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NASDAQ 6435.33 ▲ 0.10%

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What's News

Business & Finance

U.S. bank stocks tumbled in August as interest rates slipped, and some money managers say lenders have farther to fall. **B1**

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◆ **Private-equity firms** are plowing cash into opioid treatment centers, drawn by soaring demand. **B1**

◆ **An extended run** of labor-market gains this year has produced little uptick in wage growth or inflation, complicating Fed policy decisions in the months ahead. **A5, B1**

◆ **Apple and Amazon** are bolstering the teams that run their Siri and Alexa virtual assistants as competition heats up in the sector. **B4**

◆ **Huawei** launched a new chipset with built-in AI capabilities to power its next-generation smartphones and take on Apple and Samsung. **B4**

◆ **German domestic stocks** are surging above their internationally focused peers. **B7**

◆ **Legend Holdings** made one of China's biggest forays into European banking with an agreement to buy Banque Internationale à Luxembourg. **B8**

◆ **Banks have cut** their forecasts on oil prices for a fourth consecutive month as analysts brace for further supply when OPEC's agreement to cap output ends next year. **B8**

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◆ **U.S.-backed Syrian forces** retook the old city of Raqqa, inching closer to fully capturing what was ISIS's de facto capital. **A3**

◆ **The Pentagon** set a schedule of naval patrols in the South China Sea in an attempt to create a consistent posture to counter China's claims there. **A4**

◆ **A letter Trump** drafted to Comey laying out why he didn't want the then-FBI chief to stay in the job has been turned over to Special Counsel Mueller. **A5**

◆ **A border standoff** between China and India has magnified friction over trade and security days before their leaders meet. **A3**

◆ **Trump is set** to announce Tuesday whether the Obama-era "Dreamers" immigrant program will be retained. **A5**

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Pyongyang Hails 'Perfect' Test Blast

In response, Mattis warns North Korea that Washington has 'many military options'

By JONATHAN CHENG

SEOUL—North Korea said it conducted a sixth and significantly larger nuclear test Sunday, stepping up pressure on President Donald Trump in what is shaping up to be his biggest foreign policy crisis.

In a televised statement,

North Korea described the underground explosion, which triggered a large earthquake, as a "perfect success in the test of a hydrogen bomb for an ICBM." Pyongyang said "the credibility of the operation of the nuclear warhead is fully guaranteed."

U.S. Defense Secretary James Mattis warned North Korea in stark terms that any attack on the U.S. or its allies would be met with a massive military response, in comments that came after a national-security briefing with

Mr. Trump called in response to Pyongyang's test.

"We have many military options and the president wanted to be briefed on each one of them," said Mr. Mattis in comments Sunday afternoon, accompanied by Gen. Joseph Dunford, chairman of the Joint Chiefs of Staff. Mr. Mattis warned that any attacks on the U.S., Japan or South Korea "will be met with a massive military response, a response both effective and overwhelming."

The test came just hours after leader Kim Jong Un showed

off what he described as a hydrogen bomb capable of being mounted on an intercontinental ballistic missile.

The explosion at the nuclear test site at Punggye-ri in North Korea's mountainous northeast triggered an initial magnitude-6.3 earthquake, followed by a magnitude-4.1 temblor that was possibly caused by a structural collapse, according to the U.S. Geological Survey.

While it was unclear what set off the second quake, satellite imagery has captured evidence of tunneling activity at

the nuclear test site in recent months. Any structural collapse might have been related to that.

Estimates of the size of Sunday's initial earthquake varied among different agencies, but the USGS said it had a magnitude of 6.3. According to the logarithmic scale used to measure earthquakes, a 6.3 quake would be 10 times bigger than the one triggered by the North's previous nuclear test in September.

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◆ **North Korea's newest threat:** electromagnetic pulse..... A4

U.S. Trade Challenge Ups Ante In Seoul

By JONATHAN CHENG

SEOUL—A U.S. threat to withdraw from its bilateral trade agreement with South Korea risks alienating a key ally as fears intensify over North Korea's advancing nuclear-weapons program.

North Korea on Sunday tested its largest ever nuclear device only hours after aides to U.S. President Donald Trump said he was considering pulling the plug on the U.S.-Korea Free Trade Agreement, known as Korus.

Scrapping Korus—the largest bilateral trade deal by dollar value for both the U.S. and South Korea—would inject further instability into the alliance between Washington and Seoul as they seek solutions to

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INSIDE



THE KEY TO THE BREXIT PROCESS

EUROPE FILE, A2

TO REBUILD, OR TO CUT TIES

Three floods in three years force residents of a thriving Houston neighborhood to make painful choices

HOUSTON—Chris Bisel sat next to his son in a grocery store parking lot on Aug. 26, hoping the rising waters would recede enough for him to reach

By **Bradley Olson,**
Dan Frosch
and **Lynn Cook**

his wife, Jamie, who was trapped in their home. He was stunned. It was happening again.

Harvey was deluging one of the most flood-prone major cities in the country with the heaviest rains ever recorded in the continental U.S. And for

the third year in a row, flooding would wreak havoc on his home in Meyerland, a neighborhood of about 2,300 homes on the city's southwest side.

The floods, after years without problems, are making Mr. Bisel and others question the viability of their homes and deep attachment to neighborhoods where they made their lives. Houston's plight is an extreme example of what is being felt in communities around the country, bedeviling politicians and city planners as well as homeowners, as areas become more flood-prone and damaging storms increase in frequency.

Mr. Bisel's 3,800-square-foot ranch-

style home was set to be raised 5 feet with about \$350,000 in financial aid he was receiving through a federal grant program. But the work hadn't started yet; he had lost a race against time.

"My friends say, 'Why do you stay if it keeps flooding?'" said Mr. Bisel, 48. "I try to explain that this is my home, this is where I grew up, and it didn't used to be this way, at least not this bad."

Similar stories played out in homes, businesses and places of worship all along the Meyerland neighborhood

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Secretive Apple Is Opening Up on AI

By TRIPP MICKLE

The battle for artificial-intelligence expertise is forcing Apple Inc. to grapple with its famous penchant for secrecy, as tech companies seek to woo talent in a discipline known for its openness.

The technology giant this year has been trying to draw attention—but only so much—to its efforts to develop artificial intelligence, or AI, a term that generally describes software that enables computers to learn and improve functions on their own.

Apple launched a public

blog in July to talk about its work, for example, and has allowed its researchers to speak at several conferences on artificial intelligence, including a TED Talk in April by Tom Gruber, co-creator of Apple's Siri voice assistant, that was posted on YouTube last month.

Talking up transparency is unusual for a company whose chief executive, Tim Cook, once joked that it is more secretive than the Central Intelligence Agency.

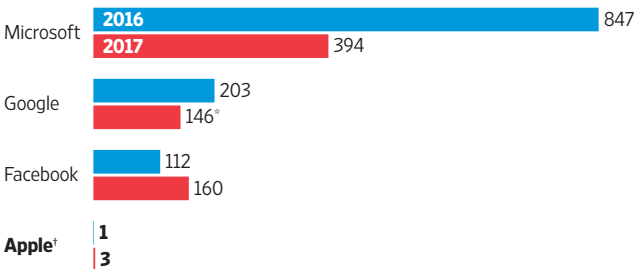
The shift is driven by AI's growing importance in areas like self-driving cars and voice

Please see **APPLE** page A2

The AI Arms Race

Apple is a latecomer among tech companies publishing AI-related research.

Number of company research papers



*Google research in machine intelligence. †Published research on "Apple Machine Learning Journal."

Source: the companies

THE WALL STREET JOURNAL.



SERGEI ILNITSKY, PRESS POOL

A Record That's Out Of This World

SAFE: Peggy Whitson returned to Earth after 288 days in space, bringing her total time to 665 days, longer than that of any American or any woman world-wide. Her landing in Kazakhstan, left. **A3**

Ashamed of Your '90s Clothes? Young Adults Love Them

Baggy fits, giant logos are a 'vintage' hit with young millennials

By KHADEEJA SAFDAR

Tommy Hilfiger clothes are about two decades past their heyday, but you wouldn't know it from Dominic LaBella's closet.

The 20-year-old Michigan resident, whose friends call him "Dommy Hilfiger," buys, wears and sells clothing from a slice of 1990s fashion abandoned for years to attics and thrift shops.

Mr. LaBella and other younger millennials are snapping up logo-marked clothes that include such brands as Fubu



Tommy Hilfiger garb

and Nautica. Used sweatshirts, Windbreakers and track pants from the 1990s are listed online by the thousands. "Some

people have stuff I've never seen before, and I'm like, 'Whoa,'" Mr. LaBella says.

"Own a piece of history," touts a listing for a used Guess Jeans shirt, billed as a "solid piece from the 1990s." The asking price: \$275.

Mr. LaBella sold a \$4 Hilfiger shirt he found at a Goodwill store for more than \$200—proving, he says, that "one person's trash is another person's treasure."

Demand for '90s clothing by teens and young 20s exposes a generation gap with

Please see **STYLE** page A2

WORLD NEWS

Trade: Reddest of Britain's Brexit Red Lines



EUROPE FILE

By Simon Nixon

One by one, many of the U.K.'s red lines for leaving the European Union are being watered down. Over the summer, the government conceded that EU citizens will continue to enjoy the right to live and work in the U.K. more or less as they do now, at least for a transitional period of up to three years; it also softened Prime Minister Theresa May's pledge to end the jurisdiction of the European Court of Justice to a commitment to end only direct jurisdiction; and despite a standoff in Brussels last week, the U.K. has acknowledged it has financial obligations to the EU and that it may continue to pay into EU coffers after Brexit to secure access to markets and programs.

But as other red lines soften, one red line has hardened to the point where it now holds the key to the

Brexit process: Any new relationship with the EU must allow the U.K. the freedom to negotiate its own free-trade deals with third countries. For a Conservative party determined to dissociate itself from the nativist anti-immigration agenda of fellow Brexiters in the UK Independence Party, the need to go into the next election due in 2022 having signed independent trade deals has assumed totemic importance. As one senior cabinet minister puts it: "If we can't do that, what's the point of leaving?"

But Mrs. May's problem is that this political imperative is at odds with her goal of securing a "deep and special partnership" that enables the continuation of frictionless trade with the EU. To strike trade deals, a country needs to have something to trade: tariffs or regulation or ideally both. Yet the only way to maintain frictionless trade between the U.K. and the EU is for the U.K. to remain in both a customs union and a regulatory union with the EU, mirroring exactly the EU's external tariffs and regulations, leaving no scope to sign its own independent trade deals. The U.K. government has spent more than a year trying to devise ways around this conundrum but the reality is that it can't be



The U.K. has softened Prime Minister May's pledge to end European Court of Justice jurisdiction.

done.

To see why, consider the case of Turkey, which actually has its own customs union with the EU yet whose exporters still experience lengthy delays at the border. That is partly because Turkey's customs union doesn't cover all goods. The moment you introduce exceptions in the customs regime you need to have border checks to ensure that excluded goods aren't slipping into the EU tariff free, said Dr. Peter Holmes, an expert in trade policy at Sussex University. A second issue is that Turkey is not part of the EU's regulatory union—the Euro-

pean Economic Area—which ensures that all goods circulating in the EU comply with the same standards. So further border checks are required to ensure that Turkish exports are safe.

Sure, there are ways to minimize barriers but it is impossible to remove entirely the need for checks. Norway, for example, is part of the EEA, which means its exports are deemed safe to sell in the EU, but it is outside the customs union, which means that its exports still face border checks to ensure that the goods are indeed Norwegian and didn't originate in a third country.

Regulatory order checks can also be streamlined by mutual recognition agreements whereby both sides agree to respect each other's standards, surveillance and enforcement systems. But even if the EU agree to recognize post-Brexit U.K. regulatory standards—unlikely unless they were exactly aligned with those of the EU—the moment the U.K. agreed a free-trade agreement with a third country that included recognition of a different set of standards—say, over food hygiene—new border checks would inevitably be needed to ensure that goods entering the EU were

safe, notes Dr. Holmes. That would mean new frictions to EU trade.

As things stand, British ministers still refuse to acknowledge that the U.K. will face any trade-off between frictionless EU trade and the freedom to pursue independent trade deals. The official position—set out in a series of papers in August—is that the U.K. should be able to set its own regulatory standards and have these recognized by Brussels while using innovative technological solutions to obviate the need for customs border checks. Even so, the government already appears to be already backing away from its most eye-catching proposal—that every import into the U.K. be fitted with a tracking device to determine whether it was destined for the domestic or EU market—just two weeks after first floating it.

But privately, British officials accept that the trade-off is real and will have to be confronted: Ministers will have to decide how much disruption to U.K.-EU trade—and indeed to trade with the 48 countries with which the EU itself has a free-trade agreement—they are willing to countenance to secure their prize of independent free-trade deals. Or whether this red line too will have to yield to reality.

STYLE

Continued from Page One

older millennials. Some of them who came of age during the 1990s are baffled to see new passion for the brands of their youth—and many are rattled by the idea that the clothes are old enough to be called vintage.

Emily Collins, a 26-year-old communications manager in New York, says she couldn't believe that a Tommy Hilfiger sweater was priced at more than \$100 at The Vintage Twin in New York City. She took a picture and tweeted, "How?"

She remembers when such sweaters sold for less than \$20, she says, back when she was a middle-school student in West Haven, Conn.

"Fashion is rooted in nostalgia, so in some weird way it does make sense for something like Tommy Hilfiger to resurface," says Amber Snider, a 30-year-old design editor in New York.

In middle school, she wore yellow and green Hilfiger Windbreakers occasionally paired with a Ralph Lauren

purse, a look she would revisit only out of jest, she says, though "I do miss that yellow windbreaker."

Mr. Hilfiger says his brand was a pioneer of baggy dress and oversize logos: "Today, we're seeing the resurgence of this look with millennials that are discovering the '90s trend for the first time."

The era also featured choker necklaces, button-down flannel shirts, striped sweaters and acid-wash denim. Many items arrived in the first big wave of fashion imports after U.S. retailers shifted production to China

Resurrection of the '90s-look has sparked debate among sellers over what, exactly, is "vintage." The online marketplace Etsy Inc. says it is anything older than 20 years, making most '90s clothes fair game.

Some old-school sellers object. "The fact that they can get away with calling that stuff vintage just kills me," says Kristine Anderson, a 68-year-old in San Diego. She sells clothes and accessories dating to the 19th century, as well as 1940s dresses and 1930s lingerie.

The term "vintage" should



Dominic LaBella, age 20, displays vintage Tommy Hilfiger clothes.

be limited to describing apparel produced before 1965, or what Ms. Anderson calls the "pre-polyester era." Clothes from the 1990s rehashed older styles and weren't particularly well made, she says: "Even the street fashion, which is usually interesting, was terrible."

Gail Higgins, 69 years old, opened her vintage clothing store in London in 1988, and says lately she has started avoiding the term altogether:

"Nowadays everyone calls themselves a vintage dealer."

She sells clothing that spans the 1930s to 1970s, fashion that has withstood the test of time, she says, in contrast to the 1990s.

"There are things that will always be beautiful and they are much harder to find," she says. "And then there are things people throw in the trash."

Tommy Hilfiger's U.S. sales hit a peak in 2000 from its

start in 1985, losing its cool as clothing ended up on the racks of off-price retailers and outlet stores. Sales have since climbed overseas, and the brand has benefited from recent collaborations with supermodel Gigi Hadid.

Several retailers have been trying to get in on the '90s-as-vintage trend.

Gap Inc., which has long struggled to recapture the magic of those glory retail years, said earlier this year it was reissuing a 1990s collection that included bodysuits and pleated khakis. Urban Outfitters Inc. also has been selling the era's signature brands, including FILA and Tommy Hilfiger.

Gap declined to comment. Urban Outfitters, Nautica and Guess didn't respond to requests for comment.

"We have an opportunity to inspire a new generation of consumers who are discovering and embracing the brand," says Danny Lieberman, a senior vice president at FILA North America. Fubu co-owner Bruce Weisfeld agrees it is a welcome trend.

For some people, the 1990s comeback echoes happier times. "It brings back the last

memories of my parents being my age," says Isa Cruz, a 27-year-old Etsy seller in Portland Ore. "I get scoffed at from old people," she says, "but I don't care."

Many older millennials and Gen Xers haven't yet come to terms with the idea that their childhood clothes have taken a turn on fashion's nostalgia rack.

"I definitely don't feel old enough for my high-school clothes to be considered vintage," says Megan Wirts, a 35-year-old writer near Grand Rapids, Mich.

She was aghast when her 13-year-old daughter, searching for a vintage look, made her way to mom's closet and emerged with some flannel shirts, Ms. Wirts said. "I thought she meant '60s or '70s—not my things!"

Andrea Ezell, a 22-year-old Kennesaw State University student in Atlanta, raided her dad's closet for Fubu jerseys and other era throwbacks. The clothes fit big, she says, but have an attractive "retro vibe."

"Your kids are never going to tell you that you're hip," she says, "but they will go into your closet."

APPLE

Continued from Page One

assistants such as Siri. Rivals including Alphabet Inc., Microsoft Corp. and Facebook Inc. have been racing for years to gather talent in the field—largely by recruiting Ph.D. students and professors from university computer-science programs.

Those academics say they want to join companies but still publish regularly, present research and discuss their work.

"We come from a community where we share ideas and get credit for it and a lot of us would be very unhappy to give that up," said Noah Goodman, a Stanford University professor of computer science. He works with a research division of Uber Technologies Inc. where he enjoys those perks.

Indeed many big tech companies have embraced academia's relative transparency. They have aggressively recruited top researchers over the years such as Yann LeCun of New York University, who joined Facebook in 2013, and Geoffrey Hinton of the University of Toronto, who joined Alphabet's Google unit in 2013.

The companies together also have churned out hundreds of research papers over the past several years.

Apple was slow to follow, AI analysts and leading researchers say. And even since its public embrace of greater transparency, it has published a fraction of its competitors' research, and its scientists

have avoided speaking about Apple-related research at conferences.

To date, the company has published portions of four peer-reviewed research papers on its blog, the Apple Machine Learning Journal. The three posts published this year are attributed to the Siri team and don't name any individual researchers the way academic papers commonly do.

At a San Francisco conference in March on using AI in autonomous vehicles, Apple research scientist Charlie Tang gave a presentation on robotics—but the photo he

showed was from Google. He didn't specifically mention any of Apple's work.

"We want to open communication with the [artificial intelligence] community," Mr. Tang said in an interview afterward before directing questions about that strategy to Apple executives.

Most Apple revenue comes from products like the iPhone or iPad, which are held in strict secrecy before their launch to protect innovations, and "overcoming that [culture] is difficult," said Jack Clark, who heads strategy at OpenAI, a nonprofit, artificial-

intelligence research group. He added that Apple's blog was a positive step for the company.

An Apple spokesman declined to comment on Mr. Clark's remarks.

Though guarded about products, Apple is a longstanding member of industry standards groups like the World Wide Web Consortium and has contributed to open-source projects over the years.

Competitive concerns are one reason companies might want to be careful about discussing AI work. But Dr. Goodman of Stanford said companies generally don't need to worry about losing their competitive edge because the algorithms published in papers only work with proprietary data and remain essentially locked.

Apple's continued restraint has stoked skepticism about its pledged transparency and doubts about its ability to recruit researchers. Tom Austin, an analyst in AI at research firm Gartner Inc., said Apple would struggle to "succeed with a strategy that's bottled up."

Apple in October named Carnegie Mellon University professor Ruslan Salakhutdinov as its director of AI research. He joined Carlos Guestrin, a University of Washington professor whose company Apple acquired in August 2016.

