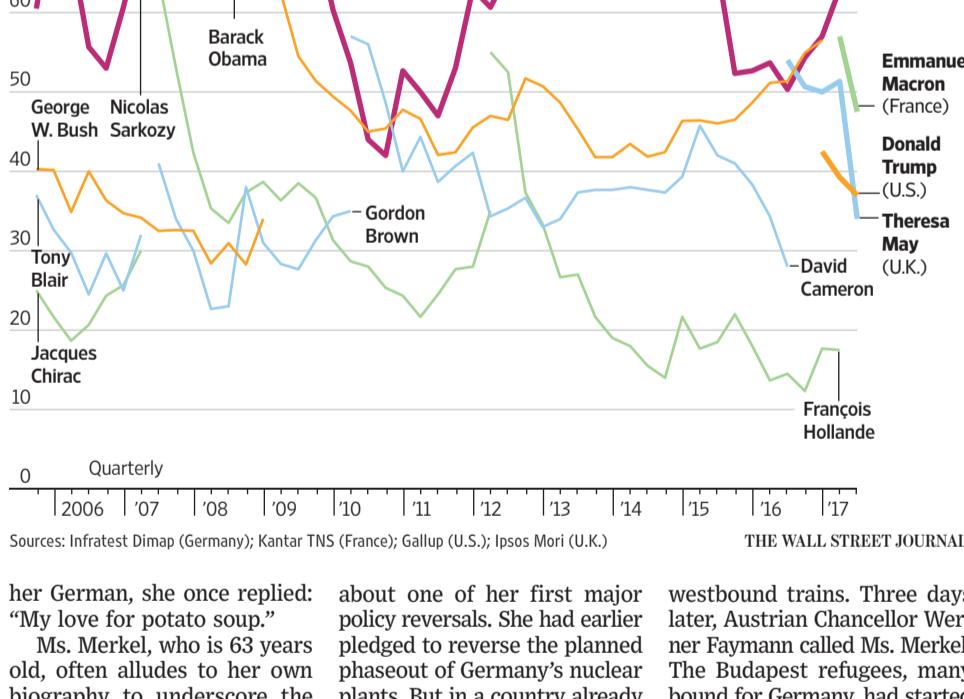
Net jobs added during tenure

2m

Asylum applications during tenure

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.)

her German, she once replied: "My love for potato soup."

Ms. Merkel, who is 63 years old, 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 power 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 across the country.

Under pressure, Ms. Merkel made a second U-turn. While she stuck to her humanitarian

discourse and defended her initial 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 the country, 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.

Ms. Merkel, who grew up be-

hind 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,

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."

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

GREATER NEW YORK

Prison Proposed for Weiner

Prosecutors say former lawmaker's sexting with girl, 15, was 'graphic and obscene'

BY ERICA ORDEN

Federal prosecutors requested a prison sentence Wednesday of 21 to 27 months for former Democratic Rep. Anthony Weiner, arguing the conduct to which he has pleaded guilty—transferring obscene material to a minor—amounts to more than "merely a 'sexting' case."

The sentencing submission claims that because Mr. Weiner encouraged the then 15-year-old girl to "sexually perform for him" on Skype and Snap-

chat, his punishment should go beyond the probation Mr. Weiner's attorneys have requested. He is scheduled to be sentenced on Monday.

The charge to which he pleaded has no mandatory minimum prison sentence but carries a maximum of 10 years.

"The defendant did far more than exchange typed words on a lifeless cellphone screen with a faceless stranger," wrote Assistant U.S. Attorneys Amanda Kramer and Stephanie Lake, in their submission filed in Manhattan federal court. They also noted Mr. Weiner "used graphic and obscene language to ask the minor victim to display her naked body and touch herself," sent her a message telling her "what he would do to her, if she were 18" and sent

her "adult pornography."

In the filing, prosecutors also dispute Mr. Weiner's attorneys' position that he engaged with the teenager "in spite of" her age.

"Weiner acknowledged that the age of the victim did matter to him," they wrote, suggesting he said as much to a court-appointed evaluator. Moreover, they alleged he "has acknowledged an interest in legal, adult, teen-themed pornography."

Mr. Weiner's attorneys, Arlo Devlin-Brown and Erin Monju, have said the teenager targeted Mr. Weiner for personal profit and "to influence the U.S. presidential election." On Wednesday, Mr. Devlin-Brown declined to comment on the prosecutors' filing.

The public exposure in Sep-

tember 2016 of Mr. Weiner's conduct with the teenager triggered a re-examination, days before the U.S. presidential election, of the federal probe concerning the private email server used by former Secretary of State Hillary Clinton. FBI agents seized a laptop from Mr. Weiner that had been used by both him and his wife, Mrs. Clinton's longtime aide Huma Abedin.

But prosecutors wrote in their filing that the teenager's motivations should be irrelevant to his sentence.

"Weiner, a grown man, a father, and a former lawmaker, willfully and knowingly asked a 15-year-old girl to display her body and engage in sexually explicit conduct for him online. Such conduct warrants



Former Rep. Anthony Weiner is set to be sentenced on Monday.

a meaningful sentence of incarceration."

Additionally, Ms. Kramer and Ms. Lake point to Mr. Weiner's record as a lawmaker to demonstrate his own understanding of the importance of punishment in sex crimes involving minors.

Noting that Mr. Weiner

once co-sponsored a bill to require sex offenders to register their email and instant-message addresses with the National Sex Offender Registry, prosecutors say his engagement with the minor "suggests a dangerous level of denial and lack of self-control" that merits a prison sentence.

Ritz Apartments Get a Haircut but They Aren't Cheap



MONEY VIEW: The market for trophy apartments in Manhattan has been roiled by six quarters of weak sales. Tommy Hilfiger's Plaza Hotel penthouse suite, whose patio has views of Central Park, is trying to find a buyer after a fourth price cut in the past few years. See A12B.

New App Helps Students Pick High Schools

BY LESLIE BRODY

As New York City students gear up to apply to public high schools for next fall, a free mobile app aims to steer disadvantaged students away from low-performing choices.

Researchers say many low-income students apply to underachieving schools near home, in part because their families often lack counseling that can help them navigate a complex admissions process.

The NYC High School Application Guide seeks to nudge students toward better options. Students type in their address, interests and willingness to travel more than 45 minutes, and the app shows them matches with the best graduation rates, among other data.

The Heckscher Foundation for Children, which aims to help underserved youth, invested more than \$2.5 million in developing the app with guidance from New York University researchers.

"If this tool improves the ability of some underserved youth to make choices that will give them a better chance of graduating high school, even if it is a small number, it will have been a success," said Peter Sloane, chairman of the foundation.

The app highlights schools with four-year graduation rates higher than 65% in a city where the on-time rate was about 70% for the Class of 2016.

The city's Department of Education has its own mobile tool called "NYC School Finder."

"While we welcome addi-

tional tools and resources for families," the city's version gives information about options in an easy-to-use way, a spokesman said. It is important to look at multiple measures, school officials noted.

If students follow the Heckscher Foundation app's recommendations, they will be steered away from most of the city's troubled "Renewal" schools, which could exacerbate declines in enrollment at

\$2.5M

Amount the Heckscher Foundation invested in the high-school app.

some of them. The city has invested millions in trying to improve these schools.

Many city families have long expressed trepidation about the daunting process of applying to a system of more than 400 public high schools.

Among more well off families, eighth-graders invest a lot of time visiting high schools and preparing for exams that can help them get into the better schools. But struggling families with limited social networks often don't hear about the best choices or can't afford tutoring that some other students get. The city has boosted services, officials said.

The app is expected to be released in the coming weeks.

Malliotakis Pushes Plan for Homeless

BY MARA GAY

Nicole Malliotakis, the Republican candidate for mayor of New York City, said she would divert tens of millions of dollars slated for homeless shelters toward building permanent housing instead.

"Let's not commit individuals to long periods, or life in a shelter," Ms. Malliotakis said Wednesday at a news conference in Queens, taking aim at Mayor Bill de Blasio's handling of the issue.

The number of people living in shelters reached more than

60,000 last year. Mr. de Blasio, a Democrat, has pledged to spend millions to build 90 new shelters over five years.

Ms. Malliotakis, a state Assemblywoman from Staten Island, said building permanent housing was "truly the compassionate thing to do."

She didn't have details Wednesday about how and where the permanent housing would be built, how much it would cost or how long it would take to implement the plan.

Mr. de Blasio said he hadn't seen Ms. Malliotakis's plan. But he said his administration had

made progress, noting that it has moved thousands of people from shelters to permanent housing, and has a 10-year plan to build or preserve 200,000 units of housing.

"That doesn't mean I'm satisfied, I'm not," he said at a news conference in Brooklyn. "This is a tough battle, a long battle."

Ms. Malliotakis unveiled her own, 15-point plan to address homelessness in June. Many of the initiatives, such as building supportive housing and creating rent subsidies, are already under way in the city.

An NBC 4 New York/Marist

Poll released Tuesday showed Mr. de Blasio leading Ms. Malliotakis by 47 percentage points, 65% to 18% among likely voters.

Ms. Malliotakis said her own internal polls show the race is closer.

Later, a campaign aide to Ms. Malliotakis emailed an internal survey showing her with the support of 33% of registered voters compared with Mr. de Blasio's 46%. The survey of 600 registered voters was conducted by Barry Zeplowitz & Associates, a polling firm. It has a margin of error of plus or minus 4 percentage points.

From left: California Gov. Jerry Brown, New York Gov. Andrew Cuomo, former Secretary of State John Kerry and Washington Gov. Jay Inslee discussed climate change in Manhattan on Wednesday.

States Stick to Goals of Paris Climate Pact

BY MIKE VILENSKY

States in a coalition adhering to the initial U.S. commitment to the Paris climate accord are on track to meet their environmental targets, despite the federal government planning to pull out of the global pact, New York Gov. Andrew Cuomo said Wednesday.

Earlier this year, President Donald Trump said he would withdraw from the Paris agreement in its current form, under which the U.S. pledged to reduce carbon emissions to combat climate change, along with other countries around

the globe.

Mr. Cuomo subsequently founded the U.S. Climate Alliance with fellow Democratic governors Jerry Brown of California and Jay Inslee of Washington, who said they would stick with the agreement's carbon-reduction protocols.

Mr. Cuomo was joined on Wednesday at his Manhattan office by Messrs. Brown and Inslee, as well as former U.S. Secretary of State John Kerry, where they promoted the Climate Alliance and announced that North Carolina was now part of the 14-member group.

Mr. Trump, a Republican,

has left the door open for renegotiating and staying in the global accord, but Mr. Cuomo, a potential 2020 presidential hopeful, said it wasn't worthwhile if the standards were less stringent.

"There's no reason to go backwards because we've proven we can meet these goals," Mr. Cuomo said.

Mr. Kerry said he hoped monetary aid the U.S. had pledged to developing countries as a part of the Paris accord could be replaced by private funds. That element of the accord hasn't been replicated by the state-level pact.

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YANKEE STADIUM

Young Fan Is Injured By Foul Ball at Game

A young girl at Yankee Stadium was injured by a 105 mph foul ball off the bat of Todd Frazier during Wednesday's game against Minnesota, leading some players to call for protective netting to be extended.

The Yankees said the girl was taken to a hospital for treatment, and New York manager Joe Girardi said he had been told by team security that she was OK. The game was delayed for about four minutes while she was attended to and then carried from the seats.

Major League Baseball issued recommendations for protecting netting or screens in December 2015, encouraging teams to have it in place between the ends of the dugouts closest to home plate. The Yankees said in an August statement posted on the team's website that they "are seriously exploring extending the netting prior to the 2018 season."

—Associated Press

HEALTH LAW

Christie Is Opposed To GOP Health Bill

Gov. Chris Christie said Wednesday he is opposed to a health-care overhaul measure that fellow Republicans in the U.S. Senate are pushing.

Mr. Christie said he has been lobbied to support the measure but won't because it will take money away from states like New Jersey that expanded Medicaid.

"I can't support a bill that takes \$3.9 billion away from the people of the state of New Jersey," Mr. Christie said Wednesday, citing a figure compiled by the nonpartisan Center on Budget Policy Priorities.

The legislation would repeal major elements of former President Barack Obama's law and replace them with block grants to states.

—Associated Press

CONNECTICUT

Fire Chief to Retire After Racism Flap

The New Britain fire chief will retire after being placed on paid leave following an investigation that faulted him for racial insensitivity.

Mayor Erin Stewart, a Republican, said Tuesday that she has accepted Thomas Ronalter's offer to retire.

Mr. Ronalter was placed on leave last month following a report from the city that said his insensitivity worsened perceptions of racism. The investigation was prompted by his refusal to hang a photograph of the department's first black chief on a wall of honor.

—Associated Press



Tommy Hilfiger's duplex penthouse at the Plaza was put on the market last week for \$50 million, a steep discount to the \$80 million asking price of a few years ago.

Trophy Apartment Market Loses Its Shine

Demand for \$50 million-plus Manhattan homes has slowed, forcing sellers to lower their asking prices

By JOSH BARBANEL

A few years go, Tommy Hilfiger, the fashion designer, put his lavishly decorated, five-bedroom apartment atop Manhattan's Plaza Hotel on the market for \$80 million.

At the time **PROPERTY** there was strong demand for the most expensive trophy apartments and prices were setting records. Now the market has slowed sharply, and Mr. Hilfiger joins many other sellers who have been forced to lower their expectations and asking prices.

Last week, after three earlier price cuts, Mr. Hilfiger brought his duplex apartment, with a terrace, and tea room built into a dome, on the market at \$50 million.

"It was worth a test drive of those bigger numbers," said Nikki Field, a broker at Sotheby's International Realty, who recently took over the listing. "I've got the right asking price now."

The trophy market has been roiled by six quarters of weak sales, uncertainty over valuations, and sellers who no longer build in expectations of rising prices into their offers, brokers said.

At 834 Fifth Ave., the 12,000-square-foot home of the late John Gutfreund, who headed Salomon Brothers, was listed last week at \$76 million, down from a \$120 million asking price in April 2016. There were two other intermediate price chops.

John Burger, a broker at Brown Harris Stevens who has the listing, said the original price was set because the seventh- and eighth-floor apartment, the largest co-op

Big-Ticket Slowdown

Manhattan apartment sales of \$50 million or more



Note: New condos include resales.

Source: WSJ analysis of city records

on Fifth Avenue, was a one-of-a-kind home that hadn't come on the market in many decades. Brown Harris Stevens shared the listing with A. Laurance Kaiser IV and Craig M. Dix from Berkshire Hathaway HomeServices New York Properties.

"The smart real-estate investor always will choose an asset that has scarcity value," Mr. Burger said. "There will always be another glass tower somewhere in Midtown Manhattan."

The most recent asking price, Mr. Burger said, was based on the "last large sale in the building," the March 2015 sale of an apartment on a higher floor at 834 Fifth owned by Woody Johnson, the owner of the New York Jets and the U.S. ambassador to the United Kingdom, to billionaire Leonard Blavatnik.

That apartment closed for \$77.5 million, and is the highest price paid to date for a co-op apartment in New York

City. But the market for older trophy apartments has cooled.

In the 2½ years since the Johnson apartment sold, there have been only two sales of older co-ops for more than \$50 million. The most expensive—the late art dealer Robert Ellsworth's 960 Fifth Avenue apartment—topped out at \$55 million in May.

With so few sales, listings are piling up; there are 22 for \$50 million or more according to Brown Harris Stevens, only seven of which are for apartments in new developments.

Kathy Sloane, a broker at Brown Harris Stevens, said there are many more potential sellers of trophy apartments out there sitting on the sidelines because of the uncertainties of the market. "There are sellers out there who do not want to list because they aren't sure what they can actually achieve in a price," she said.

Prewar Co-ops No Longer Reign

There was a time when affluent buyers had only one place to go find the most expensive and most prestigious trophy apartments: Grand prewar co-ops on the major uptown thoroughfares—Fifth Avenue, Park Avenue and Central Park West.

Now, the most expensive sales have been notched in new Midtown glass towers, and brokers are wondering whether the sales slowdown reflects a long-term change in the standing of uptown co-ops or a slow-moving correction as sellers gradually cut prices.

There have only been two sales for \$50 million or more at older Manhattan co-ops since June of 2015, but eight at a new condo tower at 432 Park Ave. in Midtown, according to city property records.

Many brokers say there is a disconnect in the current trophy market between the expectations of buyers and sellers that makes it hard for brokers to shape a meeting of the minds and help close deals.

After years of aggressive buyers amid rising prices, sellers of trophy apartments were slow to grasp the change when the market slowed and "continued to proceed as



Condo tower at 432 Park Ave.

though we were in a rising market," said Pamela Liebman, president of Corcoran Group, a New York-based brokerage.

"My best advice to sellers is don't even bother putting your apartment on the market, if you are not going to face the facts of the current market," Ms. Liebman said.

—Josh Barbanel

tures three terraces with Central Park views, is listed at \$78 million. It previously was listed for \$86 million in 2015, according to Streeteasy.com.

"It is a very fair price, especially considering everything else that is being offered," Ms. Sloane said.



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THE MIDDLE SEAT | By Scott McCartney

As a Hurricane Nears, A Plan for Travelers

Here are the factors to consider when looking for the fastest way home; How to get the most out of airlines, the limits of insurance and when to stay put



FROM TOP: JOSE JIMENEZ/GETTY IMAGES; RICARDO ARDUENGO/ASSOCIATED PRESS

Evacuation flights, like the one above in St. Maarten, were arranged after Hurricane Irma hit to help get travelers home. Cruise ships were used to ferry people from nearby Caribbean islands to Puerto Rico, below, where they could get flights to mainland U.S. cities.

one flight after another get canceled, including their Spirit flight. They looked for flights to Mexico, Belize and other countries out of the storm's path, but couldn't get seats. So they stocked up on water and dried food and got a room at the Bunker Hill Hotel, a small, family-run downtown hotel built on a hillside with thick concrete walls that have withstood many storms.

For those who don't want to stay put, evacuation services are sprouting up. Medical evacuation services such as MedjetAssist, where you pay an annual membership

fee for emergency medical evacuation services when needed, have been around for many years. Nonmedical evacuation services are growing. Medjet says it's considering adding optional coverage for natural disasters and pandemics.

Global Rescue offers both medical and nonmedical evacuation protection. The Lebanon, N.H.-based company helped find ways out of the path of the hurricane for about three dozen clients, including some on St. Maarten evacuated by Dutch military ships.

An annual membership for medical and security evacuations costs \$655 for an individual and \$1,155 for a family. Sales have been growing about 30% a year the past several years, says chief executive Dan Richards.

iJet International, a security advisory firm for corporations, universities, government and nongovernmental agencies, organized evacuations for about 900 people from several areas of Texas, Florida and the Caribbean.

iJet sent a team to Antigua to coordinate evacuations and move from island to island to get people out. Chartered aircraft and boats took evacuees to Puerto Rico, normally a good staging place for evacuees because it has lots of hotels and a big airport.

Still, not everyone got out. "In some cases we

needed to tell clients, 'You need to hunker down,'" says George Taylor, vice president of global operations for the Annapolis, Md., company.

Both Mr. Taylor and Global Rescue's Mr. Richards say one of the best precautions to take if you are traveling to a hurricane zone is to invest in reliable communications.

Mr. Richards recommends a satellite texting device. It costs about \$400—cheaper than a satellite phone—and requires a monthly service fee, usually under \$20. (The fee usually can be suspended and activated for trips.)

Airlines say there are limits to how many extra flights they can add on short notice, and how close to the storm they can get. Spare planes and crews are few. Positioning hundreds of planes and thousands of pilots and flight attendants out of the storm's path can take a couple of days when big hubs are affected, forcing early cancellations from storm-impacted areas.

There are other reasons airlines shut down early, too. Outer bands of the storm can bring winds that exceed airplane limits for takeoff and landing. Airport security screeners, ground handlers, agents and other essential workers evacuate to take care of their own families and homes. And airlines and airports figure an early shutdown minimizes the number of people left stranded at airports, which may not be secure shelters for major storms.

People involved in the evacuation say JetBlue pushed hard to get extra flights in. The airline says it flew 54 extra trips from the Caribbean and Florida ahead of Irma, carrying 4,500 extra passengers. And Delta got props from aviation bloggers for a flight from New York that slipped into San Juan between storm bands, loaded up quickly and flew 173 passengers out.

Pricing is another issue. As last-minute business travelers know, when demand surges for the last seats, ticket prices soar. That led to accusations of price gouging, and airlines capped ticket prices out of Florida and other Irma-impacted areas, usually under \$200.



A TENSE SIX DAYS AFTER HURRICANE IRMA

When Naomi Ayala realized flights kept getting canceled and she'd be stuck on the island of St. Thomas for Hurricane Irma, she knew just where she wanted to be: the Bunker Hill Hotel, a solid concrete structure built in a hillside high enough to avoid major flooding and walking distance to a town and ferry.

The hotel housed 11 guests who hadn't been able to get out, plus the proprietor's family. Ms. Ayala, who works for a major liquor distributor, had survived a Texas tornado but found that seemed to pale in intensity compared with Irma. Early Wednesday morning the electricity went out.

Wind and rain peaked in the afternoon. Palm trees were uprooted; the roof was damaged. "There were four hours that were pretty terrifying," she says.

Once the storm passed St. Thomas, Ms. Ayala and other guests spent Thursday helping clean up, mopping water out of the hotel. On Friday afternoon, a friend got a text message through that Marriott was chartering a large ferry to evacuate its stranded guests from St. Thomas

that evening. At the time, Hurricane Jose appeared to be about 36 hours away from the Virgin Islands.

The boat took 620 Marriott guests from three St. Thomas resorts to Puerto Rico. About 35 people from other hotels showed up at the dock and begged to board. They were asked to wait until all Marriott guests had boarded. Then Ms. Ayala says one Marriott worker told them they could board. A second employee said no, insisting the local Port Authority denied permission because they weren't on the manifest.

Marriott had compiled in advance.

Confusion erupted. Some port officials told them the port had granted permission but Marriott didn't want to take them. The boat

pushed off and port officials turned out the lights, leaving the three dozen stranded travelers to disperse in the dark. "It was heartbreaking and devastating to see everyone in tears watching that boat go away," Ms. Ayala says.

On social media, travelers accused Marriott of abandoning them because they weren't customers. Marriott says it had room on the boat and agreed to take the stranded travelers, but local officials refused. "As grateful as we are that we were able to transport our guests, we are saddened that we were not able to do the same for more people," a Marriott spokeswoman says.



Hurricane Irma did serious damage in St. Thomas, in the U.S. Virgin Islands, when it passed through this month.

The Virgin Islands Port Authority couldn't be reached for comment by phone or email. However, Beverly Nicholson-Doty, commissioner for the U.S. Virgin Islands Department of Tourism, confirms that local officials blocked boarding because there wasn't time to process additional passenger names before the ship had to sail. "We had to follow protocol," she says. "It was not possible to accommodate passengers who have not undergone the registration process."

On Saturday, Ms. Ayala waited six hours at a port and got on a Puerto Rico-bound boat that had brought in relief supplies. She got a flight home late Tuesday, six days after the storm.

—Scott McCartney

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SCHOOLS

Schools Fight Morning Gridlock

Cars-only lanes, 'walking buses' and drive-through lots are among the efforts to quell the chaos

BY ANNE MARIE CHAKER

THIS FALL, some schools are devising new ways to quell the increasing chaos of morning drop-offs: the long lines of cars backing up traffic; the parade of yellow buses making wide turns; crossing guards herding children across busy roads and everyone trying to make it before the bell.

Budget cuts have meant fewer bus routes and more parents driving, say principals and superintendents. An emphasis on walking and bicycling to school has created a need for more crossing guards and sidewalks. At the same time, traffic fatalities among children rose slightly in 2015, the most recent year available, though fatalities overall have been declining.

"Schools need to be working hand in hand with their cities to figure out how to reduce the congestion," says Nancy Pullen-Seufert, senior research associate at the University of North Carolina's Highway Safety Research Center in Chapel Hill, N.C. "It's not just about how do we get everyone into school on time."

In Marshfield, Wis., a coordinated effort by the school district, city and police department has allowed Washington Elementary School to remap its morning. Last



3 Ways to Speed Up Drop-Off

1. Enlist older students in safety patrols, so they can guide younger children who are walking or on bikes.
2. Create a cars-only loop at the school to prevent morning traffic backups on busy roadways.
3. Move the drop-off point for buses to an off-site location so they aren't competing with cars.

year, cars and buses shared a single entrance and exit, backing up traffic. "It wasn't pretty," says Principal Peg Geegan.

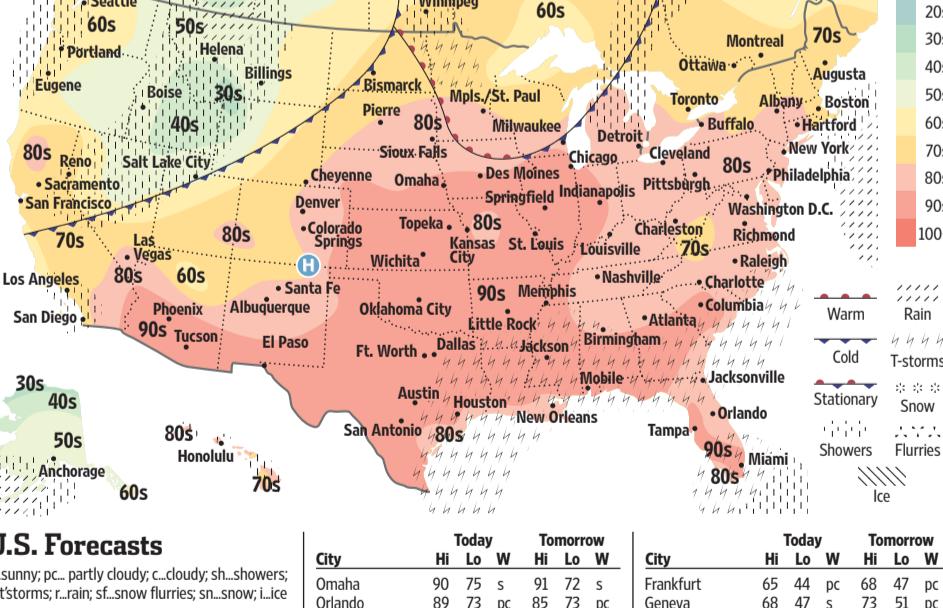
The school transformed its parking lot into a drive-through for parents who want to drop their children at the front door. At 7:15 a.m., custodian Matt Schafke

plants orange cones and a sign that reads "curbside pickup" along a 50-foot stretch by the school's front door. By 7:25, a half-dozen teachers and teacher assistants join him out front to wave cars along and point them in the right direction. A "safety patrol" of yellow-vested fifth and sixth-graders

guide students who are walking or on bicycles.

Sarah Bennett, a special education assistant at the school, is the drop-off area's enforcer. "I will go up to a car and say, 'you need to keep moving, you're holding up the line,'" she says. The school designated off-site parking areas

Weather



U.S. Forecasts

s.sunny; pc..partly cloudy; c..cloudy; sh..showers; t..tstorms; r..rain; sf..snow; sn..snow; l..ice;

Today Tomorrow

Hi Lo W Hi Lo W

City Anchorage Atlanta Austin Baltimore Boston Burlington Charlotte Chicago Cleveland Dallas Denver Detroit Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

Today Tomorrow

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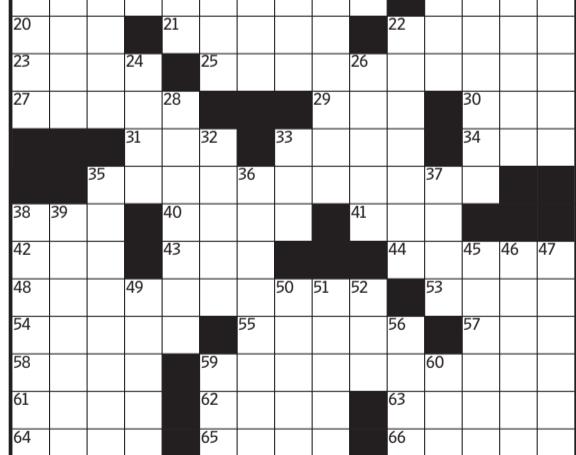
City Amsterdam Athens Bagdad Bangkok Beijing Berlin Brussels Buenos Aires Dubai Edinburgh

Today Tomorrow

Hi Lo W Hi Lo W

City Frankfurt Geneva Havana Hong Kong Istanbul Jakarta Jerusalem Johannesburg London Madrid Manila Melbourne Mexico City Milan Moscow Paris Rio de Janeiro Riyadh Rome San Juan Seoul Shanghai Singapore Sydney Taipei Tokyo Toronto Vancouver Warsaw Zurich

The WSJ Daily Crossword | Edited by Mike Shenk



BACK TO NATURE | By Harold Jones

- Across**
- 1 Routine
 - 6 Porter of the Washington Wizards
 - 10 Final destination
 - 14 Bakery come-on
 - 15 Jay who was the first host of "Last Comic Standing"
 - 16 About
 - 17 Bill for all those bloody cocktails?
 - 19 Private dining place
 - 20 Airport fixture
 - 21 Worry
 - 22 Players' paces
 - 23 "Joyeux" holiday
 - 25 Pale-yellow marsh plant?
 - 27 Destructive crime
 - 29 Invention, of a sort
 - 30 Spot for a first shot
 - 31 Euchre ancestor
 - 33 Without foundation
 - 34 Raised routes
 - 35 Mariner who's good at island-hopping?
 - 38 Pale hardwood
 - 40 Triceps connection
 - 41 Strengthened
 - 42 Pin
 - 43 Prearranged
 - 44 Emmy winner for "Homeland"
 - 48 Log flume's function?
 - 53 Petulant expression
 - 54 Printer's problem
 - 55 Kaaba dedicatee
 - 57 Tea dispenser
 - 58 Martin who wrote "Money"
 - 59 The Lakota's Wakan Tanka, "the Great Spirit?"
 - 61 Rio's Carnaval precedes it
 - 62 Magazine's contents

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

for parents who want to linger longer or walk their children to the door. Buses now drop children off on South Schmidt Avenue alongside the school, and a staff member helps guide students to the front door. A new crossing guard helps students cross South Lincoln Avenue, a busy cross street.

The number of child motor vehicle traffic fatalities rose 5.5% in 2015, the most recent year available, according to a 2017 Transportation Department analysis. Nearly half of all weekday child pedestrian fatalities happen in the before-school hours of 6 and 9 a.m. and after-school between 3 and 6 p.m.

As the minutes get closer to start time, stress levels mount for parents who may be running late for their own jobs. Delaina Baker, who works at an Orlando marketing agency, says she routinely sees parents cutting through parking spaces to get ahead in the car line at her sons' school. "It's tempting to slow down to 5 miles an hour and let my boys Duke of Hazzard roll out of the car because I'm late for a meeting," she says.

Afternoon pickups can present their own set of issues as parents and caregivers rush in to locate their child among the masses dismissed at once. Byers, Colo., School District 32-J, a K-to-12 campus, now staggers dismissals, giving smaller children space from teenagers, and issues name placards for parents' cars. When a car arrives, a staff member radios the name on the placard to the school secretary, and the student is summoned to the car.

"Only a few students are exiting at a time, so it has lengthened our pickup process 15 to 20 minutes," says superintendent Tom Turrell. Parents haven't complained, he says, because the new routine feels more organized and the school can better ensure that children are leaving in the right car. Once car pickups are done, walking students are released and given five to 10 minutes to disperse; high-school students are then let out. Buses leave the parking lot last.

Some families have come up with their own way to navigate the bustle. Ben Winig, an attorney in Walnut Creek, Calif., asks neighbors if his son Rohan can cut through their property to bypass busy streets. He has also worked with the principal at Rohan's school, Walnut Heights Elementary, to develop a "walking school bus," a parent-led convoy of walking students. The school equipped parents with vests and flags.

Wellsville Elementary School in Wellsville, Pa., this fall added a second cars-only lane, says principal Faithie Rotz. Previously, there was only one loop for buses; cars had to park in the nearby lot and then parents had to navigate bus traffic to get to the school entrance. "It was a dangerous situation," says Ms. Rotz. Now, with a second loop for cars, "parents are loving that they don't have to walk in the rain."

63 Hang with grace	22 Like some presidential communications
64 Perry Square setting	24 1970 Kinks hit
65 They run free: Abbr.	26 Words before wintergreen or cloves
66 Opposite of "faster"	28 Clean fellow
Down	32 Lascivious sort
1 Port about 100 miles south-southwest of Key West	33 Good name for a financial planner
2 Clay, e.g.	35 Founder of the Islamic Republic of Iran
3 Marseille men	36 Clear-walled habitats
4 Maker of calls	37 He was alone for a while
5 Principal	38 Sotheby's event
6 Oldsmobile model of the 1970s and 1980s	39 Be scintillating
7 Come to	45 Milky Way section
8 "Enough of your misbehaving!"	46 Greece spot?
9 Globe	47 Postal party
10 Oven feature	49 Pour juices over
11 It's defined as the distance light travels in 1/299,792,458 second	50 Camel cousin
12 1960s role for Diana Rigg	51 Mishmashes
13 In any case	52 Area of Mars
18 Squadron leader's org.	55 Bland goo
	60 Significant stretch

Previous Puzzle's Solution

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SAMOA	TILE	EXT
PLEAS	BE BRIE	DRE
OTC	ELL	DRDRE
FRAU	EEG	AGEE
TURNOVER	RANEWEA	LEA
EPPS	RFD	STEW
TWEET	ESO ALL	
VIRGINIA	WOOL	
SSE	NODS	ZOOMBS
TEX	GRASS	FEDBEE
ATP	ISRAEL	GERE
ROO	NEEDED	EYES

LIFE & ARTS

EXHIBITION REVIEW

An Ode to the Noble Steed

An equestrian trail through the complex world of Ancient Greek pottery, where the animal held high cultural significance



Clockwise from above: detail of a red-figure lekythos (350-40 B.C.); black-figure cup, (c. 510 B.C.); red-figure pelike (c. 430 B.C.)

BY E. A. CARMEN

Middleburg, Va. **IF YOU ASK TODAY'S** average American to name an image of a horse in ancient Greek culture, a likely response could be the Trojan Horse, the flying stallion Pegasus or the equestrian parade from the Parthenon. These are all represented or linked with works in a splendid new exhibition, "The Horse in Ancient Greek Art."

The show was organized by Nicole Stribling, a curator at the National Sporting Library and Museum here, and by Peter Schertz, curator of ancient art at Richmond's Virginia Museum of Fine Arts, the exhibition's next venue.

A presentation about "the horse in art" intimates a popular appeal, yet this exhibition is serious and scholarly, gathering over 70 important works from major American museums and private collections and featuring a catalog with essays by additional curators and scholars. Greek pottery properly dominates, amplified by coins and small sculptures, with room for an eighth-century B.C. bronze riding bit decorated with horses' heads and a horse-shaped rhyton cup, remarkably akin to today's stirrup cups.

Horses in Ancient Greece were used for riding or for pulling a chariot. The exhibition's installation in the NSLM's handsome galleries presents both, within further refined categories of sport and warfare.

They create an equestrian trail through the complex world of Ancient Greek pottery, with a great variety of shapes, and with its every-

day and mythological figures painted in different styles, can appear more appropriate for study by art historians and archaeologists than the average museumgoer. But this show's focus offers a larger perspective.

To be sure, these objects are aesthetically important, for the horse held a high place in this culture. Oxen, mules and donkeys did the farming, hauling and general transportation. Horses were reserved for sports, hunting and warfare. So too, it was expensive to own a horse, making them—and their imagery—a mark of social distinction.

both the Olympics and the Panathenaic Games at Athens. A pair of *quadrigas* are depicted racing on one of the works shown here.

Art-museum curators regularly dream of bringing together important works normally in different locations. Mr. Schertz has now paired two remarkable amphorae, both attributed to the same artist, one from his institution and the other long in a private collection. Featuring a *quadriga* chariot seen from the front, the private work adds a possible female owner interacting with the outside-right horse. (Although excluded from other events, women were allowed to compete as owners in the equestrian events.) This casual scene joins other "stable activity" pieces in the exhibition depicting grooming, feeding and the harnessing to a chariot.

Another portion of "The Horse in Ancient Greek Art" presents war waged by the horse-and-rider cavalry and includes a small amphora featuring an Athenian cavalryman, an image readily compared with the horsemen on the Parthenon's frieze.

Riders and war horses appear on three works presenting scenes of mounted Amazons, the legendary women warriors: a *lekythos* (a tall jar), a *krater* (a formal mixing bowl) and a *patera* (a shallow drinking bowl). They join the show's mythological part-equine satyr and centaur figures.

Here too are two images of Pegasos (the Greek spelling), the winged flying horse sired by the sea—and horse—god Poseidon with the Gorgon Medusa, who appears on an Apulian *patera* and in an elegant rendering on a *disjecta membra* fragment from a *krater*.

Both chariot and horse-and-rider competitions were run on a long hippodrome track, with turning posts as each end. "The Horse in Ancient Greek Art" features a *krater* showing riders rounding a turning pole; with the verisimilitude of instant replay, the lead horse looks back as the trailing horse knocks a trophy pot off the column.