Dr. Salakhutdinov announced at an artificial-intelligence conference in December that Apple intended to be more open and would start publishing. Cornell University Library published that month

Apple's first research paper since Dr. Salakhutdinov's arrival on improving graphic recognition.

In January, Apple joined Facebook, Microsoft and others as a member of the Partnership on AI, a group committed to developing best practices for research.

In an interview earlier this year, Dr. Salakhutdinov said Apple would publish more, but declined to say how much. "You can have quantity, but producing high quality research is very important," he said.

Microsoft Research, Google and Facebook AI Research each have published more than 100 papers on artificial intelligence topics since January.

CORRECTIONS & AMPLIFICATIONS

Stock of Philip Morris International Inc. recorded a 27% gain this year through Wednesday. The Streetwise column in the Friday-Sunday edition about the dollar's effect on stocks incorrectly said that Philip Morris stock gained 133%.

Angola's population is growing by nearly a million people a year. A World News article on Aug. 29 about the country incorrectly said that the population adds around 80,000 people a year.

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



Apple launched a public blog in July to talk about its work.

STEPHEN LAM/REUTERS

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WORLD NEWS

ISIS Loses Ground in Raqqa

Old quarter of extremists' de facto capital in Syria falls; civilians suffer heavily

By MARIA ABI-HABIB
AND NOUR ALAKRAA

U.S.-backed Syrian forces retook the old city of Raqqa, U.S. officials said Sunday, inching closer to fully capturing what was once the extremist group's de facto capital used by militants to plan and stage attacks on the West.

With the advance into the old city, the Kurdish-led Syrian Democratic Forces, backed by U.S. Special Forces, have taken about 60% of the city of Raqqa and are nearing some of the key infrastructure used by Islamic State that could provide important intelligence on the group.

The forces are now less than a mile from Islamic State's military barracks, religious courts and the main public square where the group declared its rule over Raqqa in 2014 and later conducted the public punishments that became the hallmark of its tyrannical rule.

"Another Milestone: #SDF in last 48 hrs complete liberation of #Raqqa's old city (long-time #ISIS stronghold) and evacuate 1000s of civilians," Brett McGurk, the U.S. president's special envoy in the battle against Islamic State, tweeted Sunday.

Despite the gains in Raqqa and across the border in Iraq in recent months, Islamic State still holds a significant amount of territory in Syria. The group moved its leaders and valued equipment to the eastern Syrian province of Deir Ezzour about a year ago.

The U.S.-led coalition battling Islamic State and the Syrian regime's military are both slowly converging on Deir Ezzour to squeeze the extremists from the province, which borders Iraq and has some of Syria's largest oil fields.

In Iraq, the birthplace of the group, the militants have largely melted back into the



A Syrian Democratic Forces fighter positions himself in a destroyed apartment in Raqqa.

population, U.S. and Iraqi officials say.

The Syrian Democratic Forces have led the battle for Raqqa as they have against Islamic State's other territories in Syria.

The mostly Kurdish force has some Arab fighters. But it has also been accused of numerous rights violations by human-rights groups and Arabs, such as forcing Arabs out of their homes to grab land for a semiautonomous state they aspire to build in northern Syria. The Kurds are an ethnic minority in Syria.

Some of the biggest losers in the fight against Islamic State have been civilians, with residents of Raqqa city reporting thousands wounded or killed by U.S.-led coalition airstrikes or caught in the cross-fire ground fighting.

"The civilians are paying the highest price," said Uday, who is from Raqqa and is in touch with his family there but now lives in Turkey. He

asked to be identified by his first name only as relatives still live under Islamic State rule.

The anti-Islamic State activist group Raqqa Is Being Slaughtered Silently said Raqqa's civilians are facing hunger with food shortages while the water for an estimated 10,000 civilians still stuck in the city has been contaminated.

Airwars, a monitoring agency that assess the impact of international airstrikes, said Thursday that a minimum of 860 civilians, including some 150 children, are "credibly reported" to have been killed in Raqqa since the U.S.-backed forces launched their assault on the city in June.

The U.S.-led coalition has played down the numbers of civilians killed in its operations against Islamic State.

Islamic State fighters were also under pressure in a separate standoff in the desert of eastern Syria. A convoy with

some 300 militants and their families who were allowed to evacuate a region on the Lebanese border in southwestern Syria last week remain trapped in the central province of Homs, just south of Deir Ezzour province where they intended to go.

Hezbollah and the Syrian government had brokered a deal for the extremists to leave the border region and go to Deir Ezzour in exchange for information on the whereabouts of nine Lebanese soldiers who were kidnapped by the group in 2014.

The convoy of 17 buses left the Lebanese border region last Tuesday and has languished just south of Deir Ezzour as U.S. airstrikes have prevented Islamic State from sending its troops to meet the convoy. The Pentagon harshly criticized the deal but the U.S.-led coalition has said it won't strike the convoy because of the presence of women and children aboard.

Cambodia Arrests Opposition Head, Closes Newspaper

By JAMES HOOKWAY

Cambodian authorities arrested the country's opposition leader and effectively forced the closure of one of its last remaining independent newspapers on Sunday, raising concerns of a worsening climate of political repression ahead of elections scheduled for next year.

Opposition politician Kem Sokha was taken from his home in an early-morning raid and is accused of plotting to overthrow the government with the support of the U.S. Hours later, the Cambodia Daily, long a champion of human-rights causes, said it would cease business as a result of what it characterized as a politicized tax dispute.

Analysts said the moves reflect how Cambodia's longtime leader Prime Minister Hun Sen is battenning down the hatches ahead of next year's vote.

Mr. Hun Sen last month called the Cambodia Daily "a thief" and suggested its American founders should "pack up and go." On Sunday, his government issued its owners a tax bill for \$6.3 million, based on authorities' own calculations of the paper's revenue and a 20% profit margin.

The newspaper says it operates at a loss and has offered tax inspectors the opportunity to examine its accounts.

Cambodia's government has also initiated tax investigations into U.S.-funded broadcasters Radio Free Asia and Voice of America, both of which say they comply with Cambodian law.

In a statement, the Cambodia Daily's management said government threats to freeze its accounts and prosecute its owners are forcing it to pull down the shutters. It will close on Monday.

"There may well be a legitimate dispute between the tax department and the owners of the Daily over when tax became collectible and in what amount," wrote deputy publisher Deborah Krisher-Steele and editor in chief Jodie DeJonge. "In an ordinary process, matters in dispute would be resolved after an audit and private negotiations. Instead the Daily has been targeted with an astronomical tax assessment, leaks, and false statements by the tax department and public vilification by the head of government..."

On its final day of operations, the Phnom Penh newspaper's online edition published rolling coverage of Mr. Kem Sokha's arrest and the fallout.

Mr. Kem Sokha is Mr. Hun Sen's chief political rival and in theory enjoys parliamentary immunity from arrest. Author-

ities have 72 hours to charge or release him.

"The arrest of opposition leader Kem Sokha early this morning takes the ongoing crackdown by the ruling party in Cambodia to an alarming new level," said Charles Santiago, a Malaysian lawmaker and chairman of a panel of lawmakers supporting human rights in Southeast Asia. "For months, we have been witnessing the escalation of government attempts to cripple the opposition, but it appears now that Prime Minister Hun Sen is so afraid of what might happen in a genuine vote, he won't allow for competition at all."

Australia's government also spoke out, calling for the matter to be investigated in a transparent fashion.

The government didn't respond to a request for comment on its action related to the newspaper or otherwise but speaking to Fresh News, a pro-government website, Mr. Hun Sen, a former Khmer Rouge soldier who has led Cambodia for more than 30 years and emerged as one of China's most reliable regional

Analysts say prime minister is battenning down the hatches ahead of election.

Geopolitics Dents China-India Trade

By EVA DOU

BELJING—A tense border standoff between China and India has magnified friction over trade and security between the two nations days before their leaders meet face to face.

In India, the strife on a remote Himalayan plateau has fanned hostility toward Chinese companies and calls for economic retaliation against China, whose soaring exports to India have already invited criticisms of unfair trade.

The scenario echoes Chinese disputes with other nations, including the U.S., as China's trade relationships get caught up in other bilateral strains.

President Donald Trump has launched a trade probe and threatened economic retribution against Beijing, saying it doesn't pressure North Korea enough over its nuclear program. China, meanwhile, has lashed out at South Korea over the installment of a U.S. missile-defense system there, with Chinese consumers spurning the country's autos and other goods.

The Himalayan standoff, which had raised concerns about a potential military conflict, was sparked by China's

construction of a road in an area claimed by China and Bhutan, a close Indian ally sandwiched between the two Asian giants. India fears the road will be used for military purposes, reflecting broader territorial ambitions by China that have alarmed New Delhi and pushed it to seek closer defense ties with the U.S. and Japan.

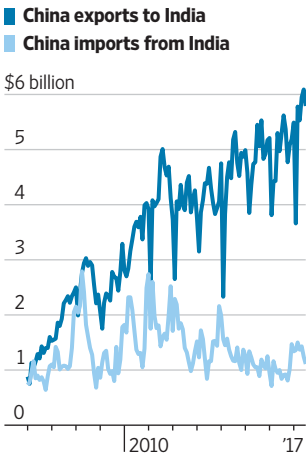
Beijing and New Delhi this week agreed, without disclosing details, to pull back from the brink ahead of a meeting between Indian Prime Minister Narendra Modi and Chinese President Xi Jinping at a Brics summit in Xiamen, China, that began on Sunday and also includes Brazil, Russia and South Africa.

China and India, the world's most-populous nations, are the only Brics countries to have avoided recession in the past year, and they will likely find some common ground at the summit. On Friday, India's Commerce Ministry said the two countries had jointly called on the World Trade Organization to eliminate certain farm subsidies for developed countries like the U.S. Nonetheless, the border clashes over the past month have made the relationship tense.

"This particular standoff is

Trade Imbalance

China exports four times as much to India as a decade ago, while the reverse flow has stayed much the same.



Source: Wind Info
THE WALL STREET JOURNAL.

forcing India to rethink its trade strategy," said Brahma Chellaney, a professor at the Centre for Policy Research in New Delhi. "A lot of Indians during the crisis were asking how India lets China rack up a growing trade surplus while treating India as an enemy."

Exports from China, India's largest trading partner, have quadrupled over the past de-

cade, as China sold rising quantities of electronics, machinery and chemicals. But imports have barely grown as China's slowing economy suppressed its need for natural resources such as copper, cotton and petroleum from India. India also has said that China often sells goods below cost.

India's commerce minister discussed trade "in a candid manner" with her Chinese counterpart at an Aug. 1 meeting in Shanghai, India's consulate general there said.

Much as China's untapped market once exerted a pull on the West, India now attracts China. Companies including Chinese smartphone maker Xiaomi Corp. count India as their largest overseas market. Indian consumption will triple to \$4 trillion by 2025, Boston Consulting Group estimates, and the country plans a \$59 billion infrastructure upgrade. But only about 3% of Chinese exports now go to India.

"The potential could be huge," said Li-Gang Liu, Citi Research economist, of Chinese exports to India. "However, fulfilling this potential remains a challenge, affected not only by tariffs and trade protectionist measures, but also political risks such as border disputes and standoffs."

WORLD WATCH

KENYA

President Warns Judiciary After Poll

President Uhuru Kenyatta promised to "fix" the judicial system a day after the Supreme Court nullified his re-election, and he warned the chief justice and judiciary not to interfere with the electoral commission as the country prepares for a new presidential vote.

Mr. Kenyatta again accused the court of overturning the will of the people after he had been declared the winner of the Aug.

8 election. The court on Friday said the electoral commission had committed irregularities in the vote and called for a new election within 60 days.

The judiciary has a "problem," Mr. Kenyatta said Saturday in comments to elected officials from county assemblies. He also announced the start of his new campaign.

"We shall show you in 60 days that the will of the people cannot be overturned," Mr. Kenyatta said. "We will come back and revisit this issue...Going forward, we must fix it."

Opposition leader Raila Odinga

had petitioned the court challenging Mr. Kenyatta's win, claiming manipulation. He wants the electoral commission disbanded.

Mr. Kenyatta's party deputy chief whip in the Senate, Irungu Kangata, said Friday the party will use its numerical strength in parliament to stop any attempt to disband the commission.

Constitutional lawyer Bob Mwangi said the electoral commission likely won't be disbanded unless the commissioners resign or lawmakers from the ruling and opposition parties reach a negotiated settlement.

—Associated Press

GERMANY

World War II Bomb Defused in Frankfurt

Police gave the all-clear after discovering a World War II era "blockbuster" bomb that led to the evacuation of more than 60,000 residents in Frankfurt, the largest evacuation in since the war.

"It's done! The bomb has been successfully disarmed!" Frankfurt police announced on their Twitter feed after about four hours of work removing detonators from the bomb and two days of clearing a downtown area with a ra-

dus of nearly a mile.

Officials believe the bomb is an HC 4000, a type dropped by Britain's Royal Air Force during the war, and also known as a "blockbuster" bomb.

The bomb was discovered on Tuesday at a construction site near Frankfurt's Goethe University.

—William Boston

SPACE FLIGHT

U.S. Astronaut Breaks Endurance Record

Astronaut Peggy Whitson returned to Earth, wrapping up a

record-breaking flight that catapulted her to first place for U.S. space endurance. Ms. Whitson's 665 days off the planet—288 days on this mission alone—exceeds that of any other American and any other woman world-wide.

She checked out of the international space station just hours earlier, along with another American and a Russian. Their Soyuz capsule landed in Kazakhstan after sunrise Sunday. Besides duration, Ms. Whitson set other records, including world's oldest spacewoman, at age 57.

—Associate Press



Police escort Kem Sokha, left, from his home in Phnom Penh.

WORLD NEWS

U.S. to Add Patrols in Disputed Waters

Schedule of naval patrols is set for first time to counter China maritime claims

BY GORDON LUBOLD
AND JEREMY PAGE

WASHINGTON—The Pentagon for the first time has set a schedule of naval patrols in the South China Sea in an attempt to create a more consistent posture to counter China’s maritime claims there, injecting a new complication into increasingly uneasy relations between the two powers. The U.S. Pacific Command has developed a plan to conduct so-called freedom-of-navigation operations two to three times over the next few months, according to several U.S. officials, reinforcing the U.S. challenge to what it sees as excessive Chinese maritime claims in the disputed South China Sea. Beijing claims sovereignty over all South China Sea islands and their adjacent waters. The plan marks a significant departure from such military operations in the region during the Obama administration, when officials sometimes struggled with when, how and where to conduct those patrols. They were canceled or postponed based on other po-

litical factors after what some U.S. officials said were contentious internal debates. The idea behind setting a schedule contrasts with the more ad hoc approach to conducting freedom-of-navigation operations, known as “fon-ops” in military parlance, and establish more regularity in the patrols. Doing so may help blunt Beijing’s argument that the patrols amount to a destabilizing provocation each time they occur, U.S. officials said. Chinese officials didn’t respond to a request for comment on the latest U.S. plans. Beijing has accused the U.S. of militarizing navigation in the region by conducting military patrols. There have been three navigation patrols so far under President Donald Trump; there were four during the Obama administration, according to the Congressional Research Service. Officials described the new plan as a more predetermined way of conducting such patrols than in the past, though not immutable. The plan is in keeping with the Trump administration’s approach to military operations, which relies on giving commanders leeway to determine the U.S. posture. In keeping with policies against announcing military operations before they occur, officials declined to disclose where and

Troubled Waters

The U.S. military is planning a series of scheduled operations through the South China Sea to challenge Chinese maritime claims. The patrols have been conducted on an ad hoc basis since 2015.



when they would occur.

The added military pressure on China comes while the U.S. is seeking greater cooperation from Beijing in reining in North Korea’s nuclear weapons and missile

program. The Trump administration has complained that Beijing hasn’t done all it can to pressure its allies in Pyongyang not to develop weapons or threaten the U.S. and its territories and allies.

Pyongyang’s New Threat: Cripple U.S. Electric Grid

BY PETER LANDERS

North Korea’s threats against the U.S. now include a tactic long discussed by some experts: an electromagnetic pulse, or EMP, triggered by a nuclear weapon that would aim to shut down the U.S. electricity grid. North Korea’s state news agency made a rare reference to the tactic in a Sunday morning release in which the country said it was able to load a hydrogen bomb onto a long-range missile. The bomb, North Korea said, “is a multi-functional thermonuclear nuke with great destructive power which can be detonated even at high altitudes for super-powerful EMP attack.” The idea of an EMP attack is to detonate a nuclear weapon tens or hundreds of miles above the earth with the aim of knocking out power in much of the U.S. Unlike the U.S. atomic bombs dropped over Hiroshima and Nagasaki in 1945, such a weapon wouldn’t directly destroy buildings or kill people. Instead, electromagnetic waves from the nuclear explosion would generate pulses to overwhelm the electric grid and electronic devices in the same way a lightning surge can destroy equipment. In a worst-case scenario, the outages could last for months, indirectly costing many lives, since hospitals would be without power, emergency services couldn’t function normally, and people could run short of food and water. Warnings about the threat have percolated for many years, including in a 2008 report commissioned by Congress that warned an EMP attack could bring “widespread and long lasting disruption and damage to the critical infrastructures that underpin the fabric of U.S. society.” When the U.S. tested a hydrogen bomb in the Pacific in

1962, it resulted in lights burning out in Honolulu, nearly 1,000 miles away. Naturally occurring electromagnetic events on the sun can also disrupt power systems. A 1989 blackout in Quebec came days after powerful explosions on the sun expelled a cloud of charged particles that struck earth’s magnetic field. Skeptics generally acknowledge that an EMP attack would be possible in theory, but they say the danger is exaggerated because it would be difficult for an enemy to calibrate the attack to deliver maximum damage to the grid. The 1962 U.S. nuclear test, which involved a bomb with a force of 1.4 megatons, didn’t disrupt telephone or radio service in Hawaii, although those who stress the threat say today’s electronic devices are much more vulnerable. North Korea said its hydrogen bomb had the explosive power of tens of kilotons to hundreds of kilotons. Others say that even if North Korea had the technical capability to deliver a damaging electromagnetic pulse, it wouldn’t make strategic sense to use it because Pyongyang could wreak more destruction with a traditional nuclear attack directed at a large city. Still, now that North Korea is specifically threatening an EMP attack, further attention is likely to be given to how the damage might be minimized. One way would be to bolster missile defenses with the aim of blowing up any North Korean nuclear bomb before it could do damage. Others said defenses could be bolstered at less expense by designing electrical-grid components to withstand sudden pulses, just as the grid already is protected against lightning strikes, and building backup systems that could step in for the principal electrical grids in an emergency.

KOREA

Continued from Page One the North Korea crisis, which is shaping up as Mr. Trump’s biggest foreign-policy challenge. “North Korea is trying to drive a wedge between the United States and South Korea. Killing the free-trade agreement would make that a much easier goal,” said Jon Wolfsthal, a fellow at Harvard University’s Belfer Center for Science and International Affairs. With North Korea’s capabilities steadily advancing, “this would seem the worst time to engage in economic warfare with a close ally,” said Mr. Wolfsthal, who was senior director for arms control and nonproliferation at the National Security Council during the Obama administration. While Trump aides confirmed over the weekend that the administration was seriously weighing a Korus pull-out, they said no decision had been made. Some people briefed on administration discussions said they felt it was intended to press Seoul to offer fresh concessions. The threat to pull out of a key Asian trade deal exacerbates concerns about U.S. engagement in the region, stoked when Mr. Trump in January pulled out of the Trans-Pacific Partnership pact with 11 other Asian and Pacific economies. It also is likely to heighten



South Korean President Moon Jae-in arrives for a national security meeting Sunday in Seoul.

concerns in Seoul that the U.S. doesn’t see South Korea as instrumental in the region. Underscoring those concerns, Mr. Trump spoke with Japanese Prime Minister Shinzo Abe on Sunday—the third talk between the leaders since North Korea’s Tuesday launch of a missile that flew over Japanese territory. Mr. Trump has spoken with South Korean President Moon Jae-in once in that period. The U.S. also has yet to nominate an ambassador to South Korea, while envoys are in place in Tokyo and Beijing. On Sunday, Mr. Trump took

to Twitter to lambaste Mr. Moon’s conciliatory approach toward North Korea, which emphasized dialogue and economic cooperation with Pyongyang, calling it “appeasement.” South Korea’s presidential Blue House said Sunday it was on board with Mr. Trump’s attempts to apply “maximum sanctions and pressure.” In recent weeks, Mr. Moon has taken a tougher line on North Korea, authorizing further deployment of a U.S. missile-defense battery and opening the door to the reintroduction of U.S. “strate-

gic assets” to South Korea—a phrase that typically refers to aircraft carriers, stealth bombers and nuclear weapons. Even if the Trump administration is only threatening termination as a negotiation tactic, some Korus advocates fear the damage to the alliance from Mr. Trump’s criticism of the trade pact could be lasting. “There is likely to be a serious deterioration of the atmosphere with such a termination notice,” said Jeffrey Jones, chairman of the board of governors at the American Chamber of Commerce in Korea.

TEST

Continued from Page One tember 2016, which the USGS said had a magnitude of 5.3. The latest nuclear test was estimated to have a yield of as high as 100 kilotons—about 10 times the power of the North’s previous test and roughly five times that of the atomic bomb that the U.S. dropped on Nagasaki, Japan, in 1945, according to Kim Young-woo, a South Korean lawmaker who is chairman of the legislature’s defense committee and received a briefing from military authorities. A spokesman for the Defense Ministry declined to comment. Norsar, a Norwegian nonprofit foundation with a focus on seismology, estimated the explosive yield at 120 kilotons, based on a 5.8-magnitude assessment of the explosion. South Korea’s national security adviser, Chung Eui-yong, said after a 90-minute emergency meeting of the National Security Council that Seoul would consider the possible deployment of what he described as the “most powerful strategic assets that the U.S. possesses,” without elaborating, according to a statement from the presidential Blue House. “Strategic assets” typically refers to stealth bombers, aircraft carriers or nuclear weapons. The U.S. withdrew its nuclear weapons from South Korea in 1991. Mr. Chung, who spoke by phone with Lt. Gen. H.R. Mc-

Master, his White House counterpart, said that Moon Jae-in, the South Korean president, had called for the “strongest punitive measures” against Pyongyang. That includes diplomatic measures and a new United Nations Security Council resolution to “completely isolate North Korea.” In Sunday morning tweets, Mr. Trump said North Korea’s “words and actions continue to be very hostile and dangerous to the United States.” He added: “North Korea is a rogue nation which has become a great threat and embarrassment to China, which is trying to help but with little success.” He also added: “South Korea is finding, as I have told them, that their talk

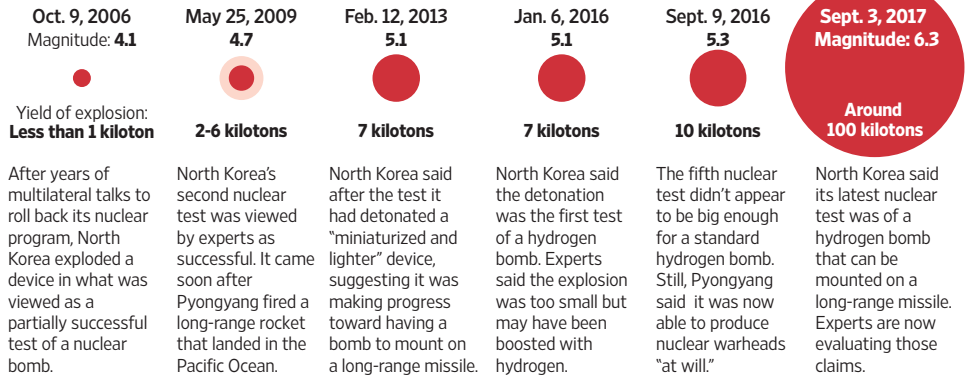
of appeasement with North Korea will not work, they only understand one thing!” While North Korea has made steady advances in its nuclear and missile programs over the course of decades, Mr. Kim has greatly accelerated the pace of testing as the isolated country nears the ability to deliver a nuclear-tipped missile to the continental U.S. This year alone, it has conducted a string of missile tests that have extended the proven range of its arsenal and introduced new capabilities that allow Pyongyang to fire missiles more quickly and with less warning. In July, it test-fired two ICBMs that experts say they believe are capable of reaching many parts of the

U.S. mainland. “The Kim regime made the strategic decision to develop a nuclear armed ICBM that can strike the United States,” said Leif-Eric Easley, a professor of international studies at Ewha Womans University in Seoul. “It is in a sprint to deploy that capability, because it wants the world to recognize it before returning to diplomatic talks, and before sanctions become unbearable.” Analysts have been divided on whether North Korea could shrink a nuclear warhead to fit on the tip of a missile. Many also are skeptical about whether a North Korean warhead can survive the strain of re-entry into Earth’s atmosphere.

Chain Reaction

North Korea’s six nuclear tests since 2006 have been part of a program to develop nuclear-tipped missiles that can threaten the U.S. and its allies. Each test has shown some progress towards that goal.

Magnitude of earthquake and estimated yield of explosion:



Sources: South Korea Defense Ministry; U.S. Geological Service (magnitude); staff reports; South Korea and Japan governments (2017 yield estimate)



North Korean leader Kim, left, meets with party officials.

U.S. NEWS

Rebuilding Plan Shifts Burden to States

By TED MANN

Top advisers crafting President Donald Trump's infrastructure plan say they aim to upend the way U.S. public works are financed, shifting the bulk of the decision-making and costs to states and cities and away from Washington.

The administration is proposing \$200 billion in new federal funding as the central piece of its \$1 trillion plan to improve the nation's infrastructure. President Donald Trump frequently cited the need for upgrades on the campaign trail.

Most of the \$200 billion, White House officials say, will be parceled out as incentives to localities that raise their own funding for building projects, with the aim of reaching the administration's overall goal. Cities and states could turn to private-sector financing or levying tolls and taxes

to pay for new bridges and roads instead of relying on the federal government for the bulk of the funding.

The administration's approach alarms supporters of some of the biggest planned projects, who say that local cost-sharing and private financing efforts would fall well short of making up for sharply reduced federal funding.

Funds for roads, bridges and other infrastructure currently come from a variety of sources, including the Federal Highway Trust Fund and formula grants that the administration says it will maintain.

The proposed 20-80 split of federal to local contributions would dramatically change parts of the current system. Though funding levels vary, the federal government generally pays about 80% of highway projects and up to 90% of projects at airports, with the remainder coming



Some local officials worry big projects won't get enough funding.

from local government.

The White House wants to change the way states and cities approach the pools of federal capital that are used to initiate large projects, saying Washington can encourage local governments to make smarter investments by awarding grants to communi-

ties that compete based on how much of the cost they are willing to take on themselves.

"If we're putting in a dollar, we want a state or a locality to have ideally four dollars that they're putting in," the senior White House official said. "This gets us to the trillion."

Talking to local-government

officials about the incentive plan recently, White House Budget Director Mick Mulvane said he had spoken to a governor who was nearly ready to begin a \$200 million bridge project, and needed just \$20 million from the federal government to complete the financing.

"That's the kind of thing that we want to put at the top of the list," he said.

Still uncertain is whether that approach would work on projects with much larger price tags. Officials working on a proposed new railroad tunnel under the Hudson River and related improvements said they were concerned at the White House's refusal so far to commit to a large share of the more than \$29 billion cost.

Republican New Jersey Gov. Chris Christie and Democratic New York Gov. Andrew Cuomo have said they expect the U.S.

to cover half the cost of the Gateway project, which also includes bridges and track improvements.

The White House looks on such calls for funding as just the sort of thing it would like to curtail.

"There's no people or economic activity in that region that could possibly cover the cost of that?" said the administration official, when asked about a recent appeal by Mr. Cuomo for federal aid for the project. "I think that's a tough sell, would be my response."

The suggestion that the two states could pay their own way on the project, while not a final decision on federal funding, shocked some tunnel's advocates.

"You're just not going to be able to raise the level of funding that's necessary" without federal support, Amtrak Co-Chief Executive Richard Anderson said.

Low Wage Growth Poses Challenge to Fed

By ERIC MORATH
AND NICK TIMIRAOIS

An extended run of labor market gains this year has produced little acceleration in wage growth or inflation, underscoring a puzzle that complicates Federal Reserve policy decisions looming in the months ahead.

Nonfarm payrolls rose a seasonally adjusted 156,000 in August, a modest slowdown from the prior two months, the Labor Department said Friday. The unemployment rate ticked up from a 16-year low to 4.4% and wages failed to break out, rising 2.5% from a year earlier for the fifth straight month.

"The economy is doing well, but it's not necessarily taking off," said Laura Rosner, senior economist at Macro Policy Perspectives. "We're on an even keel. The labor market continues to hum along."

The August hiring report won't change the Fed's immediate plans. The Fed is widely expected to initiate the slow runoff of its \$4.5 trillion portfolio of bonds and other assets at its Sept. 19-20 policy meeting.

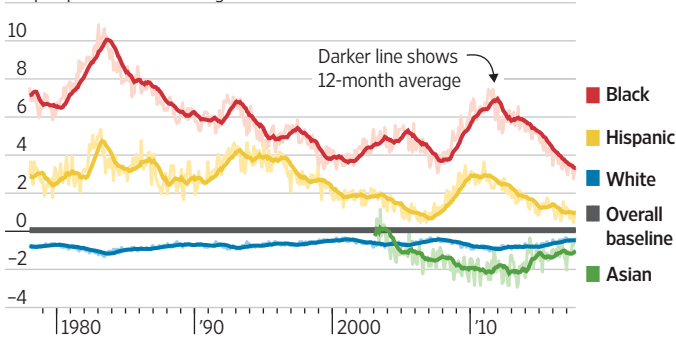
But the report deepens a debate inside the Fed about how to respond to soft wage and inflation pressures. This dilemma could complicate how aggressively the Fed should proceed with interest-rate increases.

Tight Labor Market Eases Disparities

The gaps are still sizeable and the monthly figures are volatile, but the larger trend is clear: as the labor market tightens, black and Hispanic unemployment rates are falling and minorities are coming off the sidelines.

Unemployment rate

12 pct. points above average

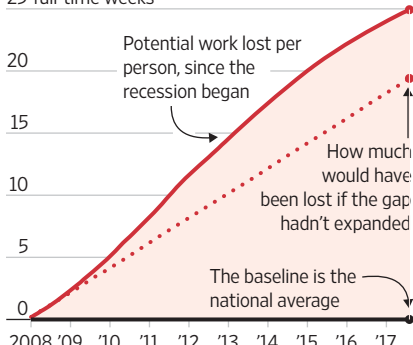


But these recent gains won't restore the opportunities black and Hispanic workers lost due to their unusually high unemployment rates and higher exposure to occupations that were hammered by the 2007-09 recession.

Cumulative work weeks lost since the recession began, calculated based on the difference between each group's unemployment rates and the national average

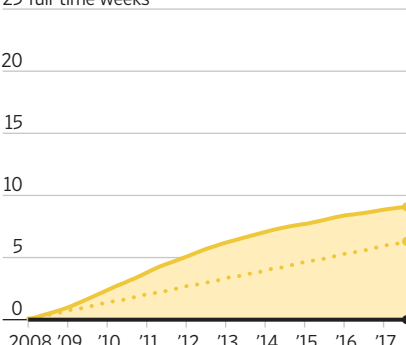
Black

25 full-time weeks



Hispanic

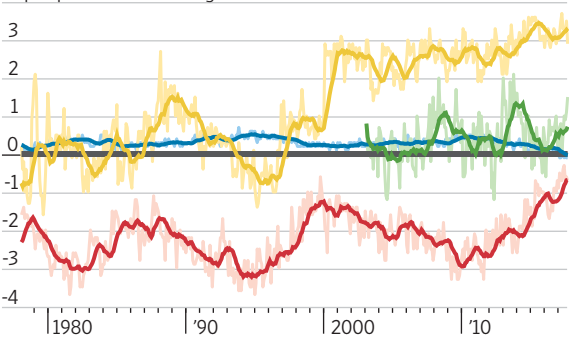
25 full-time weeks



Notes: All figures other than occupations are seasonally adjusted. Hispanic refers to all those of Hispanic origin, and includes people who may also be included in white and other categories. This is done to allow maximum historical comparisons. Data for Asian Americans isn't available prior to 2003. Occupational data is based on the change from May 2007's unemployment low point. Source: Labor Department

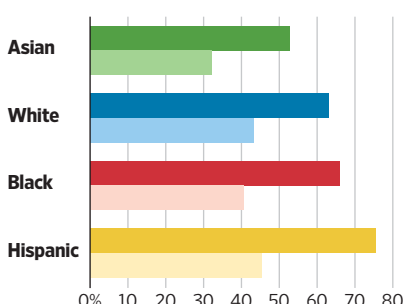
Labor-force participation rate

4 pct. points above average



Share of the workforce in occupations such as manufacturing and construction which haven't recovered from the recession

When unemployment hit its postrecession high
Through August 2017



Both Sides Press Trump on 'Dreamers'

By LAURA MECKLER

WASHINGTON—President Donald Trump is set to announce a decision Tuesday on whether to retain an Obama-era program that protects young undocumented immigrants from deportation, amid pressure from House Speaker Paul Ryan and other Republicans to keep it.

Mr. Ryan and other Republicans promised to push for legislation to protect them if he doesn't, setting up a possible fall legislative fight.

Asked in an Oval Office appearance Friday if the young immigrants, known as Dreamers, should be worried, the GOP president said: "We love the Dreamers. We think the Dreamers are terrific."

Immigration hard-liners inside his administration have been urging Mr. Trump to kill the program, and 10 states are threatening to sue him if he doesn't.

Pressure to keep it came from Mr. Ryan and other Republicans, as well as from U.S. corporations and the young people themselves, who have become a potent political force.

Mr. Ryan said Friday that former President Barack Obama, a Democrat, was wrong to create the program, called Deferred Action for Childhood Arrivals, using executive authority but that Mr. Trump shouldn't kill it. Mr. Ryan said he would push legislation to protect young undocumented immigrants if they lose administrative protections.

"These are kids who know no other country, who were



Supporters of young immigrants brought to the U.S. as children attend a rally in Los Angeles.

brought here by their parents and don't know another home. And so I really do believe there needs to be a legislative solution," Mr. Ryan told WCLO radio in his hometown of Janesville, Wis.

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

Mr. Trump opposed the program as a candidate but has allowed it to continue and said the issue is a difficult one for him.

The 10 states threatening to sue the administration over

the issue set Tuesday as the deadline for him to make a decision, and anticipation has run high as that date approaches.

The threat originally came from 11 states, but on Friday, Tennessee's Republican attorney general, Herbert H. Slatery III, pulled out of the group and instead urged Congress to pass Dream Act legislation. In a letter to Tennessee's GOP senators, he said, "There is a human element to this...that is not lost on me and should not be ignored."

The program's opponents maintain Mr. Trump must end it to keep his word to voters.

Roy Beck, president of Numbers USA, an advocacy group that seeks to reduce both legal and illegal immigration, said the group was mobilizing its members to put pressure on

the president.

"It is time for President Trump to stop breaking one of the clearest campaign promises he made," Mr. Beck said.

If Mr. Trump does kill the program, attention would immediately turn to Congress.

The bipartisan Dream Act has been pending for many years, but has always had more Democrats than Republicans supporting it. Now several Republicans are urging action.

Sen. Orrin Hatch (R., Utah) said in a statement Friday that he urged Mr. Trump not to rescind the program and said he would work on legislation to give these young people legal status, along with other changes to the immigration system.

—Kristina Peterson
contributed to this article.

President Drafted Letter on FBI Firing

By PETER NICHOLAS
AND MICHAEL C. BENDER

The weekend before he fired FBI Director James Comey, President Donald Trump drafted a letter to him laying out the reasons why he didn't want him to stay in the job, a senior administration official said Friday.

Mr. Trump, who worked on the draft at his golf club in Bedminster, N.J., in early May, wanted Mr. Comey to publicly state the president wasn't personally under investigation in connection to Russia's alleged meddling in the 2016 presidential election—an assurance Mr. Comey had previously given the president privately, a person familiar with the matter said.

Paraphrasing the letter, the administration official said Mr. Trump wanted this message sent: "You've told me three times I'm not under investigation but you won't tell the world, and it's hampering the country."

Mr. Comey, testifying before the Senate Intelligence Committee in June, confirmed that during his stint at the Federal Bureau of Investigation, Mr. Trump wasn't under investigation. The president's actions—including firing Mr. Comey—are now being examined by Special Counsel Robert Mueller, who took over the Russia probe after Mr. Comey was fired on May 9.

Mr. Trump, a Republican, sought to take action because he saw the lingering investigation as a weight on his presi-

dency, underscored by conversations with some foreign leaders who would bring up the Russia probe, according to the administration official. The president wrote the four-page letter with the help of a senior White House aide, Stephen Miller.

Ultimately, the letter was never sent to Mr. Comey. Mr. Trump instead shared the draft with various White House aides and gave it to top Justice Department officials in a meeting at the White House on May 8, the official said.

The next day, Mr. Trump sent Mr. Comey a four-paragraph letter telling him he had been fired, invoking letters he had received from the Justice Department leadership citing their belief that Mr. Comey had damaged the FBI's credibility during an investigation of former Secretary of State Hillary Clinton's email practices.

Last month, with the White House's consent, the Justice Department turned over the draft letter to Mr. Mueller, two administration officials said. The New York Times reported on the letter Friday.

One part of Mr. Mueller's probe is whether the president obstructed justice in firing Mr. Comey.

The administration official said nothing in the letter suggested the president wanted to scuttle the entire Russia investigation, which is also examining foreign hacks of political parties and the spread of false news stories damaging to Mrs. Clinton, the 2016 Democratic presidential nominee.

ECONOMIC CALENDAR

This week's economic calendar features U.S. trade and productivity data, a European Central Bank policy meeting, and Chinese foreign-exchange and trade figures.

WEDNESDAY: The U.S. Commerce Department releases its July **international trade** report. The trade gap narrowed sharply in June, as a strengthening global economy pushed up demand for American exports. The deficit with other nations contracted 5.9% from a month earlier to \$43.64 billion.

THURSDAY: European Central Bank officials gathering in Frankfurt could discuss a key topic for investors: How to wind down the ECB's giant bond-buying program, known as quantitative easing, which is due to run through December.

China releases data on **foreign-exchange reserves**. Valuation impacts on reserve assets from a weakening U.S. dollar and eased capital outflow pressure should have boosted the size of the largest stockpile of foreign currency for a seventh straight month. Economists expect reserves edged up to \$3.1 trillion at the end of August, from \$3.081 trillion at the end of July.

The U.S. Labor Department releases revised data on second-quarter **productivity and costs**.

FRIDAY: China releases trade data. Economists forecast that **exports** rose about 6% from a year earlier in August, moderating from July's 7.2% growth, while **imports** likely climbed 10%, down from July's 11% increase.