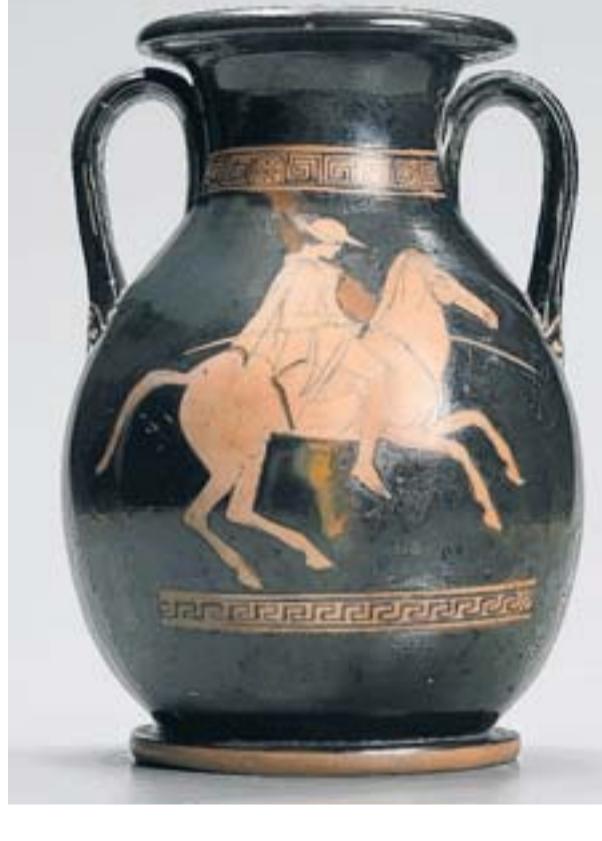
One small cup stands out aesthetically amid the rich pageantry of action and form in "The Horse in Greek Art." The vessel's small center painting—less than five inches across—presents a single figure, identified as a traveler by his cape and long stave, on a cantering horse. This image's incised details and refined drawing of the silhouettes of horse and rider cohere to make a realistic,

natural depiction—the magic "perfect" combination of Greek Classical art. It is an equestrian prize in a field of wonderful things.

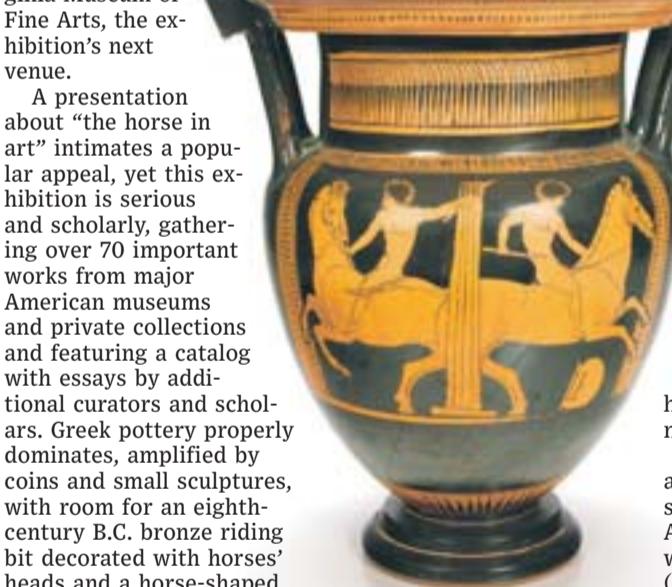
The Horse in Ancient Greek Art

National Sporting Library and Museum, through Jan. 14, 2018

Mr. Carmean is an art historian and a canon in the Episcopal Church. He lives in Washington.



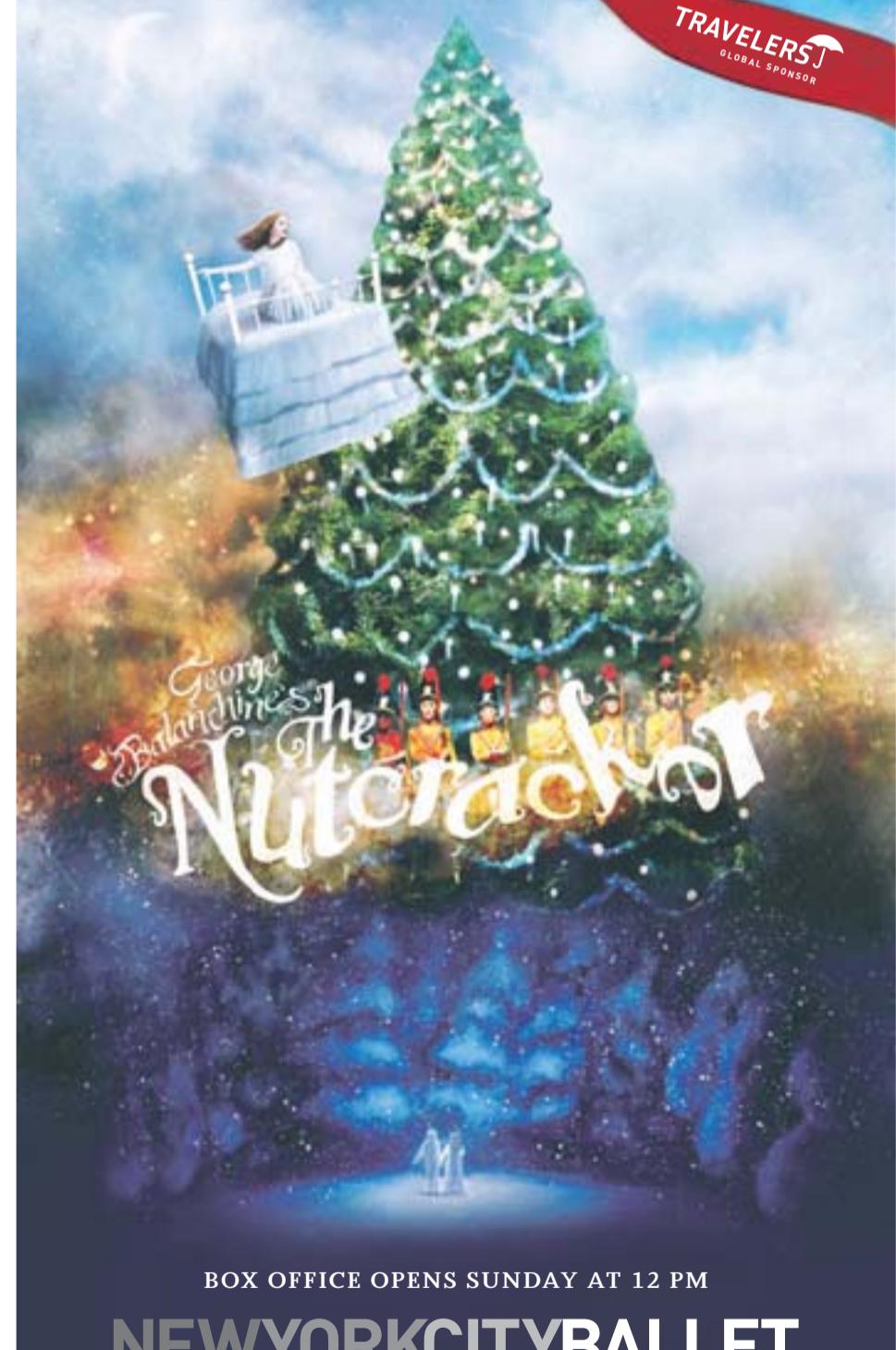
CLOCKWISE FROM TOP LEFT: VIRGINIA MUSEUM OF FINE ARTS (2); TAMPA MUSEUM OF ART; VIRGINIA MUSEUM OF FINE ARTS; PRIVATE COLLECTION



A chariot with a two-horse team (a *biga*) or four (a *quadriga*) represented the highest equine place in both Greek mythology and daily society. Chariots in procession appear on Geometric style Greek pottery from the eighth century B.C., as found on an amphora shown here. Chariot races, as well as horse-and-rider contests, were part of



Knob-handled patera (c. 320 B.C.) with Pegasus, above, and a red-figure column crater (c. 440 B.C.) with jockeys, at center



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SPORTS

MLB

How Players Use New Data Analytics

The Twins' Byron Buxton, baseball's best fielding outfielder, used Statcast to learn that his first step could be quicker

BY JARED DIAMOND

BYRON BUXTON, the human vacuum cleaner who patrols center field for the Minnesota Twins, reached a frightening conclusion last winter: Even with his sprinter speed, superhuman instincts and unparalleled fearlessness around the wall, his defense could still be better.

He arrived at that belief thanks in part to Statcast, Major League Baseball's sophisticated player-tracking technology that counts Buxton as perhaps its prototype player. With data provided by Statcast and the Twins' coaching staff, Buxton learned that his first step—how quickly he reacts after the ball connects with the bat—wasn't as quick as he would have liked.

So over the offseason, he spent a couple weeks at his old high school in Baxley, Ga., focusing intensely on trying to improve an area that not long ago couldn't have been quantified.

"I picked up on the numbers and I was like, 'Well, I can be better than this, I can do this better,'" Buxton said in an interview this week at Yankee Stadium. "So I started picking out the small things that I felt like I could get a little better at."

Launched across all 30 ballparks in 2015, Statcast uses high-resolution cameras and radar equipment to record the location and movements of the ball and every player on the field.

For hitters, Statcast captures things like exit velocity and launch angle, already giving rise to a revolution of players attempting to adjust their swings to maximize ideal contact. It offers precise velocity and spin rate on pitches, as well as a host of baserunning and defensive metrics that never before existed.

MLB created the system partly for fans craving additional data. But it is also a powerful player-evaluation tool for front offices in the age of analytics.

"It makes the great players look great and the not-so-great look worse," Twins right fielder Max Kepler said. "It exposes everything."

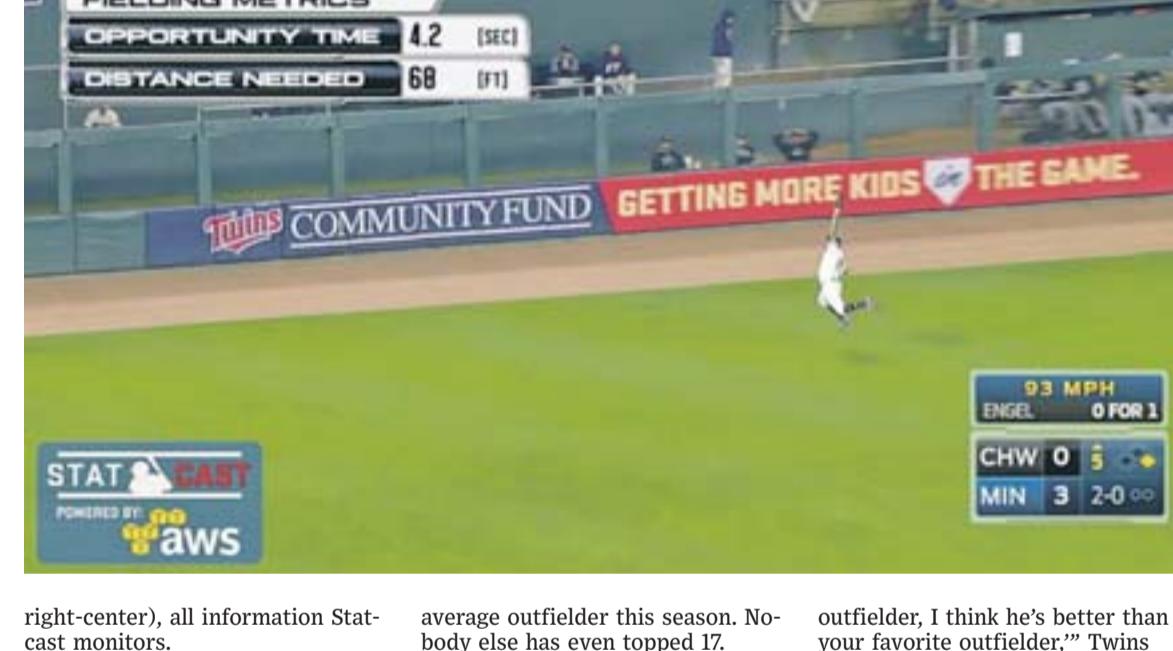
It doesn't take supercharged computers to recognize Buxton's brilliance in the outfield. He could cut an impressive highlight reel filled with gravity-defying catches from 2017 alone—a key reason why the upstart Twins own the American League's second wild-card spot with 10 games remaining.

But as organizations continue to emphasize defense—an element long under-appreciated because of the difficulty in measuring it—tools like Statcast reveal that, in many ways, Buxton stands alone.

Because of Statcast we know that on one leaping catch last month, Buxton ran 68 feet and reached an elite top speed of 29.7 feet per second. On another play last week, we know Buxton tracked down a ball that the average outfielder would fail to catch 82% of the time. That figure is based on how much ground Buxton covered (112 feet), how much time he had to cover it (5.4 seconds) and the direction he ran (back and toward



Byron Buxton has saved 24 outs over the average outfielder this year, according to Statcast. In a screengrab from MLB.com, below, Buxton ran 68 feet and reached a top speed of 29.7 feet per second to make a catch on Aug. 30.



T-B: BRACE HEMMELGARN/MINNESOTA TWINS/GETTY IMAGES; M-LB

right-center), all information Statcast monitors.

All told, according to Statcast, Buxton has saved 24 outs over the

average outfielder this season. No body else has even topped 17.

"Before, it was more word-of-mouth: 'Hey, this is my favorite

outfielder, I think he's better than your favorite outfielder,'" Twins left fielder Eddie Rosario said. "Now we have proof."

Buxton's wizardry routinely leaves his teammates in awe. Twins pitcher Kyle Gibson, the self-described "recipient of a lot of really good plays" from Buxton, said he often dashes into the video room during games to check the stats on Buxton's latest masterpiece.

Kepler recalled a recent play where Buxton drifted so far into right-center to make a catch that afterward, outfield coach Jeff Pickler joked, "Kep, Buck's killing your range factor, man."

"It's starting to get to the point where they're not as surprising as they used to be," Pickler said.

Inside clubhouses around baseball, players simultaneously marvel and scratch their heads at the volume of numbers that Statcast spits out.

Rosario likes seeing the velocity on his throws from the outfield and the distance of home runs. "Sometimes I question them," he said, "but, hey, it's a computer, so it must be true." Kepler quipped that "they're going to have us wearing trackers soon."

But to the talent evaluators and decision-makers in charge, the numbers undoubtedly matter. In the case of Buxton, the increased value of defense helped keep him in the lineup in the face of a dreadful slump to open the season. Heading into the Twins' contest on July 4, Buxton found himself hitting just .195 with a .552 on-base-plus-slugging percentage, the lowest in the majors among players with at least 250 plate appearances to that point. He had struck out once every 2.9 at-bats.

"My parents taught me when I was small: Don't let one thing affect the other," Buxton said. "You have a bad day at the plate, don't let that affect you in the field, because I could still help the team out."

He certainly could. Because of Buxton's otherworldly defense, the Twins never considered benching him. Gibson said they "couldn't make up" Buxton's fielding prowess without him manning center field on a daily basis.

Indeed, according to the website Baseball-Reference, Buxton has been the second-most valuable defender in all of baseball this season at any position, trailing only Los Angeles Angels shortstop Andrelton Simmons.

"Whether it would be players or coaches, it was extremely obvious to everyone that he was definitely part of a winning formula, even performing the way he was for the first half of the year offensively," Pickler said.

Since then, Buxton has rewarded his team's faith, living up to the promise that convinced the Twins to select him with the No. 2 overall pick in the 2012 draft. To take Buxton, Minnesota passed up on talent like Corey Seager, the 2016 National League Rookie of the Year for the Los Angeles Dodgers, and Chicago Cubs shortstop Addison Russell, an All-Star last season.

Since the All-Star break, Buxton has hit .305 with a .939 OPS, leading the Twins into the thick of the playoff race—a remarkable feat, considering Minnesota finished 59-103 in 2016. No team in history has qualified for the postseason one year after losing 100 games.

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OPINION

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—about 17 times as big as what hit Hiroshima in 1945—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 preempt 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.

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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.

The way Mr. Trump said it, but the rest of the rational world will adapt.

Adaptation of some sort is needed as well to Mr. Trump's thoughts on sovereignty, mentioned more than 20 times in the speech. I haven't anything enlightening to add on this subject because 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, for instance when renegotiating a

trade agreement between the U.S. and Mexico. 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 U.N. 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, for all the time they've spent talking about sovereignty, 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.

or institute more-sensible regulations. Liberal states could even duplicate the ObamaCare exchanges, if they want to implement a failed model. In any case, states would have to continue to provide some form of coverage for people with pre-existing conditions.

Start with Rand Paul. Can he vote 'no' on Graham-Cassidy after voting 'yes' in July?

Passage of Graham-Cassidy would spark a nationwide conversation in state capitals about the best ways to increase access to health insurance, especially among the working poor and near-poor who don't have employer-provided coverage. This would be good for innovation and competition.

Still, with only 52 votes in the Senate, Republicans cannot afford more than two defections. They must also act before Sept. 30, the end of fiscal 2017, to take advantage of this year's budget reconciliation process, which would allow Graham-Cassidy to pass with only 51 votes. The danger is that there are at least four Republican senators at risk of voting "no."

Sen. Rand Paul, the Kentucky libertarian, has already come out against Graham-Cassidy because it doesn't repeal all of ObamaCare. But by opposing a measure that does away with

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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.

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).

BOOKSHELF | By Matt Gallagher

Looking Back At the Front

Crossings

*By Jon Kerstetter
(Crown, 342 pages, \$27)*

Shooting Ghosts

*By Thomas J. Brennan and Finbarr O'Reilly
(Viking, 340 pages, \$27)*

The war on terror enters year 17 this autumn. Children born in its dawn will soon be able to vote, knowing no other country than one at war somewhere else. This is their normal. It's now America's, as well.

Chroniclers of the battles in Iraq, Afghanistan and beyond have also had to adapt. Tales of a young person going abroad to combat terror and not finding what he expected tend to skew trite. The reading public is largely disinclined to consider anything more nuanced than the "soldier sheepdogs, good; terrorist wolves, bad" message of books like "American Sniper." This means writing must be very good,

and provide a distinct perspective on modern war, in order to pierce through.

Two new memoirs wrought from the edges of empire do just that. Jon Kerstetter's "Crossings" details the journey of an emergency physician who joins the military later in life and records the hard business of soldier-doctoring. "Shooting Ghosts," by Thomas Brennan and Finbarr O'Reilly, explores what the Afghan conflict looks like through the scope of a Marine rifle and the lens of a photographer's camera.