HARVEY'S AFTERMATH

FLOOD

Continued from Page One
near Brays Bayou, one of the swampy waterways that course through the city and serve as the primary conduits to carry runoff to the Gulf of Mexico. Many in the swollen bayou's path are now pondering the same question: Is it time to leave for good?

Known as the Bayou City, Houston has long favored rapid development and maintaining a low cost of living. It doesn't have a formal zoning code, which some cities use to force builders to incorporate flood-management measures. Large-scale planning is complicated by the city's sprawling 10,000-square-mile metro area, nearly the size of Massachusetts, home to almost seven million people.

Houston and Harris County, where it is located, have passed referendums to fund drainage projects, moved to widen waterways, boosted deed restrictions and planning regulations, and even required new houses in certain areas such as Meyerland to be built to withstand rising water.

Some of the measures have worked. But it hasn't been enough.

"They've been playing catch up," said Philip Bedient, an engineering professor and flooding expert at Rice University in Houston. "It's all sorry, a day late and a dollar short."

In London, massive flood gates on the Thames can rise during a storm surge and hold back water. New York City has spent years deliberating whether to follow London's lead and build storm barriers for the Hudson and East rivers.

From Florida to the Netherlands, deep water catchment systems paired with storm water pumps allow flat areas to withstand drenching rains by slowly releasing the water over time to prevent floods. The Houston area doesn't have pumps.

New Orleans had storm water pumps before Hurricane Katrina, although the anti-flooding safeguards were destroyed when levees broke, killing about 1,400 of the total of more than 1,800 who died from the storm, and showing the perils of underfunding critical infrastructure.

Houston's disaster will intensify a debate that is already upending insurance markets and worrying federal officials, whose coffers are increasingly tapped to pay for calamities. The U.S. has seen 20 storms causing a billion dollars or more in damage since 2010, not including Harvey, compared with nine billion-dollar floods in the full decade of the 1980s, according to inflation-adjusted estimates from the National Oceanic and Atmospheric Administration.

One option for preventing future superfloods would be radical reconstruction, a move that would likely force the government into battles with private property owners. After Katrina, Louisiana officials tried to tell flooded homeowners not to rebuild in some areas, but the instructions were ignored.

In the case of Meyerland, Mr. Bedient said the government should buy out thrice-flooded homeowners and use the land to create more detention ponds and widen storm channels.

Farther upstream, at least three new reservoirs should be constructed west of Houston, and the existing two reservoirs, which were built in the 1940s and which engineers say could be at risk of



Flood-damaged furniture, floors and sheet rock heaped along the sidewalk in Meyerland. The tight-knit neighborhood along Brays Bayou on Houston's southwest side has been flooded three years in a row. An image on Chris Bisel's phone, below, showed water from the Memorial Day Flood in 2015 inside his house.



failing, should be upgraded, he said.

That said, Houston's flat landscape and hardpan clay makes it nearly impossible to absorb intense rainfall the way geographies with sandier soil do. And 50 inches of rain would swamp virtually any U.S. city.

"It was an outrageous storm event," he said. "We've never seen anything like this."

Houston Mayor Sylvester Turner rejected the notion that the city's flood-control efforts and approach to zoning and planning were to blame. "You cannot significantly mitigate flooding and drainage on the cheap," the mayor said. "And a lot of people don't want to pay, but you're going to pay sooner or later."

Meyerland, built on former rice fields, has for decades served as the center of Jewish life in Houston, a place where families who felt unwelcome elsewhere due to their religion forged a community of their own.

Today, Meyerland remains one of Houston's most desirable family neighborhoods, with high-performing public schools and lush parks. It is increasingly diverse, like much of the city—one of America's most ethnically multifaceted places, with immigrants who speak more than 140 languages.

Mr. Bisel, who owns a hearing-aid business in Mey-

erland, bought his current home three weeks before Tropical Storm Allison, the plodding 2001 rainstorm that until Harvey served as the high-water mark for modern Houston flooding.

The house took in about 10 inches of water then. Like most Houstonians, Mr. Bisel thought that was a once-in-a-lifetime event, until it happened in 2015, 2016 and again last week.

After the 2015 flood, which took place around Memorial Day and poured 34 inches of water into his house, he was among several dozen residents approved to receive federal grant funds aimed at reducing repeat flood insurance claims by tunneling under homes and raising them on pillars.

Since the government is likely to have to pay for catastrophic flood damage anyway, the Federal Emergency Management Agency has sought to pay to shore up homes against flooding instead of the \$350,000 it can cost to rebuild them.

Mr. Bisel was hopeful his home could be raised before the next big flood. But the construction faced chronic delays, he said. After living in one second-floor room with his wife, two children and a dog for nearly a year during renovations, he settled back into the full home in April 2016 after most of the rebuild-

ing work was completed, while he waited along with about 40 others for their houses to be raised.

Less than two weeks later, another storm, dubbed the Tax Day Flood, inundated his house with 20 inches. He pressed the city to move more quickly.

This July, the Houston City Council approved the elevation plans for the first batch of homes being raised with FEMA money. But Mr. Bisel was in the second batch, 14th on the list. As he saw the forecast for Harvey, he feared he had run out of time. Mr. Bi-

'This is my home... where I grew up, and it didn't used to be this way,' Mr. Bisel said.

sel, his wife and son went through the now-familiar ritual of moving their furniture and treasured belongings to higher ground.

By the time Harvey was done dumping trillions of gallons over the Houston area, forcing his wife to escape in a kayak, his home had taken on 55 inches of water. That would have been 5 inches short of his first floor if his house had been raised. Neighbors who had elevated their homes earlier with their own money stayed dry.

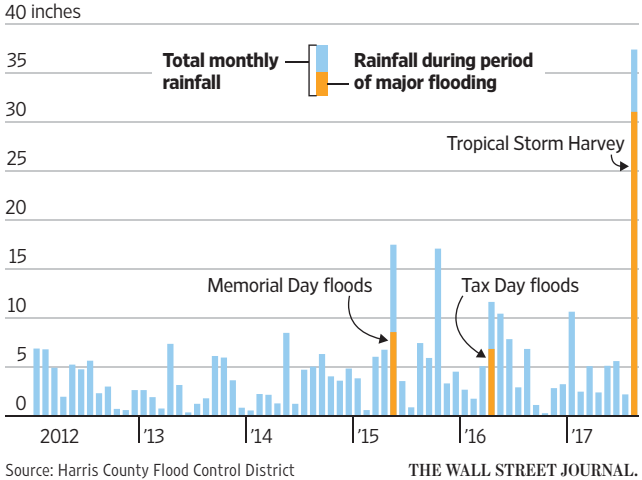
More than 700,000 people live near Brays Bayou, which meanders through Meyerland, draining 127 square miles around it. A \$500 million city project aimed at reducing flooding was under way on another part of the bayou when Harvey hit.

Lined with hiking and biking trails, the waterway winds past many areas that have seen rapid urbanization, including NRG Stadium, where the Houston Texans play; the Texas Medical Center, the largest collection of hospitals and health-care research institutions in the world; and Beth Israel, the oldest synagogue in Texas.

Beth Israel, which sits across the street from the bayou, began taking on wa-

Repeat Floods

Houston's Meyerland neighborhood has been hit by three major floods in the past three years, after years of relatively minor flooding. Rain as measured at a gauge on the Brays Bayou in Meyerland



Source: Harris County Flood Control District

THE WALL STREET JOURNAL.

ter Aug. 27 for the third time in three years. When Rabbi David Lyon walked into the sanctuary the following morning, he said he took a long look around and began to weep. About 3 feet of floodwater had risen to the platform where he gives his sermons.

The synagogue, which dates to the 1850s, has been at its Meyerland location since 1968. A staple of the community, it never flooded before 2015. After Harvey, cleanup crews and volunteers on Wednesday cleared floodwater with heavy equipment. The synagogue's Torahs had been safely carried to higher ground inside the building in advance of the storm.

Following the 2015 floods, the synagogue laid plans to install new carpets and re-wallpaper, and began consulting with waterproofing experts. It put off a \$300,000 remodel until November of 2016, nervous about more flooding.

Rabbi Lyon said he realizes that the question of whether Beth Israel should move is now likely "in the back of people's minds."

"There are people who say 'Why do you stay in Meyerland?'" he said. "The reality is, where we're located is a very central Jewish address. Many people centralize their life around this area."

More pointedly, he noted that people had settled here long before the flooding problems started.

"Families have every right to say, 'We chose these homes not yesterday, but years and years ago,'" said Rabbi Lyon, 54. "What's different? What changed?"

Farther along the bayou, Natalie Hausman-Weiss surveyed the history of her family as it was splayed out in tatters across her Meyerland backyard.

There were the loose pages from her husband's baby album. There were the booklets of Hebrew school lessons her two sons had used. There were her husband's dress shirts dangling from hangers. Somehow, the Fleetwood Mac and Sting records had stayed dry.

When the rising waters of Brays Bayou hemmed in their one-story ranch home, her younger son, Samuel, 15, waded over to an empty two-story home for sale next door and smashed a window with a hammer so they could all clamber inside.

The family and six others from the neighborhood hud-

dled on the house's second floor until they were rescued by boat.

Ms. Hausman-Weiss, 49, had moved to Houston from Birmingham, Ala., in 2011, and got a job as director of a non-profit that takes disabled children into the outdoors. As Reform Jews, the family had been drawn to Meyerland and loved the Jewish life here.

They had initially been under contract to buy a spacious family home near the bayou, but pulled out at the last minute when they learned it had flooded three times. They were told the home they eventually bought had never taken on water.

But three months after they moved in, a small amount of rain caused water to pool up from the floor. They quickly spent \$30,000 on upgrades for protection including new gutters, French drains beneath the windows and waterproofing for bricks on the chimney.

When the bayou overflowed its banks during the Memorial Day Flood of 2015, water came in again, this time an inch high. The family replaced the floors and portions of the walls from 4 feet down, costing them roughly \$70,000, much of which was covered by their flood insurance. But the experts called that flood an anomaly, so surely nothing similar would happen again, Ms. Hausman-Weiss remembered thinking.

After Harvey, the bayou swamped their home with 3 feet of water.

When they returned Aug. 27, "It looked like a war zone. Brown muck everywhere," she said. "We've been through a lot in our lives. And I know this is just stuff. But this is our stuff."

They family already had the maximum amount of flood insurance made available by FEMA's National Flood Insurance Program, she said. But to do any further renovations, they would likely have to spend \$200,000 to raise the house—money they didn't have. And who would buy it now, she said.

For now, the family is staying in a two-bedroom home owned by a friend. But eventually, they will have to return to Meyerland, and somehow reckon with their damaged home. Amid all the uncertainty about the future, there was one thing of which she was sure.

"It's going to flood again," she said.



Catastrophe adjuster Ian Richardson spoke to Ian Hartman, right, on Thursday at his Meyerland home.

HARVEY’S AFTERMATH

Trump Returns to Devastated Gulf Coast

By JOSEPH DE AVILA
AND QUINT FORGEY

LAKE CHARLES, La.—President Donald Trump visited Texas for his second trip to the devastated Gulf Coast, as rescues continued amid floodwaters that were still rising in some areas.

The president and first lady Melania Trump traveled to Louisiana Saturday after they met flood survivors and volunteers in Houston.

The two joined Texas Gov. Greg Abbott at the NRG convention center, which has been serving as one of Houston’s main shelters, as the president posed for photos, greeted victims and spoke with children playing games.

“The message is that things are working out well,” Mr. Trump said. “Really, I think people appreciate what’s been done. It’s been done very efficiently, very well, and that’s

what we want. We’re very happy with the way everything is going. There’s a lot of love.”

The visit came a day after Mr. Trump asked Congress for \$7.9 billion for the first round of relief from a disaster that has killed dozens of people, displaced tens of thousands, inundated hundreds of thousands of homes and required thousands of rescues. Mr. Abbott has said the state may need more than \$125 billion in aid.

The White House said that it would make additional disaster assistance available to Texas for debris removal and emergency protective measures. Mr. Trump authorized increased cost sharing to 90% for federal funding for debris removal and 100% federal funding for emergency protective measures. Mr. Trump’s original disaster declaration on Aug. 25 permitted 75% for federal cost sharing.



President Trump and first lady Melania Trump visited a shelter.

Hurricane Harvey, which first made landfall last week, has had the worst effect for communities along 250 miles of the Texas coast with its high winds and record rainfall. More than 45 people have died because of the storm, local officials say. That number could

still rise pending investigations of other deaths.

The Louisiana city of Lake Charles, while affected by flooding, emerged as a point of refuge for residents of storm-battered towns in Southeast Texas, including the hard-hit cities of Beaumont, Orange and

Port Arthur, where officials said thousands of people have been evacuated. Many Texans crossed the state line to shelters such as the Civic Center, which housed more than 800 storm victims last week.

At a staging area in Orange, Bill Borchert, a 53-year-old volunteer with a group from Louisiana that came to distribute food and hot meals to displaced residents, said some evacuees hadn’t eaten in three days.

Mr. Abbott on Friday warned that floodwaters remained dangerous and told residents to exercise caution. Areas in Houston and surrounding counties remain flooded, including Brazoria County where roads are still closed, and portions of Fort Bend County to the southwest still have mandatory evacuation orders.

Even as parts of Houston clean up, Harvey’s toll elsewhere in Texas and Louisiana

worsens. The city asked residents in eight Houston ZIP Codes on Saturday to conserve water and not flush toilets or use extra water for showers, baths, laundry and dishes until further notice.

The Environmental Protection Agency said it conducted initial assessments of 41 Superfund sites in areas where Harvey has had an impact. The EPA found that 13 sites have been flooded or were damaged because of the storm.

Of those sites, two have been inspected and don’t require emergency cleanup. The agency said response teams haven’t been able to reach 11 other sites.

More than 42,000 people in Texas remain in shelters, according to the Red Cross. An additional 1,500 people are in six emergency shelters in Louisiana, the organization said.

—Tawnell D. Hobbs
contributed to this article.



The storm appears poised to transform a rental market from one where supply exceeded demand to the other way around, both for high-end and low-end properties.

Houston’s Glut of Rental Housing Vanishes

By LAURA KUSISTO
AND VALERIE BAUERLEIN

HOUSTON—Not even two weeks ago, this city had one of the weakest apartment markets in the country with tens of thousands of vacant units. Now landlords say prospective renters are lining up outside their doors and some have almost no units left.

Before the storm, Atlanta-based Gables Residential, which owns about 3,500 units in the Houston area, had a couple of hundred vacant units. Gables received requests for 2,500 units from 50 different companies, including energy firms, looking for furnished apartments for local workers and insurance adjusters who may need to bring workers in. It suspended its online leasing to avoid renting out units that had already been booked online.

“It is going to fundamentally change the housing market in Texas for a while,” said Cris Sullivan, Gables’ chief operating officer.

Hurricane Harvey, which dropped record amounts of rain in parts of the region, poses unique housing challenges because it affected a much larger swath of Hous-

ton’s population than had been impacted by previous storms. The White House said 100,000 homes in total were affected in Texas and Louisiana. In Houston, neighborhoods flooded that have never flooded before, places where many people don’t have flood insurance, which is likely to make the recovery longer.

Finding housing for victims displaced by the disaster will be a major challenge for this metro area of 6.7 million. In Houston, many of the units that were vacant before the storm were in luxury high-rise buildings, a legacy of the

postrecession oil-and-gas boom when Houston’s economy seemed unstoppable. Those units were largely spared by Harvey while affordable housing units suffered more damage.

Ty Counts, a rental agent in Houston since the 1990s, said lower-income residents in the city already had challenges finding housing, given that the majority of new construction has been at the high end. Houston’s biggest block of available rental housing lies within the urban core, with just over 2,200 vacant apartments found in the downtown

area, according to RealPage, a real-estate software and data analytics firm based in Dallas. Monthly rent for available units in that area averages nearly \$1,800, compared with just over \$1,000 for the city as a whole.

“For the people who have means and money and insurance, they’re going to be fine,” Mr. Counts said. He said he worried lower income renters would “really suffer because if all the cheap apartments are gone, where are they going to go?”

Jesley Romero and her husband and two young sons

are staying with family temporarily, after being rescued Friday by ladder and boat from the house they had been renting near the Addicks Reservoir in northwest Houston. She said she wanted to find an apartment in the same elementary school district but knows of nothing in the family’s price range of \$800 to \$900 a month, particularly since so many of the properties they might have afforded also flooded.

“We’re living basically in my brother’s living room, staying on a pullout couch,” she said, fighting tears. “Only time can tell what the future holds.”

The storm appears poised to transform a rental market from one where supply exceeded demand to the other way around, both for high-end and low-end properties. Renters will likely have to compete for a dwindling number of vacant units, and in some cases pay higher rents than they would have before the disaster.

Apartment researchers said they anticipate that rents could rise by as much as 10% over the next several months. Until recently, Houston rents were essentially flat.

Flooding Updates Forge Unlikely Star

Move over, Beyoncé, Houston has a new celebrity: Jeff Lindner, meteorologist for the Harris County Flood Control District.

As Tropical Storm Harvey inundated the greater Houston area with as much as 51 inches of rain over the past week, Mr. Lindner, 35 years old, has been a reassuring voice in a near-apocalyptic disaster, calmly up-

dating millions via televised news conferences and Twitter posts about rising water levels in bayous and reservoirs. To the multitudes worrying about floodwaters, Mr. Lindner has become a no-nonsense hero.

The devotion of some Houstonians to Mr. Lindner has reached unexpected proportions. Noticing that he hasn’t been able to break from his work, one started a GoFundMe account on Thursday to finance a vacation for Mr. Lindner. By early Saturday, it had smashed its \$4,000 goal, garnering more

than \$17,000 in donations.

On social media, where he has become a sudden star, answering questions on which streets and neighborhoods were flooding well into the wee hours, some went further.

Calling Mr. Lindner her “new crush,” one Twitter user wrote: “Love me a smart man who is steady in a crisis.”

As a government employee, Mr. Lindner can’t accept gifts over \$100, so he said he would like the vacation-fund money to go to flood victims.

—Erin Ailworth

City Asks for Help With Environmental Testing

By MELANIE EVANS

Houston needs help monitoring the threat of toxic pollution to the city’s water, soil and air from Tropical Storm Harvey’s destructive flooding, a city Health Department official said.

The city Health Department has two employees to routinely test the city’s waterways, but that is not enough to quickly monitor the storm’s effects across Houston’s vast network of bayous, said Loren Raun, chief environmental science officer for the Houston

Health Department in an interview Saturday.

“It’s too big of a problem,” she said. “We really need to be sampling everywhere.”

Houston is a major hub for petroleum and chemical manufacturing and is home to eight Superfund sites, according to the U.S. Environmental Protection Agency. Ms. Raun said she asked the EPA on Friday for help testing the city’s Superfund sites and as of Saturday evening she was waiting for a response. The EPA didn’t respond to requests for comment.

Without additional federal or state help, local inspectors will do targeted air testing, but their ability to test water is limited, said Donald Richner, senior project manager for the bureau of pollution control and prevention within the Houston Health Department’s environmental division. “We would appreciate any assistance,” he said.

City inspectors will drive around the perimeter of the industrial locations with air monitors and infrared cameras, looking for evidence of leaking hazardous waste. They

will then test water where there are signs of contaminated air, Ms. Raun said.