Dr. Kerstetter's story begins on the Oneida Indian Reservation in Wisconsin. He is drawn to medicine as a child and inherits a wandering spirit from his mother, who moves the family across the country, seeking opportunity. Though the adult Kerstetter starts off in business, restlessness and his youthful "desire to heal, to be a part of something greater," lead him to medical school, then the military. After serving in Rwanda and the Balkans, Dr. Kerstetter deploys to Iraq three times. Accounts of these tours are the core of "Crossings" and include a fascinating chapter about Dr. Kerstetter's role in dealing with the remains of Uday and Qusay Hussein. Political forces demand one thing, military leadership another, and religious customs still another. Dr. Kerstetter has to satisfy them all.

The competing tensions in Dr. Kerstetter's life are central themes in "Crossings." A Native American who serves in a U.S. Army cavalry unit. Hands trained to heal, but also to kill. Old enough to be his fellow soldiers' father, but with them in battle as a brother. Combat medicine is heroic work. It's also often soul-crushing, as when Dr. Kerstetter treats a young Hutu woman and her baby in a refugee camp. The woman, shot through the chest by Tutsi forces, needs to have her arm and right breast removed. But she refuses the surgery, concerned that it will leave her unable to care for her baby. She dies three days later. This is a book that is grave and pensive, but always engaging.

Memoirs of the wars in Iraq and Afghanistan, from the perspective of a Marine sergeant, a photojournalist and a combat physician.

During the final chapters of "Crossings," Dr. Kerstetter encounters a new contradiction: the doctor as a patient. Complications from an aneurysm lead to a stroke. His arduous recovery is aided by therapeutic writing sessions at the local VA. A creative spark is discovered, and Dr. Kerstetter, ever the seeker, enrolls in a graduate-school MFA program. The next time a critic pens a handwringing essay about the value of writing workshops, think of Dr. Kerstetter. Without those workshops, this fascinating human being's story would have gone untold.

The complexities and messiness of war's traumas also color "Shooting Ghosts," a distinguished joint memoir by Marine veteran Thomas Brennan and combat photographer Finbarr O'Reilly. The two men strike an unlikely pairing when they meet at a desolate Afghan combat outpost in 2010. Mr. Brennan is a grunt's grunt, laser-focused on leading his infantry squad. Mr. O'Reilly is an accomplished photographer, having covered conflicts across the globe for more than a decade.

Their odd alliance becomes something more when an RPG nearly kills Mr. Brennan, and Mr. O'Reilly snaps images of the result. Those photographs, uploaded to a Reuters feed with Mr. Brennan's permission, are how Mr. Brennan's parents learn of their son's injuries, and they bind the two men for posterity. They reunite stateside two years later, each surprised to find in the other a kindred spirit also wandering.

This is less a war book than a book of aftermath: for Mr. Brennan, his struggles with a traumatic brain injury and the challenges of reconnecting with loved ones; for Mr. O'Reilly, his return to African conflict zones and the distress of losing colleagues in the Libyan uprising. Mr. Brennan's revival eventually begins when he finds journalism. Mr. O'Reilly discovers love and cycling, as well as a renewed appreciation for photography far from the front lines.

The dueling-piano spirit of "Shooting Ghosts" works because its authors are so committed to transparency, admitting readers into the dark crevices of their isolation. Both are sharp minds whose self-awareness keeps their stories from slipping into banality and their lives devoted to something beyond war.

"Crossings" and "Shooting Ghosts" offer intimate portraits of lives shaped by war. They also explore the underlying question of choice. All three authors are volunteers: Why seek war's destruction when safer options exist? Why return to combat at the risk of everything held dear? In distinct ways, the three men arrive at a similar understanding, unsettling though it may be: Because someone has to.

Just last month, the Pentagon announced that it is sending more troops to Helmand Province in Afghanistan, the same region Mr. Brennan and his Marines fought for seven years ago. A new generation of storytellers will emerge from this latest iteration of the terror wars. Whether we as citizens of a republic bother hearing them when the time comes remains far less certain. "Crossings" and "Shooting Ghosts" are powerful reminders of why we should listen.

Mr. Gallagher is the author of the novel "Youngblood" and the memoir "Kaboom." He is a U.S. Army veteran of the Iraq War.

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 United States 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."

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

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.

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OPINION

REVIEW & OUTLOOK

Tax Reform Progress

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.

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 assumption

tions 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 Wednesday 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-adjustment 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.

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.

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 underway 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

A rate increase in December looks increasingly likely.

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 pre-crisis 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 would

not 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 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.

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.

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

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

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.

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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.

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OPINION

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?

ISIS 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 ISIS out of Hawijah, some 200 miles north of Baghdad. Hawijah has an outsize military importance because ISIS has used it as a staging area from which to attack

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

Baghdad with hundreds of improvised explosive devices, including car bombs. When the Hawijah operation is complete, the coalition will focus on attacking ISIS in its remaining enclaves along the border with Syria.

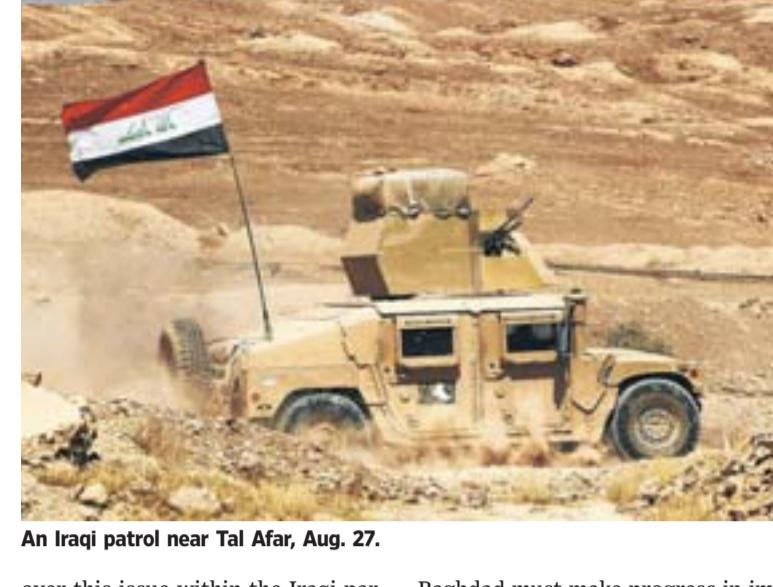
Once ISIS has been deprived of the territory it holds, can Iraq's major communities come together to share power and build a common future? That question is sparking increasingly heated debate in Iraq and the international community. In my opinion (which does not reflect the view of the intelligence 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 ISIS 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 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 next 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 is critically important.

Second, to ensure that ISIS 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



AHMAD AL-RUBAYE/AFP/Getty Images

An Iraqi patrol near Tal Afar, Aug. 27.

over this issue within the Iraqi parliament, but Sunni isolation fueled ISIS' rise, and progress must be made on this issue soon.

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 are not allowed to determine unilaterally which populations are allowed to re-enter liberated areas, and that the bulk of reconstruction aid from Baghdad is not 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. ISIS 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 ISIS, 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-ISIS 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 the five challenges I've identified are urgent.

After nearly three years of a grueling fight against ISIS 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.

Tax Reform Transformed North Carolina. Congress, Take Note

By Thom Tillis

As President Trump and Congress work on America's first major tax reform in decades, Democrats are already claiming the GOP plan will bury the middle class and tank the economy. These are old talking points, and false. To get a sense of what a successful tax reform can do, look no further than my state, North Carolina.

In 2013, when I was speaker of the state House, North Carolina passed a serious tax-reform package. It was based on three simple principles: simplify the tax code, lower rates, and broaden the base.

We replaced the progressive rate schedule for the personal income tax with a flat rate of 5.499%. That was a tax-rate cut for everyone, since the lowest bracket previously was 6%. We also increased the standard deduction for all tax filers and repealed the death tax.

We lowered the 6.9% corporate income tax to 6% in 2014 and 5% in 2015. Subsequent reductions were subject to a unique "safety valve," which would trigger further tax cuts only if the state hit its targets for

tax revenue. Since those targets were easily met, North Carolina's corporate tax fell to 3% in 2017 and is on track for 2.5% in 2019.

We paid for this tax relief by expanding the tax base, closing loopholes, paring down spending, reducing the cost of entitlement programs, and eliminating "refundable" earned-income tax credits for people who pay no taxes.

The results over the past four years have been impressive by any standard. The Tar Heel State has gone from having the least competitive tax code in the region to having one of the most competitive in the nation, according to the nonpartisan Tax Foundation. More than 350,000 jobs have been created, and the unemployment rate has been cut nearly in half. The state's economy has jumped from one of the slowest growing in the country to one of the fastest growing. Survey after survey cites North Carolina as one of the best states in which to run a business.

While overhauling North Carolina's tax code now seems like a no-brainer, at the time it was difficult and highly controversial. Republicans controlled the governor's mansion

and both houses of the General Assembly, but there were disagreements within the GOP on how to implement tax reform. The key to success was keeping all options on the table until the full effects could be modeled.

After Tar Heels overhauled their code in 2013, the economy went on a tear—and so did state revenue.

While heated debates occurred during the negotiations, lawmakers always pulled themselves back to shared principles. We made compromises and achieved consensus.

When droves of lobbyists and special interests were rushing to state legislators' offices with their wish lists of exemptions, we made it clear that guerrilla tactics would not be well received and that our commitment to consensus was steadfast. To address the conflicting priorities of different industries and businesses, we engaged North Carolina's tax professionals and chief financial officers

to assess how our reform would affect their companies. Taken as a whole, they were pleased.

Meanwhile, a well-mobilized opposition on the left stoked fears that tax reform would cause shrinking state revenues and require massive budget cuts. This argument has been proved wrong. State revenue has increased each year since tax reform was enacted, and budget surpluses of more than \$400 million are the new norm. North Carolina lawmakers have wisely used these surpluses to cut tax rates even further for families and businesses, to increase education funding, to raise teacher pay, and to replenish the state's rainy-day fund.

In the end, the political disagreements, tense negotiations, and pleading from special interests were only bumps in the road. North Carolina is proof positive that successfully enacting tax reform reaps tremendous rewards: more growth, more jobs, more businesses and more revenue.

Republicans in Congress want tax reform to do the same for all of America, but they face a similar set of challenges. Policy differences must be worked out between GOP

lawmakers, which will require a commitment to discipline and consensus-building that is sometimes lost on a small minority of our party. An army of lobbyists on K Street will descend upon Capitol Hill like a horde of zombies, seeking special carve-outs. Democrats, led by the dynamic duo of "Chuck" and "Nancy," are voicing new concern about federal spending while demanding revenue neutrality—a hypocritical change of tune after they ran up historic deficits the last time they were in power.

Yet I know Washington can succeed in this effort. North Carolina has shown that although tax reform may be difficult, it isn't all that complicated. The American people have been waiting for a better tax code for decades, and virtually every Republican officeholder in Washington was elected with a promise to enact one. Tax reform would help spur job creation and cement American competitiveness in the 21st-century global economy. Congress has every reason to get it done—and no excuses not to.

Mr. Tillis, a Republican, is a U.S. senator from North Carolina.

Republicans Get One Last Chance on ObamaCare Reform

By Lanhee J. Chen

For seven years Republicans promised to repeal ObamaCare, and now they have one last chance to deliver. A bill recently introduced by Sens. Lindsey Graham, Bill Cassidy, Dean Heller and Ron Johnson would eliminate some of ObamaCare's most unpopular provisions and enact reforms that would lower costs, expand choices, promote federal fiscal responsibility, and give power back to states and consumers. Democrats have been unwilling to support any legislation that would roll back parts of ObamaCare, so Republicans have until Sept. 30—the deadline for avoiding a filibuster by using budget reconciliation—to act on their own.

The Graham-Cassidy bill's biggest strength is the idea that states are uniquely equipped to design and implement health care programs that

suit their residents. The bill would consolidate much of the federal funding given to states under ObamaCare's coverage provisions—including money for its Medicaid expansion and subsidies to help people buy private insurance—into a single block grant, which states could use for a wide variety of health reforms.

The block grant would help address the dramatic state inequities that ObamaCare's optional Medicaid expansion created in federal health-care funding. According to the proposal's authors, Washington in 2016 sent states anywhere from about \$400 (Mississippi) to over \$10,000 (Massachusetts) per beneficiary whose annual income was between 50% and 138% of the federal poverty level. In contrast, the size of the Graham-Cassidy block grant would not depend on whether a state chose to expand its Medicaid program. Thus, it would equalize the

base per-person amount the federal government gives states. In 2026 it would be about \$4,400 for each qualified beneficiary. The bill then adjusts these payments to compensate for factors such as demographic differences and various levels of illness among the states.

These block grants would give states significant latitude to institute reforms. Some would decide to continue ObamaCare's regulatory and coverage provisions. Others would create high-risk or reinsurance pools to help provide affordable coverage to people with pre-existing conditions, while making insurance cheaper for everyone else. Federal funds could be used to provide additional benefits for people in traditional Medicaid. States also could waive some of ObamaCare's regulatory requirements to encourage greater competition, expand consumer choices and lower premiums.

Not everyone will like the reforms states pursue. But what Graham-Cassidy creates is a competition of ideas. The best programs would be emulated and the worst discarded—

which is how policy making should work in a federalist system.

Equally important, the Graham-Cassidy proposal includes the structural Medicaid reforms from earlier Republican bills to replace ObamaCare. It would establish per capita caps on federal Medicaid expenditures to states, varying based on the needs

Graham-Cassidy is not perfect, but it creates a competition of ideas and gives power back to states.

of different categories of beneficiaries. The elderly and disabled would get higher allocations (which would grow faster over time) than healthy adults or children. The bill would create financial incentives for states to improve the quality of care provided through Medicaid and then to report the data.

Opponents of Graham-Cassidy have several bones to pick. First, they worry it could permit insurers

to discriminate against sick patients. But as a default the bill would leave in place ObamaCare's protections for patients with pre-existing conditions. States that implement reforms would be required to certify that these people will retain access to "adequate and affordable" health insurance.

Second, the bill's opponents dislike the caps on Medicaid spending. But the status quo is unsustainable. Federal spending on the program has grown an average of 7.5% every year since 2000. Meanwhile, Medicaid is consuming an ever larger portion of state budgets, crowding out other priorities. Changes like the ones in Graham-Cassidy are needed to put the program on a fiscally responsible trajectory and ensure its survival.

Finally, critics complain that the bill's block grants would cut funding to states that took ObamaCare's Medicaid expansion. But the goal of the legislation is to create funding parity, regardless of how states implemented ObamaCare. Furthermore, under Graham-Cassidy all but a handful of states would get increased funding per eligible beneficiary between 2020 (when the block grants begin) and 2026. The total amount of the block grants would grow from about \$140 billion to \$200 billion over that period.

Graham-Cassidy is not a perfect proposal. But Republicans no longer have the luxury of waiting for something better. The bill before them is the most thoughtful and, yes, conservative health-reform plan they have encountered in their yearslong effort to repeal and replace ObamaCare. They should act quickly to pass it and get the job done.

Mr. Chen is a research fellow at the Hoover Institution and director of domestic policy studies in Stanford's Public Policy Program.

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Notable & Quotable: Honor

From a Sept. 20 White House announcement:

On October 23, 2017, President Donald J. Trump will award the Medal of Honor to United States Army Captain Gary M. Rose (retired) for conspicuous gallantry during the Vietnam War. . . . While his unit was engaged with a much larger force deep in enemy-controlled territory, then-Sergeant Rose repeatedly ran into the line of enemy fire. . . .

On the final day of the mission, although wounded himself, Sergeant

Rose voluntarily exposed himself to enemy fire while moving wounded personnel to the extraction point, loading them into helicopters, and helping to repel an enemy assault on the American position. As he boarded the final extraction helicopter, intense enemy fire hit the helicopter, causing it to crash shortly after takeoff. Again, ignoring his own injuries, Sergeant Rose pulled the helicopter crew and members of his unit from the burning wreckage and provided medical aid until another extraction helicopter arrived.

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THE WALL STREET JOURNAL.

Thursday, September 21, 2017 | B1

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Bain Prevails in Toshiba Contest

In sale of its chip unit, Japanese company picks group that also includes Apple, Seagate

Toshiba Corp.'s board on Wednesday voted to sell its memory-chip business to a group that includes **Apple Inc.** and **Seagate Technology PLC** for ¥2 trillion (\$18 billion), despite objections from a Toshiba business partner.

The troubled Japanese industrial conglomerate said it hopes to reach a final contract soon with the bidder group, which is led by U.S. private-equ-

uity firm **Bain Capital**.

Toshiba outlined a plan to retain a post-sale role in the business, which has been growing quickly thanks to demand for the chips in smartphones, computer servers and other electronics.

The decision came a week after Toshiba and the Bain group signed a nonbinding document saying they intended to reach a deal by Sept. 30. Toshiba said it chose the Bain group over two rival groups, one that includes **Western Digital Corp.** and the other represented by Taiwan's **Foxconn Technology Group**.

At least two obstacles remain to a deal: Antitrust review

By *Takashi Mochizuki, Peter Landers and Dana Cimilluca*

by authorities around the globe, and objections from Western Digital, Toshiba's partner in the chip business. Western Digital says it has the right to veto any sale, while Toshiba says no such right exists. The two parties are headed for international arbitration.

Western Digital said it was "disappointed" by Toshiba's decision and confident that it would prevail in arbitration. Toshiba said that under its interpretation, it could carry

through with the sale of the chip unit even if Western Digital wins a favorable ruling.

While Toshiba's statement Wednesday didn't mention Apple and personal-computer and storage giant **Dell Technologies Inc.**, Bain has said its consortium includes those two companies, as well as **Kingston Technology Corp.** and Seagate.

Apple plans to offer a loan guarantee of some \$3 billion to support the Bain group, a person familiar with the matter said, cautioning that final terms have yet to be set. Seagate, which helped assemble the Bain consortium, will contribute as much as \$1.25 billion in the

form of nonconvertible preferred securities, the person said. The disk-drive maker is expected to sign a long-term supply agreement with an independent Toshiba chip business.

By joining the deal, big customers for Toshiba's chips such as Apple may find it easier to secure supply in a market with high demand. They also would prop up a rival to the memory-chip leader, Samsung Electronics Co., which competes with Apple in smartphones.

Under the proposal outlined by Toshiba on Wednesday, it would sell the chip unit to a special purpose company set up

Please see CHIPS page B4

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 for 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. In its wake, consumers, customers, regulators and legislators have been asking how the attack occurred and whether Equifax took sufficient measures to protect such sensitive information.

Equifax sent the Mandiant report to some customers, many of which are financial

Please see HACK page B10

Catalonia's Bid for Secession Shakes Spanish Markets



PAU BARRENA/AGENCE FRANCE PRESSE/GETTY IMAGES
FRAYED BONDS: People holding Catalonia pro-independence flags march in Barcelona after the Spanish government moved to stop a referendum scheduled for Oct. 1. The push for independence brought back political uncertainty to investors in Europe who sold stocks of Catalonia's largest banks as well as regional debt. B10

Google To Buy Part Of Phone Firm HTC

Alphabet Inc.'s Google said it would buy part of struggling Taiwanese smartphone maker **HTC Corp.** for \$1.1 billion.