The EPA said in a press release Sunday that it continues to work with Texas and local authorities to assess Harvey’s impact on drinking water, wastewater plans and the environment. The agency added that it would target industrial and hazardous-waste sites for floodwater sampling. Cleanup crews at Superfund sites continue to provide updates to EPA and Texas environmental officials, the agency said. Aerial images and contact with

cleanup officials at 41 southeast Texas Superfund sites as of Saturday afternoon showed 28 escaped damage or excessive flooding. Two more locations swamped by the storm’s record rains don’t need emergency cleanup, the EPA said.

The remaining 11 sites remained too flooded to inspect, the EPA said Sunday, including the San Jacinto Waste Pits, where toxic paper-mill waste is covered by an armored cap. The cap “has required many repairs and extensive maintenance,” the EPA said in September.

Scarcity isn’t the only logistical problem. City health officials had nowhere to put 1,500 pounds of insulin delivered Thursday to the jam-packed conference center. The shipment, which included an additional 4,500 pounds of syringes and other diabetic supplies, was more evacuees needed, Dr. Persse said.

Meanwhile, there was a stark need for insulin outside of Houston on Friday, as clinics in Galveston and Beaumont waited for shipments organized by Healthcare Ready, which began flying emergency supplies into Houston’s airport on Monday and ferrying them out by helicopter.

Demand for medical care is expected to surge in coming weeks, as the chronically ill turn to emergency rooms for care, hospital officials said.

LIFE & ARTS

FASHION

Calvin Klein's Luxury Test

At New York Fashion Week, the mid-priced brand hopes to prove its high-end collection is more than a one-hit wonder.



Clockwise from left: the high-end collection's ad campaign; a 2017 ad featuring 1993 photos of Kate Moss; Steve Shiffman, left, and Raf Simons.

BY RAY A. SMITH

On opening night of New York Fashion Week Thursday, Calvin Klein is hoping to prove that its much-lauded new luxury line is more than just a one-hit wonder. If asked to quickly name a few hot luxury fashion brands, the average customer wouldn't have mentioned Calvin Klein. But now, the nearly 50-year-old label better known for its midprice signature underwear and jeans sold at Macy's and Lord & Taylor is working hard to win over the Barneys shopper too.

Calvin Klein Inc. hired acclaimed fashion designer Raf Simons last year to lead what its chief executive Steve Shiffman calls a "creative revolution," overhauling everything from its clothes to its logo, now officially in all caps and in a new custom font called "Klein." The designer's debut runway show for the brand's highest-end ready-to-wear collection in February drew widespread raves from critics and retailers.

Now as the label mounts its second show under Mr. Simons, Mr. Shiffman will have to prove it can sustain the buzz.

The American fashion industry is counting on Calvin Klein to give a needed boost to fashion week, which this year suffered a blow when some of its biggest draws—Proenza Schouler, Rodarte, Thom Browne and Altuzarra—opted to show in Paris instead. Meanwhile, the global industry is watching to see how the revival of an iconic American brand plays out.

"Raf and I share many common goals, but one is to see Calvin Klein become one of the world's great brands as we move into the future," said Mr. Shiffman, a veteran of Calvin Klein's parent company PVH Corp. who spent seven years as a Calvin Klein executive before becoming CEO in 2014.

Mr. Simons said he valued Mr.

Shiffman's leadership and knowledge: "He and I have a wonderful ongoing exchange, and I am grateful for his support and understanding of my role and creative vision," Mr. Simons said by email.

Calvin Klein started his company in 1968 with business partner Barry Schwartz. Through minimalist clothing and savvy marketing, Mr. Klein turned it into one of the hottest fashion brands of the 1980s and 1990s.

Mr. Klein understood that sex sells early on, titillating audiences with provocative commercials, like the one featuring a 15-year-old Brooke Shields purring "You want to know what comes between me and my Calvins? Nothing," in 1980. There was the 1989 Obsession fragrance ad featuring a nude couple on a swing, and the racy underwear ads in the 1990s starring a shirtless Marky Mark and a topless Kate Moss.

In more recent years, the brand has chugged along but lost its status as a leading fashion voice, despite attempts to strengthen its high end.

Mr. Shiffman tapped Mr. Simons, whose luxury-fashion bona fides include a 3½ year run as creative director of Christian Dior and seven years as creative director at Jil Sander. Mr. Simons' job is to give Calvin Klein the high-fashion credibility that has eluded it since its visionary founder stepped away from the company after selling it to PVH in 2003.

"When I walked into the job, I had to acknowledge we really weren't winning at the luxury level," Mr. Shiffman said. "It's great [from a] public relations as-

pect. But at the same time, I'm a businessman, and I want to make it a business."

Having a stronger high-end business will "set the tone" for the brand's more affordable lines, Mr. Shiffman says. He hopes the company can grow from about \$8.5 billion in global sales to \$10 billion, as the aesthetic refresh trickles down.

While the bulk of sales growth will continue to come from the company's midprice jeans and underwear, which he

described as "incredibly important" to the brand, he envisions more sales from the higher-end collection than in the past.

Maintaining a strong luxury-end image and a mass reputation at the same time is a tricky feat that few big fashion brands have managed successfully. Mr. Simons is known as a conceptual, modernist designer but has little experience appealing to a wide audience. Some of his more daring looks from the February show featured

removable, transparent plastic overlays that were reminiscent of retro couch covers. Others had jarring chunky "varsity sleeves" resembling slouchy legwarmers, but for arms.

Mr. Shiffman made Mr. Simons chief creative officer, meaning the designer oversees all Calvin Klein lines, including home, jeans, underwear, the more-affordable men's and women's lines and the highest-end collection, plus advertising and marketing. Only Calvin Klein himself had that much control. Before Mr. Simons came on board, responsibilities were divided among various people. Mr. Shiffman made the change in the hopes of sending a consistent brand message from the merchandise sold at Barneys to that sold at Macy's.

A women's cotton-satin overcoat from the high-end collection is priced at \$2,495, compared with \$298 for a mélange wool blazer coat in the main line.



Two looks from the Calvin Klein Collection's February debut at New York Fashion Week.

PLAYLIST: DAR WILLIAMS

FOLK-SONG EPIPHANY

Dar Williams, 50, is a folk singer-songwriter and guitarist who has recorded more than 20 albums. She is the author of "What I Found in a Thousand Towns" (Basic Books). She spoke with Marc Myers.



In 1972, when I was 5, my family spent a lot of time together in the living room. As my two older sisters and I worked on jigsaw puzzles, my parents read and listened to their folk albums. Judy Collins's album "Whales & Nightingales" from 1970 was a favorite.

We lived in Chappaqua, N.Y., out in the suburbs of New York City, so nights were quiet. Folk music rocked my world even then. I was moved by how seriously artists took themselves. Everything was about life and death, and all the

songs Judy sang were like this.

One spring day when I was 16, I stayed home from school. I wasn't feeling well and had a performance that night with a little dance troupe at the Guggenheim museum in Manhattan. I wanted to rest up.

Home alone, I put on "Whales" while doing my homework. When "Sons Of," the second track, came on, I was again completely taken by the song. It was originally co-written and recorded by French singer Jacques Brel.

Shortly after "Sons Of" began, I saw my neighbor's dog limping across our lawn. I hadn't seen the dog for years, and suddenly it was old. It was a powerful mortality moment. As I listened, I felt something change inside of me. I sensed

poetry's power and how it could alter how you look at life.

Judy's version has a gentle carousel-like arrangement behind her, and she delivers the lyric so powerfully: "Some built the roads, some wrote the poems / Some went to war, some never came home / Sons of your sons, sons passing by / Children lost in lullaby." When Judy finished, I started to cry. I finally understood the words and how the world of my parents had been transformed by poetry and folk music.

I didn't tell my parents what had happened to me that afternoon. It's not the kind of thing you tell anyone other than your favorite English teacher.

And that's the whole thing. You don't know who to talk to about this. You suddenly see the world differently, and, in a way, the song becomes your confidant.



Judy Collins performing around 1970.

LIFE & ARTS

WEEKEND CONFIDENTIAL | By Alexandra Wolfe

The Life of a Professional Skeptic

Michael Shermer, founder of the Skeptics Society, stands up for science and warns against utopias

MICHAEL SHERMER, the founder of the Skeptics Society, points to a single event in the late 1970s as his breaking point with the Christianity of his youth. The “final straw,” as he calls it, was finding himself at the hospital bedside of his college girlfriend, who had been a passenger in a van that rolled off the side of a hill, breaking her back and leaving her paralyzed from the waist down. He prayed fervently for her recovery, to no avail. “If anyone deserved to be healed it was her, and nothing happened, so I just thought there was probably no God at all,” he recalls.

His career over the past several decades has involved insistent questioning not just of religious belief but of other sorts of orthodoxy, in pop culture, self-help, science and politics. This month marks the 25th anniversary of the Skeptics Society, which is now a 50,000-member group dedicated to “promoting critical thinking and lifelong inquisitiveness.”

In his longstanding monthly column for Scientific American, Dr. Shermer, 62, has turned a critical eye on antivaccination advocates, the campus craze for condemning “micro-aggressions” and disinviting controversial speakers, and the movement to ban genetically modified crops. He has come out against both climate-change alarmists and deniers. (He tends to side with commentators such as Matt Ridley and Bjorn Lomborg, who agree that humans are changing Earth’s climate but argue that the consequences may not be as dire as doomsayers think.) In his columns and books, he has debunked everything from UFOs and claims of alien abduction to conspiracy theories about the Kennedy assassination and the 9/11 attacks.

A convert to evangelical Christianity as a high-school student in La Cañada, Calif., he went to Pepperdine University intending to become a theologian. But after taking classes in science and philosophy, he decided to study psychology instead. He later earned a Ph.D. in the history of science at Claremont Graduate University.

Unable to find a job as a professor, he went to work at a cycling magazine in Irvine, Calif. He became so interested in the sport that he started cycling hundreds of miles a week and racing long distances, with the support of corporate sponsors. In 1982, he co-founded the 3,000-mile Race Across America, which bills itself



JESSICA SAMPLE FOR THE WALL STREET JOURNAL

‘I have hammered the left as much as the right,’ says Mr. Shermer, who is a presidential fellow at Chapman University.

as “the world’s toughest bicycle race.”

At night, Dr. Shermer taught at Glendale Community College. He is now a presidential fellow at Chapman University in Orange, Calif., where he offers a course called “Skepticism 101.” The school is about 2½ hours from Santa Barbara, where he lives with his wife.

Dr. Shermer started the Skeptics Society in 1992 out of his garage. For the past 25 years, he has also edited and published Skeptic mag-

azine, which he says tackles issues scientifically, questioning hypotheses and weighing research and data. “The principle is to start off skeptical and be open-minded enough to change your mind if the evidence is overwhelming, but the burden of proof is on the person making the claim,” he says. “I would change my mind about Bigfoot if you showed me an actual body, not a guy in an ape suit in a blurry photograph.”

Dr. Shermer is the author of

more than a dozen books, including “Why People Believe Weird Things” (1997), whose targets included creationists, Holocaust deniers and believers in ESP, and “The Moral Arc” (2015), which argued that reason and science have made the world progressively more just.

His new book “Heaven on Earth” comes out in January. In it, he casts a critical eye on many religious visions of the afterlife and on the high-tech quest to evade

death through such methods as deep-freezing (cryonics) or up-loading memories into the cloud. “There’s no assurance that by copying every last thing in your brain, you’re going to wake up and say, ‘Here I am!’ ” he says. “You wouldn’t wake up inside the computer—you’d just be dead.”

President Donald Trump may often dismiss “fake news,” but Dr. Shermer warns against shrugging off evidence. Still, he says, “Everyone does it to a certain extent...It’s a little more heightened now because the internet is so fast to respond in real time.” Politicians have always ignored data, he says, though Mr. Trump “seems to be more bold about it than others, and that inspires others to do the same.”

Recently, Dr. Shermer has denounced both the alt-right and “the regressive left.” After the violent white supremacist protest in Charlottesville, he warned against what he calls “this whole ‘punch a Nazi’ thing,” including the actions of the controversial far-left movement known as antifa. “This is why the antifa movement is just as bad as the white supremacist movement,” he says. “They both feel they have a moral cause that’s worth dying for and worth killing for.”

In the decades ahead, Dr. Shermer expects to see more people adhering to secular philosophies and Eastern religions with stronger links to science: Meditation, he says, can clearly improve health and well-being.

He is less enthusiastic about the rise of some New Age philosophies, which he says can contain troubling quasi-religious urges toward utopianism. “There is no one answer to what makes a perfect society,” he says, and the attempt to create an earthly paradise can turn murderous, as it did at Jonestown in Guyana in 1978: “Someone is in your way, preventing you from achieving eternal happiness, and they have to be dispensed with.”

Dr. Shermer considers organized self-help movements misguided because they tend to encourage people to chase after money and a simple ideal of happiness, rather than to find satisfaction in a purposeful life.

“Most of what we do doesn’t make us happy, it makes us more fulfilled as a person,” he says. His morning bike ride, for example, wasn’t fun, he says. “It’s a sufferfest,” he says. “It’s 90 degrees out, my lungs are screaming and my legs are screaming, but I feel better after.”

EXHIBITION REVIEW

MANY OCTAVES OF MEANING

BY DAVID MERMELSTEIN

San Francisco

THERE AREN’T many museum shows that can honestly claim to be fun for all ages, but “Soundtracks” at the San Francisco Museum of Modern Art is surely one of them. This sprawling exhibit of some 25 works, all from this century and most constructed after 2010, occupies the museum’s entire seventh floor, along with some spaces elsewhere in the building and, in one case, even outside it.

The concept of sound as exhibited art may stretch some people’s notions of the form, but along with the rise of video as art, sound has increasingly found itself not just welcomed but displayed in galleries originally constructed as showcases for static visual art. Still, this show, conceived by Rudolf Frieling, curator of media arts at SFMOMA, marks a major turning point in the embrace of sound as museum-worthy art. And not just because of the exhibition’s scale. It’s the wide variety of conceits, materials, intent and expression that really distinguishes what’s on display.

Ultimately, “Soundtracks” can be considered a meditation on sonic possibilities. The show’s depths, while not always immediately apparent, are abundant and striking, should one wish to consider them. But “Soundtracks” can also be enjoyed, thoroughly, on an entirely superficial level. Visitors may enter its many discrete areas, appreciate a work’s immediate impact, and move on. What child won’t be delighted by Céleste

Boursier-Mougenot’s “Clinamen v. 3,” essentially a wading pool filled with immaculate porcelain bowls of various sizes clinking as they gently collide? At its most innocent, the work is both visually engaging (blue water, white china) and sonically attractive (think wind chimes). Older museumgoers may opt to sit on the plywood platform that encircles the pool and find a moment’s serenity in the “music” being made. And someone really curious might consider the work’s Latin title and ponder its real, if abstruse, physical and philosophical properties.

Though Mr. Boursier-Mougenot’s work may linger longest in the memory, “Soundtracks” greets visitors with two works that are bound to exert their own grip. Anri Sala’s “Moith in B-flat,” a snare drum mounted upside down on the ceiling with sticks that appear to be played by invisible hands, could have escaped from a tony magic club. Yet a clever idea lies beneath: Vibrations produced by unheard playback cause the drumsticks to move, producing audible sounds—a conceptual and physical inversion. “Cantilena,” by the duo O Grivo, looks like a massive Tinkertoy set come alive—rods, discs and wires all animated by hidden electric motors produce a beguiling cacophony certain to mesmerize any passerby. Two works by Amalia Pica also spark amusement. The first, “Eavesdropping,” places on a wall an array of drinking glasses perpendicular to the viewer; the second, “Switchboard (Pavilion),” finds a wooden roomlike structure studded with



Céleste Boursier-Mougenot’s ‘Clinamen v. 3’

CELÉSTE BOURSIER-MOUGENOT/PAULA COOPER GALLERY, NY/SFMOMA

empty tin cans connected by yards of crisscrossed string. It’s unclear whether either has an integrated sonic component, even as both suggest the prospect of sound.

Pleasures of a different sort await those who enter the exhibit’s darker corners. “New Urban Spaces Series #4: ‘Compact Forest Proposal’” by Brian Eno lures visitors into an alien world composed largely of string lights and ambient music emanating from 10 asynchronous CD players. The effect is utterly transporting, and those who enter knowing nothing of what’s inside will encounter an additional surprise, revealed gradually to unsettling effect. Camille Norment’s “Lull” haunts in a different way, as an upside-down microphone swings pendulum-like over a spotlighted amplifier, producing feedback that

distorts an endlessly looped lullaby sung by Sofia Jernberg.

Conversely, Rafael Lozano-Hemmer’s “Last Breath,” which carries an implicit chill, operates in a brightly lighted space. Bookending a length of white respirator tubing are a motor and a brown paper bag. As the motor pumps air through the tubing, the bag inflates and deflates, mimicking the labored breathing of a hospital patient, while nearby, on video, the avant-garde composer Pauline Oliveros, who died last year, breathes into a paper bag. Sharing the same gallery are three orbs from Mr. Lozano-Hemmer’s less macabre “Sphere Packing” series, their surfaces covered in ear buds emitting muffled sounds similar to what one hears on a cheap radio when navigating between stations. In fact,

each contains the complete works of a single composer—Mozart, Wagner and Cage—played simultaneously in an impossible tangle.

This show’s chief achievement, earned through cheek and intelligence, is that sound can stake a real claim to belonging in a museum’s traditionally silent galleries. True, pure sound remains best appreciated in a concert hall or jazz club. But when combined with other elements (visual, tactile, etc.), the aural can exert as potent a pull on our imagination as anything we see.

Mr. Mermelstein writes for the Journal on classical music and film.

Soundtracks

San Francisco Museum of Modern Art, through Jan. 1, 2018

OPINION

REVIEW & OUTLOOK

Texas, Thou Hast Sinned

Who says progressives don't believe in religion? They may not believe in Jehovah or Jesus, but they certainly believe in Old Testament-style wrath against sinners. Real Noah and the Ark stuff. Witness the emerging theme on the media left that Texas, and especially Houston, are at fault for the devastation of Hurricane Harvey.

This has happened even faster than usual, perhaps because the Katrina II scenario of emergency mismanagement didn't pan out. The state, local and federal governments have done a competent job under terrible conditions, and stories about neighborly charity, racial goodwill, the heroism of rescuers, and Big Business donating money and goods don't fit into any agenda. Whinging over Melania's heels also lacks political legs.

So our friends on the left have had to look elsewhere to score ideological points, and they believe they've found the right target in the political economy of those greedy Texans. Specifically, Houston is a global hub of the oil and gas industry, and it has allowed "laissez-faire" development without zoning laws. This has brought the righteous wrath of Harvey down on their own heads.

* * *
"Harvey, the Storm That Humans Helped Cause," said a headline in one progressive bellwether as the storm raged. An overseas columnist was less subtle if more clichéd: "Houston, you have a problem, and some of it of your own making." In this telling, Houston is the Sodom and Gomorrah of fossil fuels, which cause global warming, which is producing more hurricanes.

The problem is that this argument is fact-free. As Roger Pielke Jr. has noted, the link between global warming and recent hurricanes and extreme weather events is "unsupportable based on research and evidence." Mr. Pielke, who is no climate-change denier, has shown with data that hurricanes hitting the U.S. have not increased in frequency or intensity since 1900, there is no notable trend up or down in global tropical cyclone landfalls since 1970, and floods haven't increased in frequency or intensity in the U.S. since 1950.

The National Oceanic and Atmospheric Administration recently said that "it is premature to conclude that human activities—and particularly greenhouse gas emissions that cause global warming—have already had a detectable impact on Atlantic hurricane or global tropical cyclone activity."

No less than the United Nations Intergovernmental Panel on Climate Change says it lacks evidence to show that global warming is making storms and flooding worse. But climate scolds still blame Harvey on climate change because, well, this is what the climate models say *should* happen as the climate warms.

In other words, Houstonians, you'd better go to climate confession, mend your sinful ways and give up all of those high-paying oil-and-gas

jobs. Maybe all those drillers and refiners can work for Google or Facebook.

Then there's the political assault on Houston's pro-growth development policies. "Harvey Wasn't Just Bad Weather. It Was Bad City Planning," shouts a piece in Bloomberg Businessweek: "Sprawling Houston is a can-do city whose attitude is grow first, ask questions later. It's the only major U.S. city without a zoning code saying what types of buildings can go where, so skyscrapers sometimes sprout next to split-levels. Voters have repeatedly opposed enacting a zoning law."

How dare those Texas hicks reject the political controls over building that zoning laws represent. How dare they prefer lower construction costs and affordable housing. The average rent on a one-bedroom home in Houston is 60% lower than in San Jose, Calif., in part because the city issues permits once builders satisfy a health and safety checklist. They don't have many mandates that raise costs. Tens of thousands of people move to Houston and its swampy climate because they can get good jobs and afford to live there.

Zoning also has little or nothing to do with flooding. Some on the left blame roads built over wetlands. But according to Joel Kotkin's Center for Opportunity Urbanism, the main problem is Houston's topography. Its clay soil doesn't absorb water well and the flat city doesn't drain well. In the 1800s when there were no highways or parking lots, parts of the city were often flooded.

The loss of wetlands since the early 1990s has reduced Houston's capacity to absorb water by some four billion gallons, but Harvey dropped trillions of gallons of rain. Harris County, which surrounds Houston, has expanded storm-water retention ponds. But no amount of flood control could have prevented damage from a once-in-500-years storm.

New York City has plenty of zoning and building limits, yet it suffered \$19 billion in damage from Hurricane Sandy that dropped only a half inch of rain. Fifty-one square miles of New York were flooded by Sandy's storm surge, 300,000 homes and 23,400 businesses were inundated. "Smart growth" plans didn't prevent that.

* * *
All of this shows the folly of trying to force-feed natural disasters into neat ideological categories. Major storms cause major damage, and sometimes even the best mitigation plans can't prevent it. No doubt Houston will learn lessons from Harvey about drainage and building that might reduce the damage the next time. Risk-based insurance for property would also help reduce taxpayer losses.

Texans are used to being sneered at by coastal elites, and we trust they'll reject this attempt at their moral improvement too. Their rebuilding will be that much faster, and cheaper, because they have a resilient economy built on energy and zoning laws that make housing affordable. They also know the difference between an act of nature and progressive political opportunism.

are also moving fast to exploit CAR-T treatments, including Novartis AG, and there's no guarantee that Gilead-Kite will be first to market. That's a risk for Gilead shareholders.

Gilead offers a vote of confidence in a new cancer treatment.

The exciting news for the rest of us, especially the many who will get cancer over our lifetimes, is the vote of confidence the merger signals for improving survival rates. Not too long ago academic and media scolds were dismissing U.S. drug research as providing little more than marginal gains. And major newspapers were claiming little or no progress against cancer. Now they're fretting about the costs of breakthrough drugs that have the potential to cure deadly diseases.

Whether or not Kite works for Gilead as a business, it's good to be reminded that drug research means taking risks in the hope of saving lives and making money in the process.

California's Gift to Trump

To paraphrase Marx, all great historical events occur twice: first as tragedy, second as some action by the Los Angeles City Council. The latest demonstration came Wednesday when the council banished Columbus Day from the city calendar. Henceforth in Los Angeles, the second Monday in October will be Indigenous Peoples Day.

We have no dispute with any group or city that wishes to celebrate the culture and achievements of indigenous peoples. Such celebrations are a staple of American life and contribute in their way to *e pluribus unum*.

But L.A.'s move isn't about celebrating. It's about indicting anything that represents Western civilization, as Christopher Columbus most certainly does. So how ironic that in deposing the Italian explorer, Los Angeles council members find themselves taking the side of the Ku Klux Klan of the early 20th century—whose nativism led it to oppose statues, memorials and days devoted to Columbus because he was Catholic, Southern European and called to

The Los Angeles City Council bans Columbus Day, echoing the KKK.

mind the new waves of non-English immigrants at the time.

That's precisely the danger of applying modern sensibilities to judge people from the past. Columbus had his faults, and honest histories address them. But if we honored only saints, few would make it onto pedestals.

If Columbus has to go, does FDR's wartime internment of Japanese-Americans mean we tear down his memorial on the national mall? Most Americans sensibly would say no, but today it's the vandals who are ascendant, here attacking a bust of Lincoln in Chicago, there beheading a Columbus statue in New York, there desecrating a Joan of Arc statue in New Orleans.

So perhaps it's fitting that a Los Angeles City Council that thinks it is leading a politically correct charge is really completing the work urged by an earlier generation of haters and nativists. We wonder if the council knows it has given President Trump a political gift by demonstrating that what so many on the left really oppose is the larger triumph of Western civilization.

Making Growth Great Again



POTOMAC WATCH
By Kimberley A. Strassel

In May 2014, a broad collection of thinkers and politicians gathered in Washington to celebrate a new conservative "manifesto." The document called for replacing stodgy old Reaganite economics with warmer, fuzzier hand-outs to the middle class. Donald Trump must have missed the memo.

The president formally opened the tax wars on Wednesday with his speech in Missouri challenging Congress to meet his principles for reform. The media almost uniformly applied to the speech its favorite (though misused) descriptor: "populist." But the real news was that Mr. Trump wants to make Reagan-style tax reform great again.

The left saw this clearly, which explains its furious and frustrated reaction to the speech. "Trump's New Tax Scam: Selling Plutocracy as Populism," ran a headline in Vanity Fair, bemoaning that "Trickle-down is back, baby."

Democratic strategist Robert Shrum railed in a Politico piece that the "plutocrat" Mr. Trump was pitching a tax cut for "corporations and the top 1 percent" yet was getting away with a "perverted populism." Trump voters had been "tricked into voting against themselves," and now Mr. Trump was pulling a similar con with taxes.

Nonsense. Mr. Trump is selling pro-growth policies—something his party has forgotten how to do. And there's nothing very "populist" about it, at least not by today's political standards.

The left has defined the tax debate for decades in terms of pure class warfare. Republicans have so often been cast as stooges for the rich that the GOP is scared to make the full-throated case for a freer and fairer tax system. It was precisely the right's desire for a more "populist" tax policy that gave us the Reformicons and their manifesto for buying off the middle class.

Mr. Trump isn't playing this game—and that's why the left is unhappy. The president wants to reduce business-tax rates significantly and encourage American companies to repatriate billions of profits held overseas. He wants to simplify the tax code in a way that will eliminate many cherished carve-outs. He wants tax relief for "middle income Americans," though he also praised to the sky the 1986 Reagan reform that reduced the number of tax brackets and significantly lowered top marginal rates.

Mr. Trump did sneak a nod to Ivanka into the speech by including her proposal to hand out taxpayer money for child care. But his address was largely a hymn to supply-side economics, stunning Democrats who believed they'd forever dispelled such voodoo.

What made the left even more apoplectic was the president's manner of sales pitch. What journalists always fail

LETTERS TO THE EDITOR

Maybe the Tragic Distance Isn't All That Far

It's true, as Bernard-Henri Levy states, that there were differences between the tragedies in Charlottesville, Va., and Barcelona last month ("The Distance Between Two Tragedies," op-ed, Aug. 28). However, there were also strong similarities.

The most important of the similarities was that in both cases the perpetrators of the tragedy (and that includes Antifa and their cronies) had turned to violence to accomplish what they couldn't accomplish through the legitimate established processes.

The solution in both cases is for government to fulfill its responsibility to protect the innocent citizens from the hooligans and protect the hooligans from each other. When those hooligans come to the "demonstration" armed with clubs, the official response should be obvious to even the most politically correct of politicians. That was the case in Charlottesville when the police stood aside and let

Why Would China Help the U.S. in the Fight Against Pakistan and North Korea?

Regarding John Bolton's "The Danger of a Jihadist Pakistan" (op-ed, Aug. 30) and its conclusion that "China can be helpful," I am astounded that intelligent policy makers can hold out hope for China riding to America's rescue.

Mr. Bolton's own article recounts how China has encouraged Pakistan and North Korea to vex India and the U.S. Why would Beijing suddenly help Washington remove the vexations it has worked so hard to cultivate?

China's calculus hasn't changed. America's expectations for China at-test to the bankruptcy of U.S. diplomatic and military policy.

HARRY MILLER
Mobile, Ala.

to note is the difference between "populist" policies and a "populist" delivery (of which Reagan was a master).

Mr. Trump has defined himself as the protector of America's forgotten man, an outsider to the swamp, an America Firster. The result is that he is uniquely qualified to sell a tax plan decried as "elitist" to average Americans.

In Missouri, Mr. Trump busted up the left's class-warfare model. He didn't make tax reform about blue-collar workers fighting corporate America. Instead it was a question of "our workers" and "our companies" and "our country" competing against China.

He noted that America's high tax rates force companies to move overseas. He directly and correctly tied corporate-rate cuts to prosperity for workers, noting that tax reform would "keep jobs in America, create jobs in America," and lead to higher wages.

Republicans should learn from how Donald Trump is selling supply-side tax cuts.

Mr. Trump pitched tax simplification as a question of fairness, urging lawmakers to eradicate the "special-interest loopholes" that his own business uses, so as to level the playing field for Americans who can't afford "an army of accountants."

This all sounds pretty good, unless you're Chuck Schumer.

The question is whether Mr. Trump's courage will help congressional Republicans overcome their embarrassing skittishness.

Some in the GOP want to ditch cuts to the individual top rate, as if caving on that question will spare them Democratic criticism. Utah's Sen. Mike Lee and Florida's Sen. Marco Rubio are still obsessed with a wildly expensive plan to buy the middle class by expanding the child tax credit.

Other Republicans are balking over proposals to replace the House's antiquated processes with ones that would significantly aid the passage of a solid tax reform. These timid souls worry about how it might look to change the way a bill is scored, a baseline tallied or a budget window defined.

If Republicans won't even risk blowback on procedural issues that sound like Swahili to most Americans, good luck with tax reform.

Mr. Trump bombed badly with health care, failing to take the case for Congress's effort to the public. The White House is determined this time to keep Mr. Trump focused as national spokesman. His opening salvo has given Republicans the cover to push ahead, as well as valuable pointers on selling growth economics.

If they can't get the job done—with the power they now have in Washington—they'd best admit the Democrats' class-warfare "populism" has won.

Write to kim@wsj.com.

VIRGIL WEATHERFORD
Woodland Hills, Calif.

Without, I hope, being branded as a Nazi sympathizer or racist, I have several problems with Mr. Levy's assessment of what happened in Charlottesville.

But what is truly troubling about his article is his apparent advocacy of laws to suppress the airing of opinions that he finds despicable.

That's exactly what the Nazis and other odious regimes did, Mr. Levy.

GERALD KATZ
Edwards, Colo.

CORRECTION

France is the eurozone's second-largest economy. The Sept. 1 editorial "French Labor Liberation Day" misstated the country's rank.

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OPINION

The Hurricane Lull Couldn't Last

By Roger Pielke Jr.

Activists, journalists and scientists have pounced on the still-unfolding disaster in Houston and along the Gulf Coast in an attempt to focus the policy discussion narrowly on climate change. Such single-issue myopia takes precious attention away from policies that could improve our ability to prepare for and respond to disasters. More thoughtful and effective disaster policies are needed because the future will bring many more weather disasters like Hurricane Harvey, with larger impacts than those of the recent past.

The U.S. hadn't been hit by a Category 3 or stronger storm since Katrina in 2005. We were overdue.

For many years, those seeking to justify carbon restrictions argued that hurricanes had become more common and intense. That hasn't happened. Scientific assessments, including those of the Intergovernmental Panel on Climate Change and the U.S. government's latest National Climate Assessment, indicate no long-term increases in the frequency or strength of hurricanes in the U.S. Neither has there been an increase in floods, droughts and tornadoes, though heat waves and heavy precipitation have become more common.

Prior to Harvey, which made landfall as a Category 4 storm, the U.S. had gone a remarkable 12 years without being hit by a hurricane of Category 3 strength or stronger. Since 1970 the U.S. has only seen four hurricanes of Category 4 or 5 strength. In the previous 47 years, the country was struck by 14 such storms.

President Obama presided over the lowest rate of hurricane landfalls—0.5 a year—of any president since at least 1900. Eight presidents dealt with more than two a year, but George W. Bush (18 storms) is the only one to have done so since Lyndon B. Johnson. The rest occurred before 1960.

Without data to support their wilder claims, climate partisans have now resorted to shouting that every extreme weather event was somehow “made worse” by the emission of greenhouse gases. Last week New York Times columnist David Leonhardt directed researchers “to shed some of the fussy over-precision about the relationship between climate change and weather.”

Turning away from empirical science—or “fussy over-precision”—comes with risks. But whatever one's views on climate, there should be broad agreement today that bigger disasters are coming. Some may blame greenhouse gases, while others may believe it to be some sort of karmic retribution.

But there is a simpler explanation: Because the world has experienced a remarkable period of good fortune when it comes to catastrophes, we are due.



A neighborhood near Addicks Reservoir in Houston on Aug. 29.

the conditions that led to problems. Local communities need to take better advantage of experts who can explore development choices with an eye toward better preparing for an uncertain future.

• *Enhance federal capacity.* The federal government plays a crucial role in supporting states and local communities to prepare for, respond to and recover from disasters. When Harvey was out at sea, accurate forecasts from the National Weather Service saved many lives. The National Flood Insurance Program shapes how communities develop, and the Federal Emergency Management Agency and other agencies provide resources for those whose lives are upturned by natural disasters.

President Trump should also appoint a science adviser, whose primary job traditionally has been to coordinate federal science agencies, facilitate budget requests and assess performance. There is no reason to go more than seven months without one.

The hyperpoliticized debate over climate change sees the same tiresome script play out with every extreme event. We needn't all agree on the reasons why disasters will assuredly get worse in the coming years in order to come together to make sensible decisions about disaster policies. The time is now. Our good luck appears to have run out.

Mr. Pielke is a professor of environmental studies at the University of Colorado, Boulder. He is the author of “The Climate Fix” (Basic Books, 2011) and “Disasters and Climate Change” (ASU/CSPO, 2014).

American Workers Need a New Kind of Labor Union

By Oren Cass

To a union leader, the question “What’s in it for the employer?” might seem bizarre. The point of organizing is to improve labor’s position against management. But much has changed since U.S. Congress passed the National Labor Relations Act in 1935—when workplaces were largely unregulated, the Great Depression had pushed Americans to the brink and labor unrest was widespread.

The NLRB’s objective wasn’t only to empower workers but also to end what Sen. Robert Wagner, its sponsor, called “a procession of bloody and costly strikes, which in some cases swelled almost to the magnitude of national emergencies.”

Today bargaining over employment terms is mostly superfluous. The law already mandates a 40-hour week, paid overtime, a minimum wage, workplace-safety standards and employer-sponsored health insurance. The government provides benefits to the elderly, disabled and unemployed. Yet unions still must find something to deliver to members. Thus the prevalence of destructive work rules, grievance procedures and seniority systems.

In 1936, after hundreds of deaths in auto plants, General Motors workers in Flint, Mich., launched their famous sit-down strike. Among their demands: permission to speak in the lunchroom. Seventy years later, GM had converted the strike site into a “rubber room” where laid-off union members earned salaries and benefits for doing nothing.

The NLRB no longer accomplishes its goals. Its adversarial model pits labor against management, winning short-term “gains” for workers while reducing their long-term value.

Employees seem to understand this. Since 1953 union membership has fallen to less than 7% of the private labor force from 36%, while workers’ total share of national income has increased to 66.1% from 64.5%.

As its relevance waned, Big Labor mutated into a political force. Of the \$2.1 billion spent on federal elections by the 30 largest donors since 1990, unions accounted for more than \$1 billion—and directed 97% to Democrats. This has locked the status quo in place: Democrats prize union

money, so they shun real reform. Republicans seem content to watch the dysfunctional system wither.

What a missed opportunity. Organized labor isn’t inherently partisan or economically counterproductive. Under Europe’s “Ghent system,” workers voluntarily join unions independent of their jobs. Denmark and Sweden have no required workplace elections or compulsory dues, yet a majority of workers are in a union.

Adapting this model to the U.S. could allow new labor organizations—call them “co-ops”—to do a lot:

• *Expand social insurance.* In Europe, unions administer systems of voluntary unemployment insurance. Although the vast U.S. labor market may seem dissimilar, most American social insurance is already managed by the states. Co-ops could supplement or supplant these programs.

• *Improve job training.* Today’s training, run mostly by government agencies and well-meaning nonprofits, is ineffective. Putting co-ops in charge would keep training focused on workers, who measure their investment by the resulting job, not “enrollment” or “graduation.”

Co-ops may be better positioned to negotiate with employers over matters like apprenticeships. One example today is the Las Vegas Culinary Union’s academy, created in partnership with the city’s hotels. But such programs remain few, and they come accompanied by the aggressive, oppositional tactics of Big Labor.

• *Strengthen civil society.* Co-ops could act as mediating institutions for poor and less-educated Americans, helping workers build relationships, access resources and provide mutual aid. Policy makers on the left and right generally agree on the need to rebuild social capital but find few levers. Reforming organized labor is a plausible one.

• *Resolve problems with employers.* Co-ops could help workers build collaborative relationships with management. Such arrangements exist in many countries as company-specific “works councils.” In Germany they’re present at almost 90% of companies with more than 500 employees.

But works councils are prohibited in the U.S. The NLRB treats them, absent a formal union, as an unfair labor practice.

The failure to fix this is another reminder that Big Labor looks after itself first. Unions rightly fear works councils as competition. Former AFL-CIO president Lane Kirkland once called them “sham organizations designed to prevent real worker empowerment.”

Laws dating to 1935 pit employees against their bosses, a zero-sum game that hurts everyone.

• *Provide alternatives to government rules.* The argument for employment regulation—say, the minimum wage—flows from the premise that individual workers lack the leverage to protect their interests. But co-ops bargaining collectively should be able to accept lower standards if the company offers something compelling in return.

A retail chain might eliminate “on call” scheduling in exchange for lowering overtime pay below time-and-a-half. That could reduce costs while increasing worker satisfaction. Allowing such deals would end zero-sum nego-

tiating, since each side would have something to gain. Imagine an employer dropping an inch-high stack of rules on the table and asking the co-op representative: “What will it take to get rid of this?”

• *Support workers in the gig economy.* Co-ops could extend employment-like benefits to Uber drivers, contract coders, call-center temps and other nontraditional workers. Here the NLRB delivers the worst of both worlds: The law pushes employers to avoid worker relationships that could trigger collective bargaining, but it offers little to the pseudo-employees this dynamic creates. Co-ops would give structure to otherwise free-floating careers.

How to achieve this vision? The smoothest path would involve four steps. First, amend the NLRB to allow alternative labor groups. The law covers any worker organization whose purpose is “dealing with employers.” That jurisdiction should be narrowed, while leaving current arrangements in place for union members who are satisfied.

Second, formally recognize the “labor co-operative”: a nonprofit controlled by dues-paying members to advance employment and create value, not merely reallocate it.

Third, allow works councils. The law should include checks to ensure councils aren’t dominated by the employer. If workers began to think a council no longer represented their interests, they might have recourse to a snap “vote of no confidence.”