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

lion, 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.

"We are investing for the long run," Google hardware chief Rick Osterloh said. The Please see GOOGLE page B2

Pfizer Files Antitrust Lawsuit Against J&J

BY JONATHAN D. ROCKOFF

Pfizer Inc. filed suit against **Johnson & Johnson**, alleging J&J thwarted competition to its arthritis therapy Remicade, in a case that could shatter arrangements pharmaceutical companies make with insurers to protect their franchise products and threaten efforts to bring down the costs of the most expensive drugs.

The complaint, filed Wednesday in U.S. District Court in Philadelphia, says J&J's "exclusionary contracts" for Remicade with health insurers, hospitals and clinics effectively prevented them from offering Pfizer's lower-priced copy so they could retain rebates and other J&J perks.

The lawsuit is the first anti-trust action to surface amid the emergence of biosimilars,

Slow Start

Sales of Pfizer's Inflectra have paled compared with Johnson & Johnson's Remicade which, has reached over \$2 billion in sales this year.*



*Through the second quarter Source: SSR Health

In the market for prescription drugs, no one pays list price. Pharmaceutical companies negotiate closely guarded contracts, with health insurers and drug-benefit managers offering rebates in exchange for reimbursement. Drug companies have relied on these contracts to protect their lucrative franchises from rivals, both branded and generic.

Some of the contracts have resulted in health insurers and drug-benefit managers refusing to reimburse for certain drugs, with some exceptions, while favoring competing medicines.

Pfizer's lawsuit, involving J&J's top-selling product, could open a window into how much insurers actually pay for drugs. Pfizer says it doesn't have copies of the contracts, which are secret, but has learned about J&J's practices

from customers and market research. Pfizer says it expects to seek the contracts as part of the litigation.

"We obviously expected competition, but we believe Johnson & Johnson [is] not competing fairly," said John Young, the Pfizer executive overseeing its biosimilars business.

Johnson & Johnson said the lawsuit had "no merit." The company said health insurers, hospitals and clinics were already paying less for Remicade and biosimilars as a result of the competition and the cost of the therapy will keep falling.

"We are effectively competing on value and price, and to date Pfizer has failed to demonstrate sufficient value to patients, providers, payers and employers," said Scott White,

Please see PFIZER page B2

HEARD ON THE STREET | By Charley Grant

The Murky World of Drug Rebates Gets a Public Airing

The normally closely guarded world of drug pricing is getting a public airing in a feud between two of the industry's biggest companies.

The attention drawn to the secret world of rebates could hurt the profits of some of the industry's most successful drugs.

Pfizer filed a lawsuit Wednesday claiming that rival **Johnson & Johnson** used anticompetitive marketing tactics to protect its blockbuster anti-inflammatory drug, Remicade, from Pfizer's cheaper Inflectra, a biosimilar version.

Pfizer's drug hasn't gained much traction in the market since it launched last

year. Inflectra sales in the U.S. were \$23 million in the second quarter. J&J, meanwhile, booked \$1 billion in second-quarter Remicade sales in the U.S.

That continued market dominance isn't for a lack of effort on Pfizer's part. It priced Inflectra at a 15% discount to the list price of Remicade, which is \$31,500 a year. Few buyers pay the list price because of the system of rebates and discounts that, the suit alleges, has been used to prevent health insurers, hospitals and clinics from offering lower-priced copies of Remicade.

Pfizer says that even discounts of up to 40% off the already lower price of Inflectra haven't been enough to get sales moving. Pfizer believes that J&J threatens to

withhold rebates on its own drug to any company that buys Inflectra.

While Pfizer's allegations are unproven, the lack of Inflectra sales is surprising.

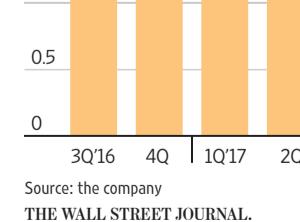
Merck & Co., meanwhile, recently launched an even cheaper version of Remicade. Slow sales there would lend more credence to the idea that something is amiss.

Wednesday's suit is hardly the first time that sellers of cheaper drugs have complained about tactics of incumbent rivals.

Generic drug company **Mylan** sued **Celgene** in 2014, alleging that Celgene was abusing federal drug distribution rules to keep samples of its cancer drug Revlimid away from Mylan, which hamstrung efforts to develop a cheaper version.

High Stakes

Johnson & Johnson's Remicade sales in the U.S.



Source: the company

THE WALL STREET JOURNAL.

more typical lawsuits to protect intellectual property.

While tactics to fend off competition are murky, complex and varied, the motivation to find ways to preserve revenue and market share for incumbent drugs is clear. Some big companies get more than half of their revenue from a single drug and face major risks to their stock prices if cheaper competition is able to gain traction.

The good news for pharmaceutical investors is that these companies have been extraordinarily successful in protecting their turf. As a result, their profits are high and their shares have performed well. The trouble is, that means American medical bills are likely to march higher in tandem with those stock prices.

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BUSINESS & FINANCE

Steel Giants Thyssenkrupp and Tata Fuse European Assets



INA FASSBENDER/REUTERS

German steel giant **Thyssenkrupp** AG and India's **Tata Steel**

Ltd. unveiled plans to pool their steelmaking businesses in Europe—a move the two have discussed for years amid a glut of steel in the region that has depressed prices.

European steelmakers have battled protracted overcapacity and a wave of cheap imports from countries such as China. In response, the industry has pur-

sued deals, shed thousands of jobs and closed unprofitable plants.

The latest deal is structured as 50-50 joint venture, in which both companies will pool their European assets into a new company called Thyssenkrupp Tata Steel, based in the Netherlands. The company will be Europe's second-largest steelmaker behind **ArcelorMittal** SA and rank just outside the world's top 10 by production.

It will generate annual revenue of €15 billion (\$18 billion), ship about 21 million tons of flat steel a year and have a workforce initially of about 48,000 employees at 34 sites. The two companies warned of as many as 4,000 job losses.

Thyssenkrupp Chief Executive Heinrich Hiesinger said the deal was aimed at attacking the overcapacity plaguing the European steel business. "We are giving the European steel activi-

ties of Thyssenkrupp and Tata a lasting future," he said.

Steel customers have turned to less-costly Chinese product, leaving the region's producers with excess capacity. While Chinese exports have fallen in recent months as domestic demand rises, the flood of steel has spurred consolidation in Europe, sometimes irking unions.

—Zeke Turner and Scott Patterson

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Dollar Strengthens On Outlook for Rates

BY CHEREL DULANEY

The dollar jumped Wednesday as the Federal Reserve signaled it could raise interest rates again this year.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, rose 0.4% to 85.62. The index had been down as much as 0.4% before the Fed announcement.

The Fed held rates unchanged but penciled in one more rate increase this year despite a recent slowdown in inflation that had worried many investors. The Fed's pro-

jections for future rate increases, known as the "dot plot," showed policy makers also continue to expect three more rate increases next year.

"This clears the bar for a hawkish surprise," said Vassili Serebriakov, a currency strategist at Crédit Agricole.

The Fed also said it would begin unwinding in October its \$4.2 trillion bond portfolio built up in the wake of the financial crisis.

Expectations that U.S. interest rates would remain lower helped drive the dollar down 8% this year before Wednesday.

cade's list price despite the Pfizer competition and will cost the federal Centers for Medicare and Medicaid Services \$140 million in extra spending this year.

A year's treatment on Remicade typically lists for \$31,500, nearly \$6,000 more than for Inflectra, according to SSR Health. In its lawsuit, Pfizer says it offered discounts that "in some instances were more than 40% below Inflectra's list price."

Health insurers initially treated Inflectra the same as Remicade for coverage purposes, but then J&J began putting into effect its "Biosimilar Readiness Plan" that required health insurers to cover only Remicade if they wanted rebates on the drug and other J&J products, the Pfizer complaint says.

J&J also signed contracts with large hospitals, health systems and clinics that require them to mostly buy Remicade if they want to get rebates, according to the suit. The company says about 90% of the providers haven't bought Inflectra.

If it prevails, the Pfizer lawsuit could "make sure that the laws that prevent this kind of anticompetitive behavior properly protect the manufacturers of biosimilars," Pfizer general counsel Doug Lankler said.

Pfizer says it isn't suing health insurers, hospitals or clinics because they have little leverage to resist J&J, given the wide use of Remicade and the broad portfolio of drugs, medical devices and supplies that the company sells.

J&J, whose success defending Remicade has drawn notice on Wall Street, recently told an analyst at Evercore ISI that Remicade has withstood the competition in part because doctors don't want to simply switch a patient to Inflectra if they are stable on their existing medication, and most patients are doing well on Remicade.

In the lawsuit, Pfizer blames Inflectra's poor performance on "anticompetitive" actions taken by J&J. Mr. Young said the behavior has allowed J&J to raise Remi-

Toys 'R' Us Bonds Hit After Filing

Toys "R" Us Inc.'s bankruptcy filing this week has sparked a rout in some of the company's debt, as investors grapple with the fallout from the unexpected move by the retailer.

By Sam Goldfarb, Soma Biswas and Miriam Gottfried

The company's unsecured bonds due in 2018 collapsed to 18 cents on the dollar after the filing on Monday from 97 cents on the dollar just three weeks ago, according to MarketAxess. They were recently trading at about 26 cents.

Not all Toys "R" Us bonds have declined to the same degree in recent days and weeks, a divergence that highlights the complexity of the company's capital structure, the product of a 2005 leveraged buyout by KKR & Co., Bain Capital and Vornado Realty Trust. The firms purchased Toys "R" Us for \$6.6 billion, using \$1.4 billion of their own capital and funding the remainder with debt.

Starting in 2014, the company engaged in several debt exchanges with its bond and loan holders. In many of these

exchanges the company sliced off its most valuable assets such as equity in its international operations and intellectual property behind its brand name, in order to offer them to holders if they were willing to extend maturities.

A \$998 million term loan at the company's Toys "R" Us-Delaware Inc. subsidiary, which is backed by equity in the company's better performing Canadian division among other assets, has lost just 17 cents on the dollar since mid-June, having been quoted Tuesday at roughly 66 cents on the dollar, according to Markit.

Several holders of the loan, including Franklin Resources Inc., were in talks with the company before Monday's chapter 11 filing to provide it with a debtor-in-possession loan to keep operations going, according to court documents. Franklin owned nearly \$180 million of the term loan as of July 31, according to Ipreo, a market intelligence firm.

Franklin began to prepare for a potential restructuring of Toys "R" Us years ago when it participated in deals with the company that improved its po-

No Fun

Price of Toys 'R' Us 7.375% bonds due in 2018



Note: Par value = \$100

Source: MarketAxess

THE WALL STREET JOURNAL.

sition in the debt stack. At the end of July, the company was also a major holder of the 2018 bonds, with funds managed by the firm holding more than \$24 million, according to Ipreo. A spokesman for Franklin declined to comment.

Bonds secured by equity in most of Toys "R" Us's international unit, including its valuable Chinese operations, changed hands Wednesday at

93.5 cents on the dollar, compared with roughly 96 cents at the end of last month, according to MarketAxess.

One school of thought among investors is that Toys "R" Us will emerge from bankruptcy protection a stronger company. The retailer, which had \$628 million in earnings before interest, taxes, depreciation and amortization in the fiscal year ended in January, has been spending roughly \$400 million a year to service its debt. A new capital structure could alleviate some of that pressure, allowing it to invest more in its business.

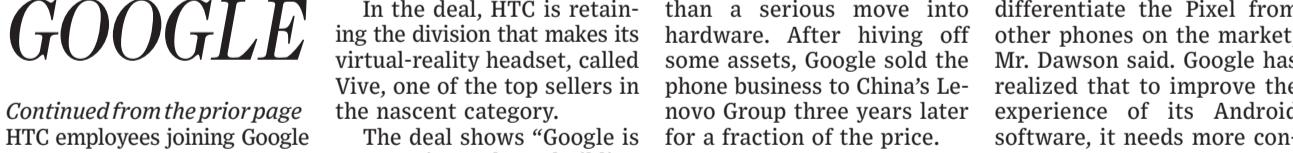
So far, fallout from the filing has been largely contained to Toys "R" Us debt, sparing bonds of other retailers and the high-yield market in general. Still, the situation is sobering to investors, suggesting that other retailers that have suffered from the rise of e-commerce competitors could also "unravel very quickly because you have these kind of spiraling effects," said Ricky Liu, a high-yield-bond portfolio manager at HSBC Global Asset Management.

—Lillian Rizzo contributed to this article.

Shrinking Share

Google is buying part of HTC after sales of the Taiwanese firm's phones have plummeted.

Global smartphone market share



*Projected Source: Counterpoint Research

GOOGLE

Continued from the prior page

HTC employees joining Google are "amazing folks we've already been working with closely on the Pixel smartphone line, and we're excited to see what we can do together as one team."

Before the deal, HTC's market capitalization was about \$1.9 billion. The size of the division that Google is set to buy is unclear.

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, Counterpoint data show. The market share data doesn't include the Pixel phones, which sold about one million units last year, Counterpoint added.

In the deal, HTC is retaining the division that makes its virtual-reality headset, called Vive, one of the top sellers in the nascent category.

The deal shows "Google is very serious about building its own hardware," said Jan Dawson, chief analyst at Jackdaw Research.

Google has made an aggressive push into hardware over the past 18 months, including with the Pixel phone, 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 \$3.09 billion in the second quarter over a year prior. That segment also includes its rapidly 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 massive patent trove rather

BUSINESS NEWS

GE to Cut Costs by Shelling Jet Fleet

BY THOMAS GRYTA
AND MARK MAREMONT

General Electric Co. executives will have to find new ways to fly around the globe.

The conglomerate is grounding its corporate fleet of jets and preparing to sell them, as new GE chief John Flannery looks to slash costs at the industrial giant.

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

GE owns several business jets, federal records show, including at least two Bombardier Challenger aircraft. Its pilots for decades have shuttled executives to business meetings and operations around the globe, racking up hundreds of hours a year.

The company has required its chief executive to use private aircraft, including for personal

The conglomerate's new CEO is cutting spending on corporate operations.

travel, for safety and security purposes, but the board recently allowed for use of charter and commercial flights. With profits under pressure and sales pinched by weakness in parts of the company, Mr. Flannery is looking for ways to save.

"As we have said, we are executing on a plan to take out \$2 billion in cost by the end of 2018," a GE spokeswoman said. "As part of that effort, starting today, we are reducing the Corporate Air Transport services and will use charter companies as needed."

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

Wednesday's move marks a change from recent plans. When it relocated from Fairfield, Conn., to Boston, the company negotiated with city and state officials to secure parking at Logan International Airport for one executive jet and one helicopter, according to the agreement. The company also requested hangar space at nearby Hanscom Field that could fit six business jets.

Mr. Flannery is trimming corporate staff and has delayed some construction at GE's new headquarters complex in Boston, a relocation initiated by his predecessor. Mr. Immelt, who stepped aside Aug. 1, pledged to boost cost-cutting earlier this year after talks with activist investor **Trian Fund Management LP**, which was frustrated by missed profit goals at GE.

Streaming Drives Music Recovery

BY ANNE STEELE

Revenue from recorded music accelerated in the first half of 2017 in the U.S. as more consumers shelled out for subscription streaming services.

Retail revenue jumped 17% in the first six months of the year to \$4 billion, according to the Recording Industry Association of America, thanks to a record 30 million music subscriptions to services like Spotify AB and Apple Inc.'s Apple Music. That represents almost one million new subscriptions each month compared with last year.

While rapid growth continues trends from last year—streaming continues to buoy the industry amid declines in traditional unit sales—overall revenue in the music industry is dwarfed by counts from the 1999 peak, when the boom in CD sales powered full-year sales to \$14.6 billion in the U.S. alone.

Streaming music services made up 62% of the market

Retailers Ring In Holiday Hiring

Employers recruit seasonal help early as tight labor market sparks urgency

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. Amazon.com Inc. adds to the hiring frenzy, as do logistics companies and package-delivery services like United Parcel Service Inc. and FedEx Corp. Some firms posted their first holiday job listings as early as July.

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.

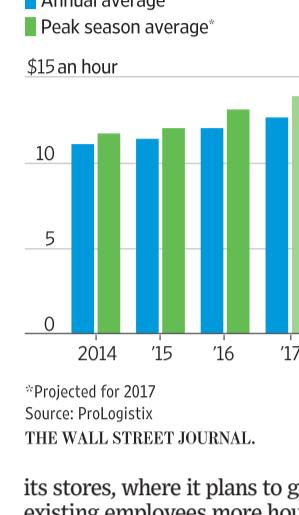
"It's the tightest labor market we've ever seen," said Sean McCartney, executive vice president of operation services at Radial, which handles online orders for e-commerce companies and national chains such as Dick's Sporting Goods Inc. and Aéropostale Inc.

Some big retailers are doing the bulk of their hiring in warehouses that handle online orders, a sign they expect more shoppers to shift to their websites. 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 about 5,000 seasonal workers for its e-commerce operations. The discounter isn't hiring extra help at

Season's Greetings

Average hourly wages for entry-level warehouse workers



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

its stores, where it plans to give existing employees more hours.

Macy's plans to add 18,000 seasonal workers at 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.

XPO Logistics Inc., whose e-commerce clients include Inditex SA's Zara apparel chain, 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 near Interstate 95, help-wanted ads for warehouse workers are posted along roadsides and at local



A UPS recruiting event in Pennsylvania this week. Delivery services are adding to the hiring frenzy.

businesses. Amazon is opening a 900,000-square-foot 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 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, 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.

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., 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.

—Suzanne Kapner contributed to this article.

Sharpening Its Focus, Maersk Agrees to Sell Tanker Business for \$1.17 Billion



SIMON DAWSON/BLOOMBERG NEWS

—Dominic Chopping and Costas Paris

A.P. Moeller-Maersk A/S on Wednesday said it would sell its tanker unit for \$1.17 billion, the latest move by the Danish shipping and energy conglomerate to focus on container shipping.

The sale of Maersk Tankers A/S, one of the world's largest operators of oil tankers, follows on the conglomerate's decision a year ago to separate its transport and energy businesses.

Maersk Chief Executive Soren Skou said Wednesday the sale of Maersk Tankers represents "an important step in our strategy to free up resources and focus growth in A.P. Moeller-Maersk on container shipping, ports and logistics."