Fourth, let employees designate a co-op or works council as their representative for collective bargaining. Put most employment regulations on the negotiating table to create space for mutually beneficial deals.

It isn’t crazy to think labor groups should focus on delivering benefits to workers instead of campaign contributions to politicians. Or to suggest employees in the modern economy have more to gain from collaboration with their bosses than from conflict.

If Democrats and Republicans want robust civil society, competitive markets, widely shared prosperity, and a stronger safety net, they have more than enough reason to give organized labor—in a new form—a fresh look.

Mr. Cass is a senior fellow at the Manhattan Institute. This article was adapted from his essay, “More Perfect Unions,” in City Journal’s “The Shape of Work to Come” issue.

How Washington Redefined the Internet

By Bruce P. Mehlman

The U.S. Federal Communications Commission received more than 21 million comments on its plan to reconsider the Obama administration’s internet regulations. Most advocates on both sides voice indignant, moralistic conclusions about the plight of innovation, the future of the internet and the fate of the world if they don’t get their way.

But for the FCC, the question is a semantic one: Is broadband internet an “information service,” as concluded repeatedly over two decades by Democratic and Republican commissioners, or a “telecommunications service” as a partisan majority decreed two years ago?

This is a distinction with a profound legal difference under the Telecommunications Act of 1996. Telecommunications services are

subject to the same restrictions and government controls that applied to the old Bell monopoly starting in the 1930s. Information services have far more freedom to compete and innovate.

The real-world effects of this heavy vs. light regulation are dramatic, and they turn on the question of how consumers use broadband internet.

It was an ‘information service’ for 20 years until Barack Obama’s chairman came along.

In response to the FCC’s inquiries, the Internet Innovation Alliance, of which I am co-chairman, commissioned a study by CivicScience, an online market-research and data-analysis firm, sampling more than 10,000 U.S. adults. The survey asked what consumers “regularly or occasionally” do online. The results show clearly that most consumers use the internet to get information.

The survey found that 72% of U.S. adults frequently read or watch news, sports or other content online. Sixty-one percent use search engines; 52% purchase items online, and 48% check or post on social media. Smaller percentages store photos, grocery lists and other items.

The broadband internet access that enables these activities is precisely what makes broadband an “information service” under the statute. It is impossible to make use of popular video-rich information applications on today’s internet using old-fashioned dial-up access because of the need for higher speeds and lower latency.

As it turns out, the FCC had it right for nearly 20 years. The long-

standing bipartisan agreement in favor of light-touch regulation fueled the explosive growth of the internet. The FCC under Chairmen Reed Hundt, William Kennard, Michael Powell, Kevin Martin and Julius Genachowski were each correct when they declared or affirmed broadband as an information service.

The FCC under Tom Wheeler was wrong when it reversed these precedents two years ago to start regulating broadband as a telecom service.

The monopoly-style regulation imported by Mr. Wheeler from the days of rotary phones is both unnecessary to ensure an open internet and highly inappropriate in today’s competitive, innovative broadband marketplace. Reclassification in 2015 hurt investment in broadband networks and innovation in the broadband ecosystem.

Because of that decision, some communities and consumers didn’t receive broadband investments as quickly or as expansively as they could and should have.

Returning to the longstanding light-touch framework will offer many benefits to Americans by encouraging investment in broadband networks. Flourishing LTE and 5G broadband networks, in turn, will spur job growth and accelerate our economy.

And by taking this important step now, the FCC will encourage Congress to do its job and modernize the Telecommunications Act for the broadband era, developing and passing bipartisan legislation that ensures the open internet, protects consumers and maintains investment in the nation’s high-speed broadband networks.

Mr. Mehlman, a lobbyist, served as assistant commerce secretary for technology policy in the George W. Bush administration.

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LIFE & ARTS



Nina Cheng plays pickup games at James J. Walker Park in New York's Greenwich Village neighborhood once a week.

WHAT'S YOUR WORKOUT? | By Jen Murphy

She's Sticking With Field Hockey

After playing the sport in college, a designer finds the game she loves in the middle of New York

NINA CHENG may design feather earrings and fur-covered iPhone cases, but don't call her girlie. The founder of Wild and Woolly accessories isn't scared of grass-stained knees or bruised shins when she plays the sport she loves, field hockey.

Ms. Cheng knows how to handle a stick. She played field hockey, ice hockey and lacrosse in high school and one year of Division I field hockey at Colgate University, in Hamilton, N.Y., as well as a season with the Hampstead and Westminster Hockey Club in London.

When she transitioned from college to her professional career in

Manhattan in 2008, she joined a gym. "I found it frustrating to be around people purely working out for vanity," she says. She tried group classes but balked at the price. "A lot of classes cost \$40 for 40 minutes, and the workouts, like spinning, were so stationary. I'd rather be doing something more dynamic and exhilarating."

Craving the camaraderie of college sports, Ms. Cheng, 31, joined the Greenwich Field Hockey Club in New York City, and took up squash, a sport she played her senior year of college. Ms. Cheng says both sports challenge her hand-eye coordination. But she

particularly likes the skills challenge of field hockey.

"It's a very three-dimensional sport," she says. "You can only use one side of the stick, but you can do so much with it, like lift the ball into the air or do a dribble move and lift the ball over your opponent's stick. You don't get that creativity in spin class."

The Workout

Ms. Cheng plays coed pickup field hockey games with her club once a week at James J. Walker Park in Greenwich Village. Playing forward like she does can be exhausting. She keeps running most of the

game. Plus, she says, "you're constantly in a crouched position, so you really work your glutes and core. If I haven't cross-trained that week, I'm extremely sore after a game." On weekends she goes to a park to practice dribbling, shooting and stick work.

She plays pickup games year-round and usually competes in regional and national competitions as well. The pickups games move indoors for games during winter months.

Ms. Cheng was playing squash two to three times a week, but since launching Wild and Woolly

last September once every two weeks is the norm.

"Squash is a great way to be social in New York City," she says. She meets friends before or after work for 45-minute games. "I have more lower-body strength, so squash helps work my upper body," she says.

She uses a longboard skateboard to commute around Manhattan and tries to go kitesurfing three to four times a year.

The Diet

Ms. Cheng starts her day with tea and eggs she gets from her mother, who lives in Milford, Conn. "My mom has chickens, so I have a nonstop supply of eggs," she says. She eats lunch at home, usually steamed vegetables with olive oil and Sriracha. She snacks on fruit throughout the day.

She dines out most nights. "I love good food and have an eat-something-delicious-and-work-off-the-calories-later mentality," she says. Her favorite splurges are malty beers, the ricotta and beet donut at the Doughnut Project and the black label burger from Minnetta Tavern. She has a pint of Sambazon açai sorbet almost nightly. She takes collagen supplements.

The Gear & Cost

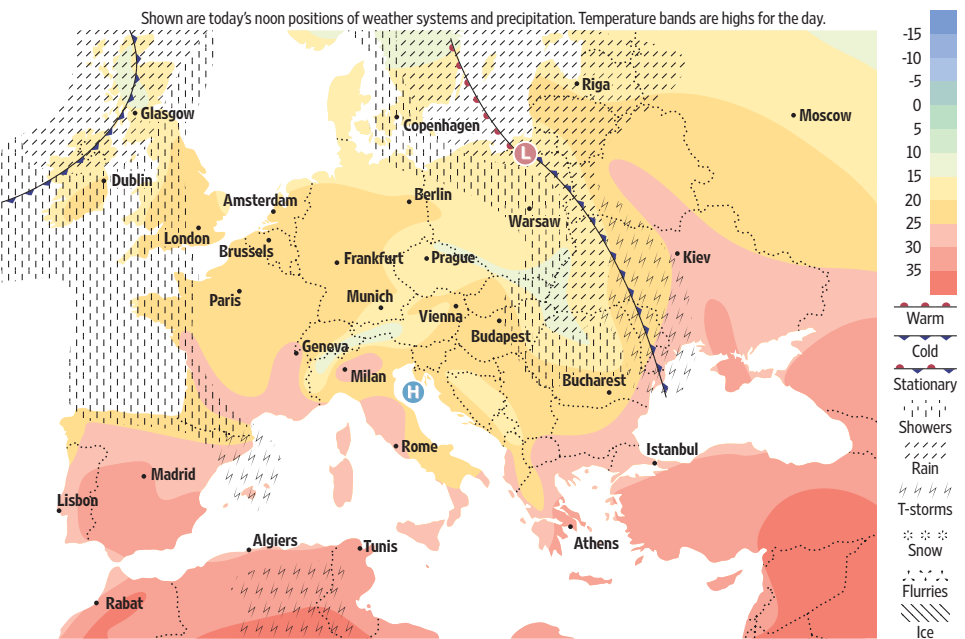
Her JDH X79 TT Low Bow stick retails for \$395. Her Dita turf shoes cost \$65. She wears Nike tennis skirts (\$50). Club dues are \$10 a game.

The Playlist

"I don't like music with a lot of lyrics," she says.

Techno and electro-pop bands like Berlin are on her workout playlist.

Weather

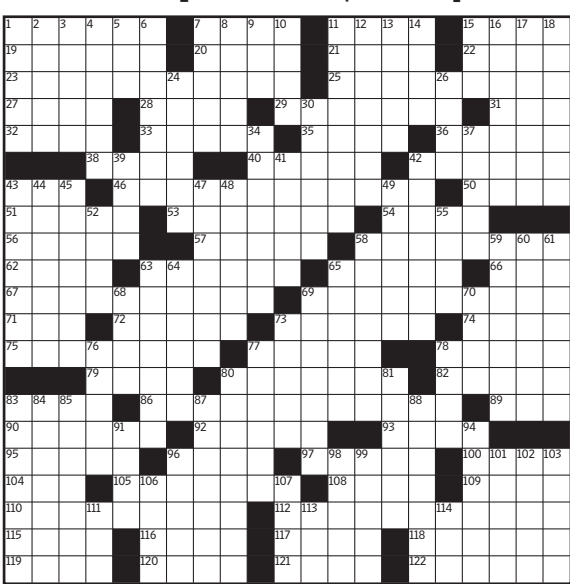


Global Forecasts

s.:sunny; p.c.: partly cloudy; c.:cloudy; sh.:showers; t.t.:storms; r.:rain; sf.:snow flurries; sn.:snow; l.:ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	22	14	c	21	13	c
Anchorage	16	10	sh	15	11	sh
Athens	31	22	s	30	22	s
Atlanta	30	20	s	29	19	pc
Baghdad	45	27	s	46	26	s
Baltimore	29	19	s	31	18	s
Bangkok	34	26	pc	34	26	t
Beijing	29	21	pc	30	17	pc
Berlin	19	11	pc	21	13	pc
Bogota	21	7	pc	21	8	pc
Boise	38	18	s	36	19	s
Boston	27	19	s	30	19	s
Brussels	20	15	c	22	13	c
Buenos Aires	15	7	c	17	9	s
Cairo	36	24	s	36	23	s
Calgary	20	6	s	24	9	s
Caracas	32	25	pc	32	26	pc
Charlotte	31	17	s	32	21	pc
Chicago	29	15	t	22	10	pc
Dallas	34	24	pc	32	18	pc
Denver	33	12	s	21	8	pc
Detroit	29	16	t	23	11	c
Dubai	41	32	s	41	32	s
Dublin	20	12	pc	17	10	c
Edinburgh	19	11	r	16	9	r
Frankfurt	22	11	pc	24	15	pc
Geneva	22	12	c	25	13	s
Hanoi	33	27	c	34	26	t
Havana	31	23	pc	32	23	pc
Hong Kong	31	28	r	32	27	c
Honolulu	30	22	sh	30	23	pc
Houston	33	22	pc	33	22	pc
Istanbul	27	20	s	26	19	s
Jakarta	33	25	pc	33	24	t
Johannesburg	22	7	s	23	8	s
Kansas City	33	15	s	24	10	pc
Las Vegas	39	27	s	41	27	pc
Lima	19	15	pc	20	15	pc
London	22	15	pc	22	11	sh
Los Angeles	30	21	pc	29	20	pc
Madrid	30	16	s	32	18	s
Manila	33	25	t	32	26	r
Melbourne	12	6	sh	11	7	sh
Mexico City	19	13	pc	21	14	pc
Miami	32	27	pc	33	27	pc
Milan	25	14	pc	27	16	s
Minneapolis	23	11	pc	18	9	sh
Montreal	31	20	pc	30	19	pc
Montreal	25	16	pc	23	12	c
Moscow	17	7	c	14	7	r
Mumbai	31	26	pc	30	26	pc
Nashville	31	20	s	27	15	t
New Delhi	34	27	t	34	26	t
New Orleans	31	23	pc	29	23	pc
New York City	29	21	s	31	20	s
Omaha	30	13	pc	23	10	pc
Orlando	32	23	pc	32	24	t
Ottawa	24	14	r	22	9	c
Paris	22	15	pc	22	13	c
Philadelphia	29	20	s	31	21	s
Phoenix	41	29	pc	42	29	pc
Pittsburgh	28	19	s	23	14	t
Port-au-Prince	35	24	pc	34	23	pc
Portland, Ore.	37	20	s	39	21	pc
Rio de Janeiro	27	18	s	28	19	s
Riyadh	43	25	s	42	26	s
Rome	25	16	pc	27	16	s
Salt Lake City	36	19	s	34	19	s
San Diego	26	21	pc	26	21	pc
San Francisco	27	19	pc	26	18	pc
San Juan	32	26	sh	32	27	sh
Santiago	17	3	s	19	4	pc
Santo Domingo	32	24	pc	33	24	pc
Sao Paulo	27	14	s	27	14	s
Seattle	31	18	s	34	19	pc
Shanghai	30	25	c	34	25	t
Singapore	30	25	c	30	26	t
Stockholm	14	11	r	17	8	pc
Sydney	22	11	s	19	11	s
Taipei	33	26	t	33	27	pc
Tehran	34	23	s	34	23	s
Tel Aviv	32	25	s	32	25	s
Tokyo	26	20	c	27	22	pc
Toronto	26	13	pc	21	11	c
Vancouver	27	16	s	28	18	pc
Washington, D.C.	30	22	s	31	21	s
Zurich	21	11	pc	24	14	pc

The WSJ Daily Crossword | Edited by Mike Shenk



AUDIO DETAILS | By Tracey Gordimer

1 Task that can't be ignored	50 Group of families, in ancient Rome	86 Wearing an ultra-sheer outfit?
7 Work commissioned by the khedive of Egypt	51 Sambuca flavoring	89 Beastly abode
11 Ger. invaded it in June 1941	53 Some kitchen compost	90 Jeremy of "The Hurt Locker"
15 Smell	54 Roof rim	92 Charlton's "Touch of Evil" director
19 Goya, e.g.	56 Frasier's brother	93 Prepare to be shot
20 Puzzling problem	57 Grazing spot	95 Local group
21 Fillable bread	62 Division d'un ballet	96 Irritated state
22 Surrender	63 Starts a set	97 Chemise material
23 Muenster monger's business?	65 Tureen accompanier	100 A bit over 4,000 square meters
25 Result of an offshore oil leak?	66 Manning in MetLife Stadium	104 Knight's title in "Game of Thrones"
27 Rand division	67 Attack by space invaders?	105 Redgrave with an Oscar, a Tony and a pair of Emmys
28 Manner of moving	69 Retirement watch, perhaps?	108 Charter
29 Rhineland siren	71 Victorian, e.g.	109 In that case
31 Frame of Felix, e.g.	72 Prevents access to	110 Mustang and Taurus?
32 Geometry calculation	73 Savage sorts	112 Something that won't sprout if it's planted?
33 Where potatoes were first cultivated	74 Pay to play	115 Lion's pride
35 Smelly	75 Serengeti grazer	116 "Ritorna vincitori!" for one
36 Dispende with	77 Stands for funerals	117 Care
38 Settled	78 Frighten	118 Word on some franc notes
40 Distinguishing feature	79 Manxman, e.g.	119 Different
42 Report holder	80 One might be chased by its owner	120 Bank
43 Call's counterpart	82 Cowboy star Lash	121 Hotel visit
46 Snowboarding bro?	83 Rascal Flatts, for one	122 Teacher of TV's "Sweathogs"

Down	55 Square root of sechzehn
1 City whose population triples once a year	58 Delivers by the wagonload
2 Gabriel Byrne's "Excalibur" role	59 Dr. McCoy's first name
3 Embarrassing outburst	60 Factual in every detail
4 Greek consonants	61 Jazz band members
5 Start of a Midwestern state capital name	63 Academic
6 Marjoram's cousin	64 Blows up
7 Unpleasantly bitter	65 Dern and Linney
8 Beyond bitter	68 Resort setting
9 Lemon	69 Minos and Ariadne, e.g.
10 Turning jump	70 Fancy affair
11 Dresses down	73 Fancy affair
12 Feature of "guilt" but not "gilt"	76 Lodge (motel chain)
13 Earn a restraining order, perhaps	77 Hikes
14 Election lead-up	78 Brewpub choices
15 Canadians' Thanksgiving	80 Star of 1953's "Calamity Jane"
16 Set's crime against Osiris	81 Spiky flower popular with butterflies
17 Like the 1979 gas crisis rationing	83 Scammer's words
18 Some country dancers	84 Paper extension
24 Knock quite a few back	85 Like some dungeon denizens
26 Smallest of the rattles	87 "Sir, I love you more than words can wield the matter" speaker
30 Cointreau flavoring	88 "It's a long story"
34 Finished a deck	91 One of a sinful septet
37 Brat's opposite	94 Falls miserably
39 Iowa State setting	96 Bother a bedmate
41 Magician's props	98 Skybox setting
42 Parish constables	99 Boudoir wear
43 Wonder drug	101 Breastplate's place
44 Animal opposite the English lion on the Royal Arms	102 Confectioner H.B.
45 Attacks with a lance	103 Rear-____ (driving mishap)
47 Do some voice work	106 Way off
48 "I Told You So" singer Randy	107 You can bank on them
49 Ramone who wrote "Rockaway Beach"	111 Garden visitor
52 Come across as	113 Single, say
	114 Florida Georgia Line, for one

Previous Puzzle's Solution

W	A	I	T	S		S	C	A	L	P		A	B	A
A	M	O	R	E		C	A	M	E	O		P	A	M
S	P	R	I	N	G		A	R	B	O		R	E	N
P	U	I	G		O	E	M		T	I	N	T	E	N
S	P	I	O		S	E								
A	D	D	O	N		O	N	I	O	N		N	B	A
L	O	I	S		R	O	G	E	N		P	E	O	N
E	N	D		C	A	R	E	T		A	T	S	E	A
C	A	B	B	A		G	E	R	I	O	L	L	S	
A	C	T	R	E	S	S		L	O		A	D		
F	I	T		L	I	K	E	A	P	R	A	I	E	R
A	T	L		O	R	I	O	N		E	L	S	E	S
R	Y	I	E		T	E	N	S	E		S	T	O	R

The contest answer is SWEDEN. The answer to each of the four asterisked clues is the type of word hidden in one of the theme entries. From top to bottom: (Greta) GARBO was an ACTRESS; MALMO is a CITY; ABBA was a BAND; and IKEA is a STORE. All of the hidden names originated in Sweden.

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THE WALL STREET JOURNAL.

Monday, September 4, 2017 | B1

Euro vs. Dollar 1.1880 ▼ 0.25% **FTSE 100** 7438.50 ▲ 0.11% **Gold** 1324.50 ▲ 0.63% **WTI crude** 47.29 ▲ 0.13% **German Bund** yield 0.383% **10-Year Treasury** yield 2.157%

Fall in Yields Hits Banks

By CORRIE DRIEBUSCH

U.S. bank stocks dropped in August as interest rates slipped, and some money managers say lenders have farther to fall.