The tankers unit is being bought by APMH Invest A/S, a subsidiary of A.P. Moller Holding A/S—the controlling shareholder of A.P. Moller-Maersk. After the sale is completed, the buyer plans to establish a consortium with Japan's Mitsui & Co. Ltd. to hold the tankers business. Headed by Maersk family heir Robert Ugle, A.P. Moller Holding is a private investment arm that controls 41.5% of Maersk shares and 51% of shareholder votes.

—Dominic Chopping and Costas Paris

Streaming Drives Music Recovery

BY ANNE STEELE

for the first half of the year as revenue from those platforms rose 48% to \$2.5 billion.

In addition, the streaming category includes internet radio services like Pandora Media Inc. and ad-supported services like Alphabet Inc.'s YouTube. Paid subscriptions, up 61%, were the largest growth driver and the biggest format in the U.S., making up 43% of revenue.

Digital downloads continued to dwindle, with revenue declining 24% from the first half of 2016 and contributing just 19% of the industry total. The format was previously a boon for the industry and represented the biggest share of revenue as recently as 2015.

Meanwhile, physical product shipments slipped 1%—a significantly lower decline than in recent years—as a 3% increase in vinyl countered a 3% decline in CDs.

Vinyl albums, at 29% of physical shipments, accounted for their highest share since the mid-1980s, according to IFPI.

the RIAA.

The RIAA estimates 2017 could see a trillion streams in all, but the industry continues to grapple with what it describes as a value gap in the revenue it takes in from different forms of streaming. While subscription music revenue brought in an estimated \$1.7 billion, ad-supported on-demand streaming such as YouTube and Spotify's free "tier" contributed just \$273 million despite the latter accounting for the bulk of total streams.

YouTube continues to be a point of contention for the industry. It alone accounts for twice as much time spent listening to on-demand music as all paid audio streaming services combined, the International Federation of the Phonographic Industry said in a report Tuesday. The music industry receives an estimated \$1 annually in revenue per YouTube user, compared with \$20 a year per Spotify subscriber, according to IFPI.

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BUSINESS NEWS

Albertsons to Buy Plated Meal Service

Deal marks first purchase of its kind by a national chain of supermarkets

BY HEATHER HADDON

Albertsons Cos. is buying the Plated meal-kit service, the first acquisition of a prepared-meals company by a national grocery chain as supermarkets scramble to keep shoppers coming to their stores.

The New York-based Plated, which does business as **DineInFresh** Inc., will operate as a subsidiary of the U.S.'s second-largest grocery chain, the companies said. Customers will be able to buy a rotating selection of meals like chicken Marsala with roasted potatoes and feta-stuffed lamb burgers for

delivery or pickup at Albertsons stores in coming months. They cost \$10 to \$12 a serving.

Financial terms of the deal weren't disclosed. **Credit Suisse Group** AG brokered the acquisition, Albertsons said. The deal is slated to close by the end of the month.

Plated, once featured on the "Shark Tank" entrepreneurship television show, has raised \$95 million from venture-capital firms including Greycroft Partners and Formation 8. The service distributes nationally and is considered one of the five largest meal-kit providers in the U.S. Company officials haven't disclosed the number of customers.

Diners starved for time increasingly turn to meal kits to make cooking at home easier by eliminating food shopping and recipe planning. Sixteen

percent of the 1,314 adults surveyed by the Fluent market research firm in July said they have subscribed to a meal-kit service at some point, with the number of millennials at 24%.

Venture capital flowing into the sector has led to an explosion in meal-kit options ranging from vegan to Southern cuisines, and the \$2.2 billion meal-kit market has expanded rapidly. There are roughly 100 meal-kit companies.

While small compared with the roughly \$1.5 trillion U.S. food industry, meal kits are slated to grow by at least 25% annually across the next five years, according to Pentallect, Inc., food-industry consulting firm.

Bob Miller, chief executive of Boise, Idaho-based Albertsons, said in an interview Wednesday: "We think there's

an opportunity to grow this thing tremendously," adding that the supermarket will give Plated a "cost advantage" over other meal-kit companies by the scale of its food purchasing and network of 18 manufacturing plants.

There are already signs of saturation, however, industry consultants and executives say. "A shakeout is overdue and coming," said Bob Goldin, co-founder of Pentallect. "It's survival of the fit."

Blue Apron Holdings Inc., the largest meal-kit company and the only public one, counts nearly a million customers but has seen its subscribers fall as the service has struggled to fulfill orders in a new East Coast facility. The New York company's stock has lost nearly half its value after going public in June, one of the biggest val-

uation declines for an IPO this year.

Amazon.com Inc. also sells two meal-kits brands and has obtained a patent to start its own line, while its Whole Foods division sells packages as well.

Grocery chains such as Kroger Co. and Publix Super Markets, Inc., meanwhile, have started offering their own meal kits in stores, some for less than \$20 for multiple servings.

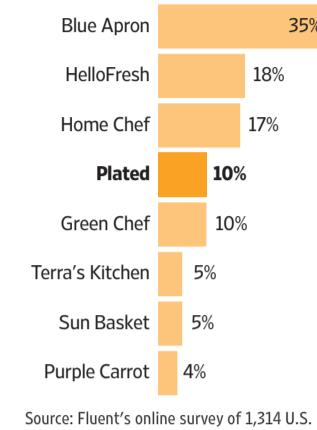
They have fueled competition with subscription services that require customers to take out set plans that average \$10 a person, according to NPD Group Inc., a research firm.

Albertsons, owner of the Safeway chain with roughly 2,300 stores, will also market the meals to millions of store customers, while Plated also continues its online and television advertising campaigns.

Food for Thought

Awareness of meal-kit services, by company

Share of those surveyed that were aware of each service



Source: Fluent's online survey of 1,314 U.S. adults aged 18 and up conducted in July.

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BUSINESS WATCH

ANGLO AMERICAN

Indian Mining Titan To Be Biggest Holder

The family trust of the founder of India's largest mining company plans to ramp up its investment in **Anglo American** PLC by as much as \$2 billion, making it the biggest investor in the British mining company, which has benefited from a recovery in commodity prices.

The move follows a \$2.44 billion investment in March by Vulcan Investments Ltd., the family trust of **Vedanta Resources** PLC founder and Chairman Anil Agarwal, putting its stake in Anglo American at about 20%. While the new stake is likely to ramp up speculation that the billionaire mining titan has plans to take over Anglo American, Mr. Agarwal's trust said it has no plans to make an offer to acquire Anglo.

The second-biggest Anglo investor, **Public Investment** Corp., South Africa's state-run pension fund, holds about 13% of the company, according to FactSet. Anglo American shares have gained about 9% since Mr. Agarwal made



more natural, wholesome ingredients.

"The way people look at weight management has changed. They aren't counting calories anymore," said Chief Executive Jeff Harmening, in an interview. Artificial flavors and sweeteners, used in Yoplait Light and Greek 100, "don't fit into that," he said.

General Mills's overall retail sales in North America fell 5% in its recently ended fiscal first quarter. U.S. yogurt contributed more than half of that decline.

In the latest quarter, General Mills's global sales fell 3.5% to \$3.77 billion. On a comparable basis, which excludes such factors as currency fluctuations, revenue dropped 4%, worse than the 1% to 2% decline the company has projected for the full fiscal year.

General Mills's profit of \$408.6 million was down 2.6% from the year-earlier quarter. Excluding certain items, adjusted earnings per share came to 71 cents, below the FactSet consensus of 76 cents.

—Annie Gasparro

FIAT CHRYSLER

Recall Issued Over Minivan 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 new minivan began last year.

The flaw affects 47,927 minivans from the 2017 and 2018 model years sold in the U.S. and an additional 1,908 sold in Canada, the company said. It doesn't affect the gasoline-electric powered hybrid versions of the Pacifica, which were subject to an unrelated recall in June.

Fiat Chrysler said the second-row, center-seat buckles in eight passenger versions of the minivan could become unlatched during "extreme handling maneuvers." It advised owners to avoid using the second-row center seat when another passenger is seated in that row, but said it is unaware of any accidents or injuries caused by the defect.

—Chester Dawson

THE WALL STREET JOURNAL.

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, September 20, 2017

Net Net
Stock Sym Close Chg Stock Sym Close Chg

NYSE

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	ABX	24.60	-0.02	BarrickGold	ABX	16.48	-0.43	CrownHoldings	CKK	61.01	-0.43	NielsenHoldings	NLSN	40.42	-0.25	Telecomitalia	TI	9.56	-0.09	CiscoSystems	CSCO	32.60	0.11	JetBlue	JBLU	19.25	0.21
AES	AES	AEC	11.28	-0.05	BaxterIntl	BAX	14.28	-0.01	Graco	GGG	122.63	0.77	Nike	NKE	53.56	-0.23	Telit	KLAC	99.66	-2.35	Priceline	PCLN	186.21	6.43				
Aflac	AFL	AGCO	46.92	-0.28	Bethlemy	BRK-A	194.00	-1.00	Grainger	GWH	175.18	4.55	NiSource	NI	26.19	-0.21	Comptel	CTKS	76.47	-0.01	Olagen	QGEN	31.96	-0.27				
AGCO	AGCO	BWA	73.31	-0.34	Bethlemy	BRK-B	65.20	-0.24	GreatPlainsEner	GXP	30.55	-0.19	NobleEnergy	NBL	26.84	-0.42	TDY	TDY	160.20	1.36	Orvo	QRVO	70.32	-4.00				
AT&T	T	AT&T	38.43	-0.22	BerryGlobal	BRY	186.04	-0.55	GpoAeroportur	PAC	107.11	-0.90	Nokia	NOK	6.18	-0.04	Teleflex	TFX	236.86	-2.89	Qualcomm	QCOM	51.98	-0.32				
AbbottLabs	ABT	ABBV	51.89	-0.48	BerryGlobal	BRY	52.59	-0.17	NomuraHoldings	NMR	5.72	-0.11	Nonmark	VIV	16.71	-0.02	CognizantTech	CTSH	72.46	-0.04	RandgoldRscs	GOLD	98.94	-1.90				
AbbVie	ABBV	ABBV	87.11	-1.04	Bio-RadLab	BIO	233.15	-2.80	OpalAcq	AVAL	9.11	-0.05	Nordstrom	JWN	46.22	-0.22	Comcast	CMSA	37.46	-0.11	RegenPharm	REGN	48.17	6.79				
Accenture	ACN	ADP	138.01	-1.30	Bio-RadLab	BIO	228.01	-0.34	OpalAcq	AVAL	9.90	-0.06	NorthropS	NSC	130.98	3.18	RoyalGold	RGLD	90.31	-1.17								
AcuityBrands	AYI	ADP	160.60	-2.94	BlackRock	BK	136.07	-1.68	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	Ryanaar	RYAN	106.20	-2.55								
Adient	ADNT	ADNT	82.59	-0.50	BlackRock	BK	162.20	-0.21	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	Save Up To 60%	NA	... NA	... NA								
AdvanceAuto	AAP	AAP	94.75	-0.10	Berkeley	BRK-A	183.82	-0.81	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	Western Asset	WAT	106.20	-2.55								
AdvSemiEng	ASX	ASX	6.15	...	BerryGlobal	BRY	56.04	-0.55	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Aegon	AEG	AEG	5.81	...	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
AerCap	AER	AER	50.20	-0.18	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Aetna	AET	AET	155.03	-1.01	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
AffiliatedMtrs	AMG	AMG	183.16	-0.76	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
AgilentTechs	AMT	AMT	66.08	-0.08	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
AgnicoEagle	AGN	AGN	46.43	-0.92	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Agrum	AGU	AGU	106.99	-1.50	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
AirProducts	APP	APP	150.98	-0.48	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
AlaskaAir	ALK	ALK	73.00	-0.76	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Albermarle	ALB	ALB	136.08	-1.43	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alcoa	AA	AA	47.58	-1.30	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
AlexandRealt	ARA	ARA	119.35	-0.65	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alibaba	BABA	BABA	177.95	-2.12	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alleghany	Y	Y	565.48	0.97	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Allergan	AGN	AGN	210.00	-5.00	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
AllianceData	ADS	ADS	103.43	-4.62	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alliancemeitn	AB	AB	24.25	-0.15	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alliancemeitn	ALN	ALN	136.08	-1.43	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alliancemeitn	ALN	ALN	136.08	-1.43	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alliancemeitn	ALN	ALN	136.08	-1.43	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alliancemeitn	ALN	ALN	136.08	-1.43	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alliancemeitn	ALN	ALN	136.08	-1.43	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alliancemeitn	ALN	ALN	136.08	-1.43	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								
Alliancemeitn	ALN	ALN	136.08	-1.43	BerryGlobal	BRY	52.59	-0.17	OpalAcq	AVAL	9.91	-0.05	NotrthSouth	NSC	130.98	3.18	CorePlusBdl	CorePlusBdl	NA	... NA								

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

22412.59 ▲ 41.79, or 0.19%
High, low, open and close for each trading day of the past three months.



Current divisor 0.14523396877348
Bars measure the point change from session's open
Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2508.24 ▲ 1.59, or 0.06%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

6456.04 ▼ 5.28, or 0.08%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	22413.26	22314.68	22412.59	41.79	0.19	22412.59	17888.28	22.5	13.4	9.1
Transportation Avg	9659.70	9515.93	9654.37	147.29	1.55	9742.76	7914.69	21.7	6.8	3.8
Utility Average	739.34	728.53	731.61	-5.08	-0.69	754.80	625.44	5.6	10.9	9.5
Total Stock Market	25979.12	25860.75	25972.08	29.36	0.11	25972.08	21514.15	15.9	11.6	7.5
Barron's 400	659.73	657.44	659.65	1.62	0.25	661.93	521.59	20.1	9.6	7.4
Nasdaq Stock Market										
Nasdaq Composite	6466.05	6414.23	6456.04	-5.28	-0.08	6461.32	5046.37	21.9	19.9	12.1
Nasdaq 100	5994.53	5927.70	5973.60	-17.47	-0.29	6004.38	4660.46	23.1	22.8	13.4
Standard & Poor's										
500 Index	2508.85	2496.67	2508.24	1.59	0.06	2508.24	2085.18	16.0	12.0	7.7
MidCap 400	1767.45	1761.13	1766.97	5.45	0.31	1791.93	1476.68	14.4	6.4	7.6
SmallCap 600	870.37	865.08	869.16	3.18	0.37	876.06	703.64	15.4	3.7	9.7
Other Indexes										
Russell 2000	1446.48	1440.00	1445.42	5.02	0.35	1450.39	1156.89	16.1	6.5	8.0
NYSE Composite	12158.98	12103.13	12147.50	15.77	0.13	12147.50	10289.35	13.4	9.9	3.4
Value Line	529.89	527.68	529.25	1.45	0.27	533.62	455.65	10.3	4.6	2.3
NYSE Arca Biotech	4215.04	4168.09	4208.08	67.71	1.64	4232.90	2834.14	22.1	36.8	10.6
NYSE Arca Pharma	546.95	542.36	545.91	0.30	0.05	549.20	463.78	4.4	13.4	0.4
KBW Bank	96.98	95.20	96.64	0.78	0.81	99.33	69.71	35.8	5.3	9.5
PHLX® Gold/Silver	88.56	84.70	85.48	-1.74	-2.00	99.20	73.03	-13.8	8.4	-0.6
PHLX® Oil Service	137.05	134.57	136.35	2.34	1.75	192.66	117.79	-10.4	-25.8	-21.0
PHLX® Semiconductor	1165.47	1133.28	1148.60	-16.38	-1.41	1164.98	796.64	41.7	26.7	20.9
CBOE Volatility	10.67	9.67	9.78	-0.40	-3.93	22.51	9.36	-26.5	-30.3	-6.9

\$Philadelphia Stock Exchange

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Energy Transfer Equity	ETE	11,309.4	17.70	...	unch.	17.70	17.66
Energy Transfer Partners	ETP	10,833.0	18.49	...	unch.	18.56	18.48
SPDR S&P 500	SPY	8,540.0	249.93	-0.13	-0.05	250.10	249.92
General Motors	GM	7,318.1	38.88	...	unch.	38.97	38.85
Altaba	AABA	5,979.1	66.92	...	unch.	66.93	66.78
Intel	INTC	4,100.6	36.82	-0.25	-0.67	37.10	36.73
Bank of America	BAC	3,561.2	25.04	-0.02	-0.08	25.06	24.72
General Electric	GE	3,459.1	24.31	-0.01	-0.04	24.33	24.30

Percentage gainers...

Company	Symbol	Latest	Session % chg	52-Week High	52-Week Low
Third Point Reinsurance	TPRE	22.5	15.10	0.70	4.86
Anadarko Petroleum	APC	564.4	46.85	2.04	4.55
Arbutus Biopharma	ABUS	25.2	7.00	0.30	4.48
Veritome	VERI	10.4	48.10	1.97	4.27
Global Blood Therapeutics	GBT	33.4	29.70	1.10	3.83
West Corp.	WSTC	11.5	22.03	-1.45	-6.18
Juno Therapeutics	JUNO	86.3	43.33	-1.88	-4.16
Neurocrine Biosciences	NBIX	66.7	54.50	-2.30	-4.05
Immunomedics	IMMU	97.8	11.00	-0.44	-3.85
Golar LNG	GLNG	65.8	20.49	-0.66	-3.12

...And losers

Company	Symbol	Latest	Session % chg	52-Week High	52-Week Low
Yangtze River Development	YERR	17.00	1.91	12.66	25.47
SCYNEXIS	SCYX	2.44	0.26	11.93	5.51
Newater Technology	NEWA	9.61	1.02	11.87	11.80
JAKKS Pacific	JAKK	3.15	0.33	11.50	9.15
Versartis Inc.	VSAR	21.85	2.25	11.48	24.00

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	836,697,228	11,101,101
Adv. volume*	480,557,431	4,387,904
Decl. volume*	342,027,730	6,451,227
Issues traded	3,073	334</

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Copper-High (CME) -25,000 lbs.; \$ per lb.							
Sept 2.9565	2.9665	2.9360	2.9495	... 1,833			
Dec 2.9770	2.9930	2.9535	2.9690	-0.0055	187,619		
Gold (CMX) -100 troy oz.; \$ per troy oz.							
Sept 1300.90	1300.90	1298.70	1312.00	5.80	708		
Oct 1310.70	1315.70	1295.60	1312.50	5.80	34,421		
Dec 1314.70	1319.80	1299.50	1316.40	5.80	447,995		
Feb'18 1318.80	1323.50	1303.70	1320.50	5.70	39,643		
June 1328.70	1331.30	1311.50	1328.20	5.70	10,043		
Dec 1340.20	1341.80	1325.00	1339.70	5.60	10,629		
Palladium (NYM) -50 troy oz.; \$ per troy oz.							
Sept 909.05	909.05	909.05	911.55	5.85	11		
Dec 906.75	913.45	898.10	910.15	5.85	30,763		
March'18 903.55	906.25	894.95	904.30	5.45	1,063		
Platinum (NYM) -50 troy oz.; \$ per troy oz.							
Sept 991.20	991.20	991.20	944.90	-5.50	6		
Oct 953.50	960.00	935.80	945.40	-5.80	46,514		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.							
Sept 17,255	17,340	17,010	17,251	0.056	418		
Dec 17,345	17,445	17,010	17,334	0.055	155,867		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.							
Oct 49.84	50.65	49.75	50.41	0.93	25,801		
Nov 50.27	51.11	50.13	50.69	0.79	589,237		
Dec 50.54	51.41	50.46	51.04	0.80	357,659		
Jan'18 50.81	51.60	50.70	51.29	0.79	219,151		
June 51.12	51.75	51.05	51.58	0.63	173,612		
Dec 50.99	51.45	50.88	51.33	0.46	231,611		
NY Harbor USLD (NYM) -42,000 gal.; \$ per gal.							
Oct 1,7831	1,8101	1,7732	1,8070	0.0344	61,955		
Nov 1,7756	1,8034	1,7665	1,7991	0.0336	111,109		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.							
Oct 1,6630	1,6688	1,6419	1,6551	0.0001	61,621		
Nov 1,6169	1,6216	1,6027	1,6158	0.0099	143,683		
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.							
Oct 3,118	3,148	3,077	3,094	-0.028	97,325		
Nov 3,171	3,203	3,136	3,149	-0.026	266,514		
Dec 3,215	3,341	3,280	3,291	-0.028	115,567		
Jan'18 3,414	3,437	3,380	3,392	-0.027	148,031		
March 3,368	3,386	3,337	3,351	-0.019	108,604		
April 2,985	2,990	2,974	2,986	...	120,143		

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.							
Dec 348.00	351.50	347.25	350.00	1.75	806,172		
March'18 360.50	364.00	360.00	362.50	1.75	236,085		
Oats (CBT) -5,000 bu.; cents per bu.							
Dec 241.50	249.00	241.00	246.25	6.00	4,718		
Soybeans (CBT) -5,000 bu.; cents per bu.							
Nov 966.00	974.00	964.75	970.00	4.50	354,326		
Jan'18 976.50	984.25	975.25	980.50	4.50	100,425		
Soybean Meal (CBT) -100 tons; \$ per ton.							
Oct 305.00	308.40	304.50	306.30	1.30	35,334		
Dec 308.70	312.20	308.30	310.10	1.40	182,667		
Soybean Oil (CBT) -60,000 lbs.; cents per lb.							
Oct 34.56	34.81	34.38	34.67	.15	39,563		
Dec 34.82	35.05	34.62	34.91	.15	210,157		
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.							
Nov 1280.00	1280.50	1269.00	1280.50	2.50	9,863		
Jan'18 1300.00	1295.00	1306.00	3.00	.579			
Wheat (CBT) -5,000 bu.; cents per bu.							
Dec 443.25	452.00	442.75	449.75	6.75	254,565		
March'18 463.75	471.75	463.00	469.75	5.75	82,194		
Wheat (KC) -5,000 bu.; cents per bu.							
Dec 442.25	449.75	442.00	448.00	6.00	141,361		
March'18 459.75	467.25	459.75	466.00	6.25	77,193		
Wheat (MPLS) -5,000 bu.; cents per bu.							
Dec 617.00	626.25	614.50	621.50	4.25	42,870		
March'18 631.00	639.00	628.75	634.25	3.25	22,020		
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.							
Sept 151,400	154,125	151,375	153,975	2.400	3,936		
Nov 152,975	157,625	152,975	157,950	2.425	15,429		
Cattle-Live (CME) -40,000 lbs.; cents per lb.							
Oct 108,050	110,975	107,775	110,950	2.975	72,810		
Dec 113,400	116,400	113,205	116,250	2.850	127,525		
Hogs-Lean (CME) -40,000 lbs.; cents per lb.							
Oct 59,350	59,600	58,475	58,650	-1.475	61,407		
Dec 59,000	60,100	58,725	59,925	.200	107,259		
Lumber (CME) -110,000 bd ft.; \$ per 1,000 bd ft.							
Nov 389.50	391.40	388.00	390.00	8.20	4,462		
Jan'18 397.70	398.00	393.20	396.10	5.80	940		
Milk (CME) -200,000 lbs.; cents per lb.							
Sept 16.27	16.34	16.25	16.26	-.01	5,111		
Oct 15.78	15.95	15.69	15.91	.14	4,640		
Cocoa (ICE-US) -10 metric tons; \$ per ton.							
Dec 1,966	2,008	1,964	1,998	33	142,712		
March'18 1,983	2,012	1,976	2,002	27	60,110		

Currency Futures

Japanese Yen (CME) -¥1,250,000; \$ per 100 yen							
Oct .8979	.9008	... 8897	.8912	-.0069	922		
Dec .8998	.9038	... 8922	.8938</				

BANKING & FINANCE

Rally Fails to Fuel Bank Mergers

By CHRISTINA REXRODE

The Trump rally was supposed to be a boon for bank mergers and acquisitions. It hasn't been yet.

The number of U.S. bank deals announced so far this year has dropped to 173 from 178 at the same time last year, according to investment-banking boutique FIG Partners. At the current pace, this year could have the fewest bank mergers since 2009.

That tally has been disappointing for some investment bankers who hoped that the 35% rally in bank stocks over the past 12 months would be accompanied by a return to precrisis merger appetites. Bob Jones, chief executive of **Old National Bancorp** in Evansville, Ind., called the banking industry's reaction to the Trump election last year "premature euphoria."

His bank announced this summer that it plans to buy a Minnesota rival that will take its size to roughly \$17 billion in assets. But he pointed out that others are still cautious—with

good reason. Interest rates are still low, Mr. Jones said, adding, "we've gotten very little of the regulatory relief [and] who knows what is going to happen with tax cuts."

While some smaller banks like Old National have done deals, several executives from larger regional banks said this month that they don't plan any mergers. And the largest banks, led by J.P. Morgan Chase & Co., are prevented from major acquisitions due to deposit limits and political resistance.

The downturn in deals partially stems from a shift in the way banks do business. While banks have been open to buying financial-technology firms or loan portfolios, buying other banks looks less enticing as branches become less important to serving customers.

"That math doesn't work for us right now," David Turner, chief financial officer of **Regions Financial Corp.**, told investors last week at a banking conference when asked about bank acquisitions.

Some potential buyers are also under regulatory orders

that constrain them from bank acquisitions. That includes major regional banks such as **U.S. Bancorp** and **BB&T Corp.**, which in the past have acquired smaller banks.

Even under the Trump administration, which has promised a lighter regulatory touch with banks, lenders worry that any purchase can open them up to scrutiny. Regulators' concerns, for instance, stopped

Capital One Financial Corp. from buying the banking assets of **Cabela's Inc.** earlier this year.

Two big regional banks, **KeyCorp** and **Huntington Bancshares Inc.**, meanwhile, are digesting deals that closed last year. Executives at both said recently they were focused on growing organically, not buying again.

The run-up in bank stocks since the election has actually complicated matters. While higher stock prices can give buyers more momentum to purchase a rival with their stock, it can also make the target more expensive. **Canadian Imperial Bank of Commerce** had to sweeten its offer for **PrivateBancorp Inc.** after the Chicago-based bank's stock jumped.

Any deal making is mostly concentrated in smaller banks. More than 80% of banks that have announced they are selling themselves this year have assets of less than \$1 billion, according to FIG Partners. Only two have assets of more than \$10 billion.

Swiss Central Bank Shares Trade, and They're Sky-High

By BRIAN BLACKSTONE

ZURICH—In Switzerland, 4,300 francs (about \$4,500) will buy you a pretty nice watch. Or one share of its central bank.

The mystery behind the **Swiss National Bank's** extraordinary share-price rise deepened Wednesday as the stock jumped 11% with no obvious trigger.

The SNB isn't a normal stock, just like it isn't a normal central bank.

Less than a month after its stock smashed through the 3,000-franc-a-share barrier, SNB shares surged past 4,000 francs on Tuesday and closed at 4,208 francs on Wednesday.

The stock has more than doubled in the past year, repeatedly confounding market watchers by regularly hitting records.

SNB shares have more than doubled this year, compared with an 11% gain for the SMI stock-market index of Swiss blue-chip companies. The broader Stoxx Europe 600 is up only 5.7% on the year.

But those looking for a good reason behind the rally, or trying to judge whether the stock is fairly valued, will likely be disappointed.

While the SNB does release monthly data on its balance sheet and quarterly profit, it doesn't issue the reams of financial metrics that most listed companies do. The central bank also isn't covered by analysts in the same way as commercial banks or companies.

The SNB is a rarity among rarities. Only a handful of central banks—including Japan and Belgium as well as the Swiss—have private shareholders.

But while shares in other central banks have languished, the SNB has behaved more like a highflying tech stock despite its conservative roots.

UBS economist Alessandro Bee, who covers the SNB as a central bank and not as a stock, said he sees no particular reason why the stock rose Wednesday or why it is up so much this year. "The only explanation I have is people are desperately looking for bond substitutes," he said.

The SNB pays a tiny dividend of 15 francs a share, which is fixed by law. Optimizing shareholder value isn't a priority for the SNB, whose responsibility is to steer a steady course for the Swiss economy with low inflation. Lately, that has meant keeping the Swiss franc from strengthening too much.

There are only 100,000 shares outstanding and the stock is thinly traded, which can exaggerate price moves. On an average day, about 174 SNB shares are traded, compared with nearly 12 million for Credit Suisse AG.

The SNB's majority shareholders are Swiss states, known as cantons, and cantonal banks.

The fundamentals supporting SNB shares at above 4,000 francs aren't much different than what they were when the stock traded at around 1,100 francs a share at the start of 2016.

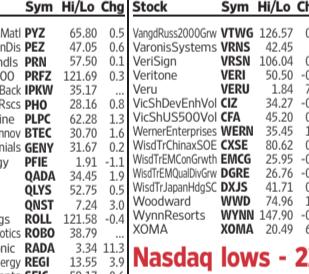
Some analysts say the SNB could serve as an alternative to bonds in an era of low and negative interest rates. The dividend is tiny, but positive, and the SNB likely benefits from Switzerland's reputation as a safe place to park money.

Meanwhile, the recent weakening of the Swiss franc against the euro could mean billions of francs in paper profits because a big chunk of the SNB's huge 725 billion francs in foreign-currency investments are in euro assets.

Soaring

Shares of Swiss National Bank more than doubled this year.

4,000 Swiss francs



Note: 1 Swiss franc = \$1.03

Source: FactSet

THE WALL STREET JOURNAL.

Bitcoin 'Fugitives' Meet, Skirt Beijing

By STEVEN RUSSOLILLO
AND CHUIN-WEI YAP

HONG KONG—China's crackdown on cryptocurrencies isn't stopping the industry's enthusiasts. Instead, it is emboldening them to find ways to circumvent the government's curbs.

Hundreds of bitcoin traders and blockchain-technology experts gathered in Hong Kong on Wednesday for a two-day conference originally scheduled to be held in Beijing. The recent regulatory clampdown caused the event to be moved "to lower the risks of being canceled," according to the website of conference organizer Bitkan, a bitcoin-trading firm.

"We are fugitives here," John McAfee, a bitcoin bull who is best known for the antivirus company he founded, told the audience. A former fugitive himself for past misadventures in Belize, Mr. McAfee described what the Chinese government is doing as "the opening bell of what will get worse and worse."

He predicted the industry



A bitcoin-mining facility. China has placed restrictions on cryptocurrencies but allows bitcoin mining.

would continue to thrive. "The creators, designers and innovators will find a way around it. They always do and always will," he said.

Chinese authorities have decided on a comprehensive ban on channels for the buying or selling of the virtual currency in China, The Wall Street Journal has reported. The plan, which goes beyond shutting commercial bitcoin

exchanges, represents some of the most draconian measures any government has taken to control bitcoin.

China used to account for the vast majority of bitcoin's overall trading volume, but now makes up less than 15% of the total.

Leon Liu, chief executive and co-founder of Bitkan, said there are still ways for Chinese investors to trade bitcoin

directly with one another, such as through messaging apps. "You use WeChat, you meet someone, you chat, you buy and sell, you transfer money," he said.

Bitcoin traders and platform operators on Wednesday said miners in China, who operate a vast collection of computers to create new digital coins, are still allowed to operate.

New Highs and Lows | wsj.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG—Daily percentage change from the previous trading session.

NYSE highs - 191

LazardWorldDiv LOR 11.36 0.1 CheetahMobile CMCM 8.90 -0.3

LibertyAllStar GAT 0.93 0.9 ChinaDistanceEd DL 5.93 -0.2

LiveNationEnt LVV 43.54 -0.2 FeedWorks FWD 30.68 -0.2

LouisianaPldg DPL 1.79 -0.5 NRG Yield CDR 5.93 0.0

Accenture ADX 138.15 0.1 Shire SHIR 5.00 -0.2

AdamsEquityPdF ADX 15.11 0.1 ShireHldgMSL CBL 51.07 -1.1

Adient ADNT 88.58 0.5 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

AdvanSix ASIX 38.05 0.2 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

AerojetRocketD ALR 32.34 0.3 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

AlamoGroup ALG 101.57 0.8 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

AlbanyIntl AIR 56.50 0.6 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

Albermarle AZL 138.56 1.3 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

Alere ARL 50.64 0.1 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

Alleghio ALLE 84.04 0.9 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

AllianzEqltyCn NIE 20.54 0.5 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

AlpinGlpPrpD ALP 6.65 -0.2 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

AlpineTdtDnyDND ADD 27.48 0.3 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

AnnaloyCapPdF NYUfP 25.39 0.2 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

ArmoniCn CHC 23.45 0.6 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

ArmeniaFndr GEFN 49.87 -0.3 ShireHldgMSLCEFAFE HCKT 28.13 -0.5

ArmeniaFndr GEFN 49.87

MARKETS

HACK

Continued from page B1

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 last Friday announced the departure of the two executives who previously held those positions. In a progress report that accompanied the Friday 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 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 outside the company on patching efforts and that its review was ongoing.

After interacting with Equifax's server in early March, the hackers then entered the computer command "Whoami," Mandiant wrote. This command would have given the attackers the username of the computer account to which they had just gained access, an early step in a hacking attempt.

Investigators haven't determined for certain whether the March incident was the work of the data thieves or a different set of hackers, but it was likely the beginning of a months-long reconnaissance mission, accord-

143M

Americans whose data were potentially accessed in May hack.

ing to a person familiar with the investigation. It is common for attackers to lurk for months after their initial break-in as they probe corporate systems—the digital equivalent of trying as many doorknobs as possible to see which doors can be opened.

The March activity was likely a result of the hackers "spamming the internet for vulnerable systems," said Johannes Ullrich, dean of research with the SANS Technology Institute, a cybersecurity training school.

It isn't surprising that the hackers took weeks before accessing the sensitive data, Mr. Ullrich said. "Typically, you first build out a beachhead so that it's difficult to get kicked out," he added.

On average, it takes companies close to 100 days to discover that they have been hacked, FireEye said in a report released earlier this year. In Equifax's case, it took 141 days.

Eventually, between May 13 and late July, the attackers accessed files that contained Equifax credentials, such as username and password, and "performed database queries that provided access to documents and sensitive information stored in databases in an Equifax legacy environment," the Mandiant report said.

Overall, the attackers accessed "numerous database tables in several databases," the Mandiant report said.

The report added that the attackers "compromised two systems" that support Equifax's online dispute web application. This is the place where consumers go to dispute information on their credit reports.

The hackers also set up about 30 Web shells—hidden pages that would allow them to remotely run commands on Equifax's systems even if the Struts vulnerability was patched, the report said. The attackers "remotely accessed" the Equifax systems from about 35 "distinct public IP addresses," it said.

The identity of the hackers is still unknown. Mandiant said in its letter that it hadn't been able to attribute the breach to any "threat group actor" it currently tracks. Nor did the "tools, tactics and procedures" used overlap with those seen in previous investigations by the firm.

Buffett: Dow to Go Over 1 Million

Berkshire chief sees the blue-chip index topping seven figures in the next century

By NICOLE FRIEDMAN
AND BEN EISEN

You heard it from Warren Buffett first: The Dow Jones Industrial Average is headed above one million.

The blue chip stock benchmark is likely to be above that milestone in a hundred years' time, the **Berkshire Hathaway** Inc. chief executive and chairman said Tuesday night. It sounds eye-popping, but judging by past history, it is actually a fairly conservative bet.

"The Dow will be over a

million, and that is not a ridiculous forecast at all if you do the math," he said.

Mr. Buffett, who is 87 years old, made his remarks at a celebration of the 100-year anniversary of Forbes. Afterward, he discussed the impact that Hurricanes Harvey and Irma had on one of his best-known businesses, car insurer Geico. Harvey, he said in an interview, caused more losses.

Geico is the biggest car insurer in Florida, where Irma made landfall earlier this month, and the second-biggest in Texas, where Harvey struck in August. But Harvey caused massive flooding, which can be more damaging to cars than wind. Mr. Buffett said in August that he expected Geico to report losses on about

50,000 cars following Harvey. "It's very hard to give numbers but...there were more total losses by quite a margin in Harvey than in Irma," Mr. Buff-

'Being short America has been a loser's game,' says Berkshire's optimistic Warren Buffett.

fett said Tuesday about Geico's business.

Berkshire used to be a big seller of reinsurance for catastrophes but has retreated from the market in recent years due to low prices. Mr. Buffett said he doesn't expect pricing to

improve despite the string of hurricanes and other natural disasters in recent weeks.

It would take a 3.9% annual gain for the Dow industrials to hit Mr. Buffett's one-million milestone in September of 2017. For context, the Dow has climbed an average of 5.7% annually over the 100 years through Wednesday, when it closed at a record 22412.59.

Mr. Buffett himself has managed to do far better. Berkshire's latest annual report touts an annual return of 21% between 1965 and 2016 for Class A shares.

Apple Inc. shares are up 17% annually since 1980. **Amazon.com** Inc.'s shares are up 36% annually since 1997. And **Tesla** Inc. shares are up 46% annually since mid-2010.

Pointing to the long-term track record for stocks could assuage some investors who are getting nervous that growing geopolitical conflicts may send an already expensive stock market into a tailspin.

The continued climb is one reason Mr. Buffett cited for his optimism about America—a sentiment he has long imparted to his followers, particularly during turbulent times such as the 2008 financial crisis. He said Tuesday that of the hundreds of people from all walks of life who have graced the well-known Forbes list of the wealthiest people, none have been short sellers.

"Being short America has been a loser's game," he said. "And it will continue to be a loser's game."

Maria Exposes Big Void in Home Insurance

By LESLIE SCISM
AND NICOLE FRIEDMAN

Many Puerto Rican homeowners don't have insurance policies to help with rebuilding in the wake of Hurricane Maria, making the economically depressed island's recovery more difficult.

Only about 50% of houses in the U.S. territory are covered by policies that protect against wind damage, which is far less than is typical across the U.S., according to catastrophe-risk-modeling firm AIR Worldwide.

Maria, the most powerful storm to hit Puerto Rico in nearly a century, made landfall on the island early Wednesday after tearing through Dominica. Puerto Rico is still recovering from Hurricane Irma, which knocked out power in many households.

Rebuilding communities is a lot more difficult without insurance proceeds, said Amy Bach, executive director of United Policyholders, a national insurance-focused consumer nonprofit based in California. "In terms of straight-up cash to pay for the work that has to be done, insurance funds are the best source for most people after a disaster," she said.

In the mainland U.S., owning a house without insurance to pay for catastrophic wind damage is fairly uncommon, insurance executives and agents said, though high deductibles can leave people with large out-of-pocket expenses. And many U.S. homeowners whose houses are flooded lack the specialized policies of the National Flood Insurance Program.

Puerto Rican homeowners without insurance coverage will have to rely on their own money, aid from the Federal Emergency Management Agency and other public or



A hard-hit area in Guayama, Puerto Rico. Only about half of the island's homes have policies that protect against wind damage.

Puerto Rico Bond Prices Decline

It could take weeks to determine the full extent of the hurricane damage to Puerto Rico, but bondholders are already anticipating losses.

Prices have fallen as much as 4% since Monday on some bonds issued by the commonwealth, its public power company, and its water and sewer

authority. Investors were already expecting deep haircuts as the commonwealth makes its way through a federally supervised restructuring process.

"How long will they be missing revenues because of people not getting power?" said Dan Solender, director of municipals at Lord Abbett & Co., which holds more than \$100 million of Puerto Rico bonds.

Even before Hurricane Maria slammed into Puerto Rico on Wednesday, thousands of peo-

ple had been without electricity for two weeks, since Hurricane Irma passed by the island's northern coast.

Puerto Rico owes roughly \$70 billion to investors. Depending on the extent of the damage, the hurricane could factor into decisions by the federal control board on just how much investors will get paid, said Matt Fabian, a partner with Municipal Market Analytics.

—Heather Gillers

charitable sources as the island faces what is widely expected to be billions of dollars of damage. On Monday, President Donald Trump approved an emergency declaration for Puerto Rico, opening the door to federal assistance.

The lower penetration of homeowners insurance reflects that annual income averages about \$20,000 in Puerto Rico, which is about a third of the roughly \$59,000 in the 50 U.S.

states and the District of Columbia, according to U.S. Census Bureau data. The U.S. territory skidded into bankruptcy in the spring after more than a decade of economic distress.

Banks require people with mortgages to take out homeowners policies to protect the bank's financial interest. Puerto Rico, with a population of more than three million, has just over 500,000 active mortgages, according to Black

less takeup of insurance" compared with homes owned by expatriates or commercial buildings, Mr. Sabbatelli said.

Puerto Rican homes are often built with reinforced concrete and can withstand some high-speed winds, observers said. But "with this one, I'm sure there's going to be significant damages," said Brian O'Larte, associate director at ratings firm A.M. Best, on Tuesday.

Standard homeowners insurance policies don't cover flood damage. Fewer than 1% of Puerto Rico's 1.6 million housing units have coverage from the U.S. National Flood Insurance Program, the dominant seller to homeowners in the mainland, U.S. government data show.

Many older homes in the Caribbean have been "passed down through generations in a family [and are] unlikely to have insurance," said Tom Sabbatelli, senior product manager at Risk Management Solutions, a risk-modeling firm. A lot of these smaller homes in some poorer communities "are going to feature far

Knight Financial Services, a mortgage and real-estate technology and data provider.

Many older homes in the Caribbean have been "passed down through generations in a family [and are] unlikely to have insurance," said Tom Sabbatelli, senior product manager at Risk Management Solutions, a risk-modeling firm.

A lot of these smaller homes in some poorer communities "are going to feature far

on government insurance, according to A.M. Best.

—Coulter Jones contributed to this article.

Spanish Markets Feel the Heat From Catalonia

By JON SINDREU

A bid for independence for one of Spain's richest regions is a lingering risk for investors after a long period of political uncertainty in Europe.

Catalonia is pushing ahead with an independence referendum on Oct. 1, even though the Spanish government has deemed it illegal. On Wednesday, national police arrested 13 Catalan officials.

Whether Spain's finances will be put under pressure is the key question for investors.

Spain's Ibex 35 stock index fell 0.8% Wednesday, with Catalonia's largest banks—**Banco de Sabadell** SA and **CaixaBank** SA—leading the losses with falls of 3.8% and 1.9%, respectively.

Investors have also sold Catalan debt, with yields on bonds maturing in 2020 trading at 2.7%, up from 2.2% in June, on concerns about payments being missed, even though they have the Spanish government's implicit guarantee, investors said. Bond yields rise when prices fall.

A string of pivotal European elections earlier this year were a big source of anxiety for investors, but far-right candidate Marine Le Pen's defeat in France's spring presidential election and Greece's successful negotiation of a new bailout package in June appeared to put the risks

largely to rest.

Now, the Catalan referendum could bring volatility to Spanish and Catalan bonds and shares, destabilizing Spain's economy just as it undergoes an economic revival, investors said.

Opinion polls predict a win for pro-independence voters, in part because those who don't support secession have said they would boycott the vote, skewing the results. It is unclear how many people will show up to vote in an unauthorized referendum that hasn't set a minimum participation to be considered legitimate.

The Catalan government has pledged to go ahead with the vote and abide by its result.

Some investors see opportu-

nity. Mark Dowding, a fund manager at **BlueBay Asset Management** LLP, is buying Catalan debt. He considers it a bargain "against the backdrop of low yields in Europe" and low probability of separation, he said.

"There's a high probability you are going to have a little bit of civil unrest, meaning riots in some streets, especially in [regional capital] Barcelona," said Brian Tomlinson, a fund manager at Allianz Global Investors. He said he thinks Spanish bonds' premium to Germany's could widen, a potential buying opportunity.

Finance has become a battleground in the secession bid. Earlier this year, Catalan of-

ficials met with investors in New York and London to gauge interest for new bond issuance, a move that would give them more financial autonomy. The region is also trying to build up its ability to raise and control local taxes. Officials have explored ways to access the bank payments system as it routes tax payments to Madrid, people familiar with the matter said. The Spanish government declined to comment.

Madrid is fighting back. This week, Spanish Budget Minister Cristóbal Montoro instructed banks to block payments related to the referendum, such as spending on ballots.

Spanish officials have also threatened to stop Catalan access to the fund that has been the main source of financing for most Spanish regions since 2012, even though three-quarters of the money borrowed by Catalonia this year is designated to be paid back to that fund, official numbers show.

While the Spanish government has moved to take control of Catalan finances, a spokeswoman for the budget ministry said turning off the tap wasn't on the table.

Ratings company Moody's Investors Service said in a report this month that Catalan independence would have material negative credit implications for Spain.

Spain's national debt is equal to more than 100% of gross domestic product. Catalonia, meanwhile, has 16% of Spain's population but 19% of its GDP. The region sends the equivalent of a net 5% and 8% of its economy to national coffers, depending on the estimate.

Still, if Madrid ignored the vote, Catalonia would likely struggle to inflict disruption to bank payments and Spain's finances, analysts said. Without full independence, investors would steer clear of Catalan debt, a London-based investment banker said. Meanwhile, banks would retain control over payments, and Catalan companies withhold most income taxes.

—Jeannette Neumann contributed to this article.

Some investors see opportu-

MARKETS

Dow Reacts Mildly to Fed's Unwinding

Central-bank officials' renewed support of their rate plans drives haven assets lower

BY AMRITH RAMKUMAR
AND MARINA FORCE

The Dow Jones Industrial Average posted a fresh record and haven assets fell after the Federal Reserve kept the door open for a December interest-rate increase.

The stock market's reaction to the Fed's latest decision was relatively muted, with the central bank's comments coming largely in line with expectations.

However, the Fed's renewed commitment to its plans to raise rates one more time this year and three times next year caught some traders in other markets off-guard. Bonds and gold headed lower, as investors who had previously believed a series of weak inflation readings earlier this year might alter the Fed's plans revised their outlook.

As the Fed continues to unwind the ultraloose monetary policies it put in place after the financial crisis, investors and analysts will be watching to see if the recent strong corporate-earnings growth can continue. For now, many say conditions remain favorable for stocks to keep rising.

"We're in this sweet spot," said Lee Ferridge, head of macro strategy for North America at State Street Global Markets. "That's been the case all year, and that's still the case," he said.

The Dow industrials rose 41.79 points, or 0.2%, to 22412.59, reversing losses after turning negative immediately following the Fed's announcement. The blue-chip index has risen in nine straight sessions.

The S&P 500 turned posi-

Fed Fallout

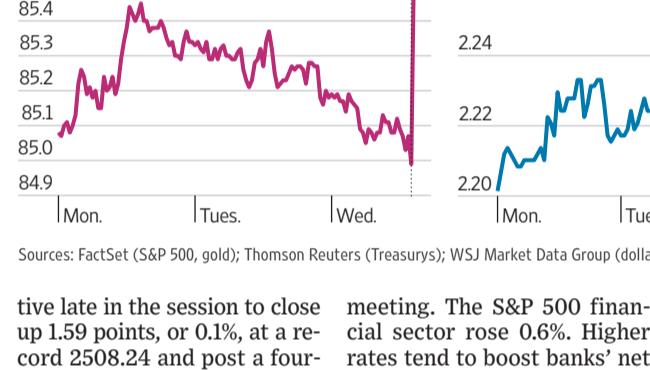
Stock-market investors took the Federal Reserve's latest policy decision in their stride.

Index performance Wednesday

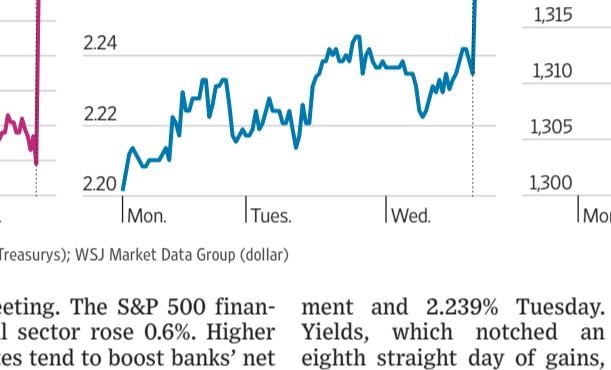


The Fed's signal it will stick to its plans for rate rises this year and next caused the dollar and Treasury yields to rise and gold to falter.

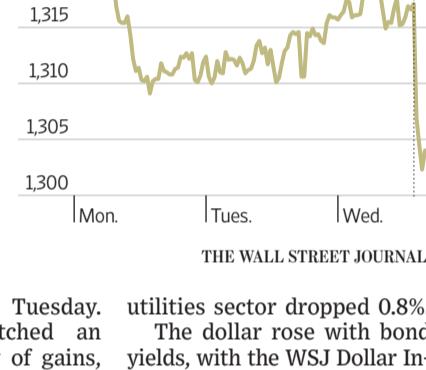
WSJ Dollar Index



Yield on 10-year Treasury note



Gold price, most-active contract



utilities sector dropped 0.8%.

The dollar rose with bond yields, with the WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, reversing earlier losses to trade up 0.4%.

Gold joined other falling haven assets, with futures declin-

tive late in the session to close up 1.59 points, or 0.1%, at a record 2508.24 and post a four-session winning streak. The Nasdaq Composite fell 5.28 points, or 0.1%, to 6456.04.

Financial stocks rose alongside bond yields following the central bank's latest two-day

meeting. The S&P 500 financial sector rose 0.6%. Higher rates tend to boost banks' net interest margins, a measure of lending profitability.

The yield on the benchmark 10-year U.S. Treasury note edged up to 2.276%, from 2.238% ahead of the announce-

ment and 2.239% Tuesday.

Yields, which notched an eighth straight day of gains, rise as bond prices fall. Shares of utilities companies, often referred to as bond proxies because they pay relatively high dividends and are considered less risky, fell. The S&P 500

utilities sector dropped 0.8%.

The dollar rose with bond yields, with the WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, reversing earlier losses to trade up 0.4%.

Gold joined other falling haven assets, with futures declin-

ing 0.6% in electronic trading.

Some investors and analysts said the movement in assets such as bonds and currencies could prove overdone. Fed Chairwoman Janet Yellen reiterated Wednesday that more soft inflation data could make the central bank reassess its plans for future rate increases.

"The Fed really tried to thread the needle here by taking a step to unwind the balance sheet without sounding too hawkish," said Yousef Abbasi, global market strategist at JonesTrading Institutional Services.

Energy stocks were among the best performers Wednesday, rising alongside oil prices after the U.S. Energy Information Administration reported that refiners continued to bring back operations last week following hurricane-related disruptions, increasing demand. U.S. crude rose 1.9% to \$50.41—its highest close in more than three months—while the S&P 500 energy sector, the index's best performer this month, advanced 0.7%.

Corporate news drove swings in individual stocks.

Pfizer gained 54 cents, or 1.5%, to \$35.99 after the company filed a lawsuit against Johnson & Johnson alleging it thwarted biosimilar competition to its arthritis drug.

FedEx shares rose 4.50, or 2.1%, to 220.50 even though the shipping giant said a cyberattack and Hurricane Harvey weighed on its most recent quarterly earnings.

Tech giant Apple fell 2.66, or 1.7%, to 156.07 after the iPhone maker acknowledged problems with cellular connectivity in its newest smartwatch days before it goes on sale in stores.

Elsewhere, the Stoxx Europe 600 edged down less than 0.1%.

Early Thursday, in Tokyo, Japan's Nikkei Stock Average was up 0.7% as the yen fell against the dollar in the wake of the Fed's decisions. Other Asian markets fell early Thursday.

HEARD ON THE STREET

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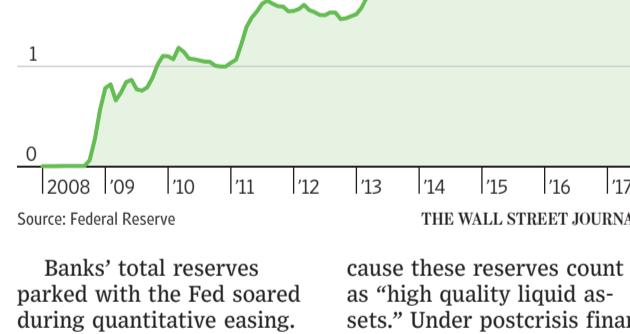
FINANCIAL ANALYSIS & COMMENTARY

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Rate Policy Likely to Buoy Banks

Legacy of Quantitative Easing

Total reserves held at the Federal Reserve by depository institutions



This will ripple through markets, potentially reducing the impact of the Fed's unwinding on long-term rates.

This effect won't be felt immediately because banks have liquid assets well above the regulatory minimums. Over time, though, it could be substantial. In the second quarter, the six biggest U.S. banks held \$2.1 trillion of "high quality liquid assets." Of that amount, nearly \$800 billion took the form of excess reserves parked at the Fed, according to estimates by Nomura Instinet analyst Steven Chubak.

Banks also will earn more from these new assets than from deposits with the Fed. Mr. Chubak estimates that **J.P. Morgan Chase** will be the biggest beneficiary, potentially seeing a 4% boost to 2018 earnings per share.

Quantitative easing buoyed stock and bond markets for years, but for bankers it was at best a mixed blessing. As the Fed starts to reverse the process, those bankers may finally be smiling.

—Aaron Back

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 default rates 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.

Adobe's Cloud Hits A Headwind

Speeding up means speed bumps hurt a bit more. Just ask **Adobe Systems**.

Among the older software companies, Adobe stands out for its relatively rapid transition to the cloud. Five years ago, digital subscriptions accounted for 15% of Adobe's annual revenue. That now stands at 84% for the nine-month period ended Sept. 1.

And Adobe's business keeps accelerating. Its fiscal third-quarter results posted Tuesday marked the ninth consecutive period of revenue increasing more than 20% year over year, a rate the company hasn't seen in at least a decade. Operating margins were 30% for the quarter compared with 20% two years ago.

But in corporate tech, bigger sales get more eyeballs. Adobe warned Wednesday that some larger deals for its Experience Cloud service were taking longer to close, leading it to lower its near-term outlook for that business. Closing the deals is more a matter of when than if, according to the company. But with a stock already up 50% for the year and fetching a generous multiple of 35 times adjusted forward earnings, investors were primed to take some profits. Adobe's shares fell 4.2% Wednesday.

Experience Cloud includes most of Adobe's software used by companies to plan marketing campaigns. It is smaller than the flagship Creative Cloud business, but has expanded steadily. Experience Cloud now accounts for a little over one-quarter of total sales, and Adam Holt of MoffettNathanson projects revenue for that service will jump 45% over the next two years. That means plenty more fuel to keep Adobe in the race.

—Dan Gallagher

An Increase in Bad Credit-Card Loans Signals a Warning

Falling Behind

Delinquencies as a percentage of total credit-card loans



from 4.7% at Alliance Data.

These levels aren't overly worrisome, but they are some of the highest the industry has seen in years. Delinquency rates at Alliance Data are at their highest since February 2011, notes Credit Suisse analyst Paul Condra.

Analysts have expected mild increases in delinquencies, in line with the typical seasonal pattern. Consumers tend to load up on debt around Christmas, then gradually fall behind as the year progresses. But analysts say loans have deteriorated more than expected.

The market didn't react

much to the monthly numbers, which were released Friday. But shares of Capital One, Synchrony and Alliance Data are down 7%, 19% and 5%, respectively, this year.

The poor loan performance is perplexing because it coincides with a strong labor market. But Capital One Chief Executive Richard Fairbank, speaking last week at the Barclays financial conference, said it isn't unusual for the credit cycle to diverge from the economic cycle.

Credit problems are creeping up, he said, because consumer debt has been rising faster than incomes. Capital One began slowing

its lending growth last year and has twice raised its guidance for defaults it expects in 2017.

Alliance Data, with the worst delinquencies of the bunch, is now trading at a substantial discount to its historic multiple. But Synchrony Financial at 9.6 times forward earnings is only a bit below its average multiple of 10.8 times, and Capital One at 9.6 times forward earnings is right in line with its average over the past five years.

With little clarity how bad credit-card loans could get, a bigger discount seems justified.

—Aaron Back

At Capital One, loans over 30 days delinquent in its domestic credit-card

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¹ Ericsson, June 2016; Brookings Institute, July 2012; PGIM Real Estate, February 2017.

² Data as of 6/30/17.

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