The reason: The yield on the 10-year Treasury note is back down to where it was in mid-November, shortly after the election, but bank shares are above where they were at that time.

That could be a warning sign, some analysts and investors say, that there is still too much optimism priced into shares of financial companies. Such stocks have benefited

from hopes for looser regulation under the Trump administration and from passing their Federal Reserve stress tests, which won big U.S. banks the ability to buy back stock and distribute dividends. Strong earnings reports have lifted large banks' price-to-book valuations since November, as well.

"People are hanging onto bank stocks hoping for a regulatory reprieve," said Justin Wiggs, managing director in equity trading at Stifel Nicolaus. "But from an operating standpoint, there are obviously concerns for banks," he said, referring to falling bond yields.

The 10-year Treasury yield fell to 2.122% on Thursday, its lowest since Nov. 10, two days after the presidential election.

The decline in the gap between long- and short-term U.S. rates is bad for lenders.

The recent declines have narrowed the gap between long- and short-term rates, which doesn't bode well for banks, which earn money on

the difference between what they pay on deposits and what they charge to lend money.

The difference between the yield on the two-year Treasury note and the 10-year was at 0.812 percentage point late Friday, below the 1.21-percentage-point differential on Nov. 10 and near its smallest since 2007.

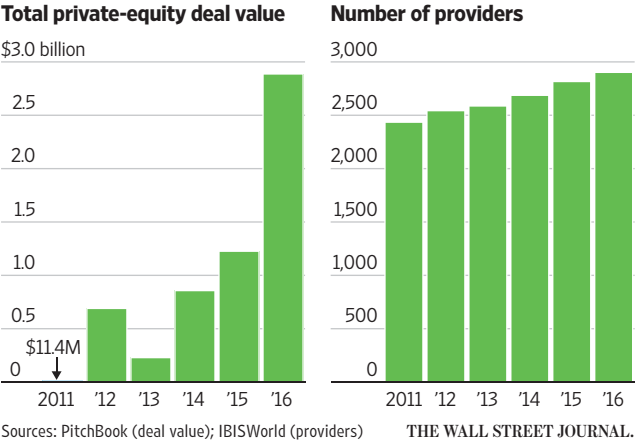
The KBW Nasdaq Bank index of large U.S. lenders fell 3.1% in August but closed the month up 14% since Nov. 10.

"I was a little surprised banks aren't down more," Mr. Wiggs said. "We should be a bit more cautious."

Please see STOCKS page B2

Charging In

Private-equity firms are boosting investment in U.S. addiction-treatment facilities, drawn by soaring demand. Their spending has helped increase the number of providers.



Investors Pile Into Opioid Treatment

By JEANNE WHALEN AND LAURA COOPER

Private-equity firms are moving into a new business opportunity: the opioid addiction crisis.

Drawn by soaring demand, expanded insurance coverage and the chance to consolidate a highly fragmented market, firms plowed \$2.9 billion into treatment facilities last year, up from \$11.4 million in 2011, according to the research firm PitchBook Data Inc. The number of private-equity deals rose to 45 from 25.

The firms are acquiring or expanding clinics that provide everything from detox and residential care to outpatient and methadone treatment. In some cases, private-equity firms have approached not-for-profit outfits in an attempt to buy and convert them to for-profit entities, say treatment-center executives.

Private equity has become the "driving force" in growth in methadone clinics over the past 10 years, according to Mark Parrino, head of a clinic trade association. While a decade ago roughly 60% of the clinics were nonprofits, today nearly 60% are for-profit entities, he said.

Some nonprofit treatment veterans look with skepticism at the new profit-seeking investors. "There are some very good private, for-profit groups," says Dick Steinberg, president of WestCare Foundation, a nonprofit provider of addiction treatment and other services in 18 states. Others "are going to invest in it, market it, get people in, and I'm not sure the quality of treatment will last," he said.

Mr. Steinberg says he has turned down frequent inquiries from private-equity investors interested in buying WestCare facilities. "When you see these health crises happen people see a dollar as opposed to how to really help somebody," he said.

Private-equity firms say they are bringing capital to an industry that badly needs investment, helping increase the number of treatment facilities. Nonprofits "don't have the

capital to have the best compliance, services and marketing," says Simon Bachleda, managing partner of Revelstoke Capital Partners, which owns a majority stake in an operator of two dozen methadone clinics—some acquired and some built from scratch. "Usually we enhance the service offering."

Among recent deals are Kohlberg & Co.'s \$180 million acquisition of The Meadows, a rehab center in Wickenburg, Ariz., best known for treating Olympic swimmer Michael Phelps after his 2014 DUI arrest. Investors including **LLR Partners, HealthInvest Equity Partners, NewSpring Capital, Petra Capital Partners** and SV Life Sciences spent \$34 million last year for a stake in **Sun Behavioral Health**, which runs free-standing psychiatric hospitals that treat addiction and other conditions. Private-equity firm Flexpoint Ford acquired and expanded Summit Behavioral Health and is now considering a sale of the firm, which operates in 10 states.

The demand for treatment is plain. Drug overdose deaths have soared since the late 1990s, and now cause more fatalities each year than traffic accidents, according to the federal Centers for Disease Control and Prevention. Widespread opioid addiction is largely to blame for the surge, the CDC says.

U.S. drug- and alcohol-addiction clinics generated \$9.5 billion in revenue in 2016, up from \$7.5 billion in 2011, according to the Los Angeles-based data provider IBIS-World. There were 2,902 enterprises engaged in drug and alcohol rehabilitation in 2016 compared with 2,435 in 2011, the data firm said.

Investors say legislation has also made the sector more attractive by extending insurance coverage to more Americans. The Mental Health Parity and Addiction Equity Act of 2008 required insurers that provide mental-health benefits to cover them as favorably as they do physical-health benefits. The 2010 Affordable Care

Please see OPIOID page B2



Visitors inspect a model of the dam at Krasnoyarsk Hydroelectric Plant. There is a surplus of cheap electricity available in Russia.

Siberia Is Primed for Digital Era

En+ harnesses Soviet-era infrastructure in frigid region to develop its data-storage project

By JAMES MARSON

IRKUTSK, Russia—As President Vladimir Putin drives this country to leap into the digital age, the cold temperatures and powerful rivers of Siberia have become an asset for one well-placed company.

Here in southern Siberia, energy-and-aluminum giant En+ Group has entered the data-storage market, feeding on industrial-scale power plants for equipment that runs hot and needs to be kept cool.

"It's the ideal location," said Chief Executive Maxim Sokov. "Power is cheap, and the cooling is free."

Siberia's rivers have for decades generated electricity for Russia's aluminum industry, the second-largest after China's. With electricity output exceeding demand, En+ is harnessing the excess, establishing a center here in May that it envisions as the first in a network of modules under the brand

"Clouds of Siberia."

Mr. Putin has called for the Russian economy to go digital, and demand is increasing from state bodies that handle the data of Russia's gigantic bureaucracy.

En+ isn't the only company hoping to capitalize on Soviet-era infrastructure in the digital era. **Rosenergoatom**, the state nuclear-power generator, said it is planning to open a data center at its Kalinin Nuclear Power Station, northwest of Moscow, in 2018.

En+, which is considering an initial public offering, according to people familiar with the matter, is also looking at export potential. The company is in talks with Chinese, South Korean and Japanese companies to store their data, according to Aleksandr Sgrebny, who heads the company's data-center drive.

A link to China, just a few hundred miles from Irkutsk, would fit Russia's broader eco-



THE WALL STREET JOURNAL.

nom strategy of providing goods and services to its neighbor's growing economy amid tensions with the West.

Mr. Sgrebny said the company is also talking to financial institutions, research institutes and bitcoin miners, which use power-hungry computers to generate the digital currency.

Addressing the international reputation of Russian hackers, the company said the Irkutsk data-storage facility has the second-highest rating on an international scale for physical and network security and reliability.

Data centers tend to be built

near the sources of demand, but improved network speeds and computing infrastructure mean companies can look further afield. The equipment is best kept in rooms at around 70 degrees—often requiring expensive, energy-intensive cooling systems. Iceland, too, is touting its cheap energy and cool climate as natural advantages for its own data centers.

In Irkutsk, the average annual temperature is just above freezing. Even in the mild summers, the world's largest freshwater lake, Baikal, acts like a cooling system, Mr. Sgrebny said.

En+ says all the necessary infrastructure is in place for Clouds of Siberia, and that it will charge 25% to 40% less than its rivals in Moscow, where land and electricity are more expensive.

The company, controlled by billionaire tycoon Oleg Deripaska, generates around 8% of

Please see DATA page B4

HEARD ON THE STREET | By Spencer Jakab

Jobs Report Gives Boost to Doves



Economists are famously said to worry whether what works in practice will also

work in theory. Friday's modestly disappointing jobs report should put their minds at ease for now.

Before the revisions in August's report, five of the seven months through July had seen payrolls growth of more than 200,000 and the average of the preceding 12 months had been a robust 180,000—high figures so late in an economic recovery. According to a calculator maintained by the **Federal Reserve Bank of Atlanta**, a pace of just 166,000 jobs a month for the next 12 months would have taken

the unemployment rate below the 4% mark—a number not seen since the start of this century, at the apex of the tech boom.

In that sense, then, August's payroll growth of just 156,000 and downward revisions to the past two months are a pause that refreshes. That could be seen immediately in the currency market as the dollar, which already was in a rut, fell sharply.

There might normally be two reasons for such a move—either a shockingly weak figure that raised questions about the fundamental vigor of the U.S. economy or a more benign one that could influence the path of monetary policy, making U.S. bonds less tempting to foreign investors. Friday's slightly

weak figure—the miss of 23,000 jobs compared with economists' consensus is well within the statistical margin of error—is clearly a case of the latter.

Another blowout jobs number might have undercut doves on the **Federal Open Market Committee** who would like to slow down the pace of interest-rate increases until there are signs of stronger wage growth and inflation. After all, unemployment already is at the theoretical level that sparks price pressure. But if payroll growth is indeed cooling off then the Fed can focus on hard data without worrying about labor market slack and could well be on hold for the rest of 2017.

Betterment CEO Learns to Let Go

By MICHAEL WURSTHORN

The 220 people who work for robo adviser **Betterment** LLC gather in the New York company's cafeteria twice a year to hear from their chief executive officer.

There, Jon Stein, a 38-year-old former bank consultant, often has addressed one of their biggest beefs with him: Even after years of trying to rein in his own worst habits, Mr. Stein remained a micromanager.

Mr. Stein sometimes was "sticking his nose in when he wasn't being productive," said Eli Broverman, who co-founded Betterment with Mr. Stein in 2008.

"Maybe it's particularly tough for me because I built this company," Mr. Stein said. "The first lines of code were mine. I'm intimately familiar with all the workings of it."



Jon Stein, chief executive of robo adviser Betterment LLC.

Mr. Stein wants to do to financial services using technology and automation what companies such as Amazon.com Inc. have done to brick-and-mortar retailers. His mission is to make investment advice and financial services broadly ac-

cessible, while also lowering the cost and removing the compensation conflicts that investors sometimes grapple with when working with a financial adviser.

Mr. Stein's do-it-all mindset has been a key factor behind Betterment's success in delivering financial advice to investors. He has shaped a wealth-management business that one day looks to go public and become a household name.

Betterment relies on algorithms that gauge an investor's risks and goals to recommend cheap, long-term investments. Through its app and website, the firm suggests a basket of exchange-traded funds for investors, rebalances portfolios and offers securities sale strategies to minimize tax bills.

But Betterment clients pay less than half of the typical fee

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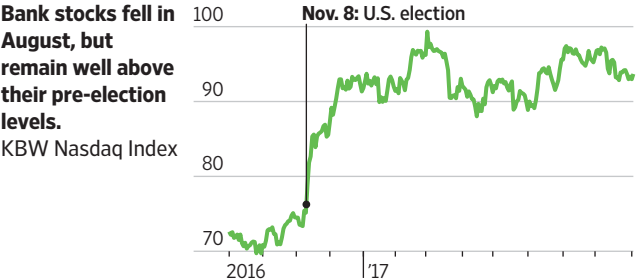
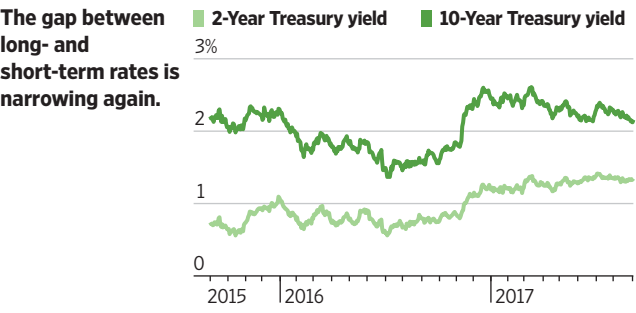
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Eye on the Divide

The slimming differential between Treasury notes doesn't bode well for banks despite rising share prices since the election.



Sources: Ryan ALM (yield); FactSet (stocks) THE WALL STREET JOURNAL.

STOCKS

Continued from the prior page

Daniel Genter, chief executive officer of RNC Genter Capital Management, an investment-management firm in Los Angeles, said he has been decreasing his position in financial stocks, saying that as the yield curve flattens, banks will likely need stronger deposit growth in order to maintain their profitability levels. “That’s going to be a challenge,” he said.

The big question now for banks is the U.S. economy. While the global economy continues to hum along, there are some cracks in the U.S. Household debt reached a record last quarter, inflation remains stubbornly low and gross-do-

mestic-product growth has been choppy.

Those concerns have contributed to the decline in the 10-year yield, which ended July at 2.292% and finished 2016 at 2.446%.

Still, not everyone is so dour about the outlook for bank stocks.

Michael Mattioli, portfolio manager at Manulife Asset Management, said he isn’t as bullish on bank stocks as he has been in the past, and said he has trimmed his bank-stock exposure since the election. Yet he still believes there could be some upside to the group.

“There’s a lot more things that can go right for banks than can go wrong,” he said, such as a change to lenders’ capital requirements or a tax overhaul.

STEIN

Continued from the prior page

nancial-adviser fee of as much as 1% of portfolio assets. Mr. Stein said the firm isn’t encumbered with hundreds of branches and hefty salaries for thousands of brokers.

The firm’s success—it has more than 250,000 clients—has spawned a raft of rivals, ranging from upstarts such as Wealthfront Inc. to Wall Street giants. Industry veterans say the onslaught of competition will make the firm’s next chapter that much more challenging. “It’ll be about having a clear vision of the best way to serve customers,” Mr. Broverman said.

Along the way, Mr. Stein has had to grow into his CEO role and learn how to trust his employees, according to himself, colleagues and mentors, some of whom are investors in his company.

“There’s an easygoing exterior,” said Jim McCormick, chairman of First Manhattan Consulting, where Mr. Stein worked following graduation from Harvard University in 2001 with a degree in economics. That shell “hides a very demanding internal drive.”

In the years after Betterment’s launch, brokerage executives said the emergence of robo advisers wasn’t a threat.

That mind-set has changed over the past year or so as traditional brokerages such as Bank of America’s Merrill Lynch and Morgan Stanley, as well as others like Charles Schwab Corp., have worked on launching their own robo-advisory services.

Betterment’s \$800 million valuation, provided by investors such as Bessemer Venture Partners and Kinnevik AB, has risen as robo advisers have collected more assets. Researcher Cerulli Associates estimates the robo-advice industry had more than \$80 billion in assets by the end of 2016, and will have \$385 billion in the next five years, eating into the multitrillion-dollar asset base of traditional brokerage firms.

While Mr. Stein says he has gotten better at delegating tasks to the various teams that report to him, he still keeps a hand in activities such as answering customer-service calls several times a year—something all employees of Betterment have to do, too.

“It’s one way of creating a connection with the people we serve,” he said.

BUSINESS & FINANCE



The auto maker was one of the first to release an all-electric vehicle. Now, its Leaf is largely overshadowed by brands like Tesla.

Nissan to Launch New Leaf

Revamped version of electric car addresses earlier issues relating to range figures, style

By SEAN MCLAIN

TOKYO—Nissan Motor Co. was a path-breaker in electric vehicles for the mass market, but for nearly seven years the masses mostly ignored it.

This week, Nissan hopes to inspire car buyers to turn to their new Leaf. On Tuesday in the U.S., the company will release a revised version of its Leaf all-electric car that will travel farther on a charge and add autonomous-driving features while keeping the relatively low price of the current model, which starts at \$30,000.

“We have high expectations for the new Leaf,” Nissan Chief Executive Hiroto Saikawa told shareholders in June, describing it as the core of the company’s strategy to persuade average customers to adopt next-generation vehicles.

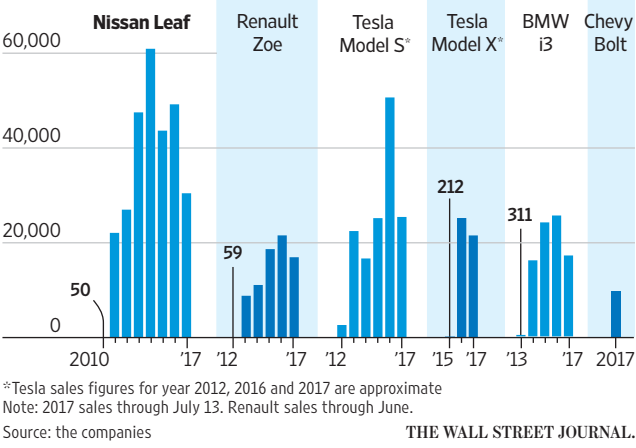
For all the hype about electric vehicles, they still represent only roughly 1% of the global market, according to International Energy Agency estimates. That isn’t what Nissan expected when it introduced the inaugural version of the Leaf in December 2010.

At the time, Carlos Ghosn, the head of the alliance that

Slowing Down

Sales of Nissan’s Leaf have slowed as the number of electric cars overall has grown.

Annual sales of major electric models since their launch date



includes Nissan and Renault SA, predicted the two companies would sell a cumulative 1.5 million electric vehicles by 2016, led by the Leaf. He also predicted that electric vehicles would account for 10% of global sales by 2020.

The actual cumulative figure to date: 490,000.

What happened? Low gasoline prices were one factor keeping a lid on demand for environmentally friendly vehicles, but the original Leaf had its own problems. Its range, even after updates, was only 107 miles on a full charge, making it ill-suited to road trips. The style touches also never really caught on, with The Wall Street Journal’s Dan Neil raising his eyebrows at “the biggest, most ridiculous

headlamps since the invention of fire” and a rear end he compared with a “soused diaper.”

The new model is designed to address those issues. Although Nissan hasn’t released the improved range figures, it says the new Leaf will alleviate range anxiety in Europe and Japan, where commutes are shorter on average than in the U.S.

The vehicle will also come equipped with Nissan’s ProPilot autonomous driving suite, which can navigate the vehicle within a single lane and in stop-and-go traffic. The new Leaf will be the first model to get Nissan’s self-parking system. And Nissan has hinted it will perform more like an electric car than the old Leaf, which was tuned to resemble a

Pfizer Revives Drug at Higher Price

By PETER LOFTUS

Pfizer Inc. is bringing back a cancer drug it pulled from the U.S. market over safety concerns in 2010—but the drug this time carries a higher cost, in the latest sign of the industry’s pricing power.

Mylotarg, which treats a form of leukemia, will cost \$24,600 per patient for an average course of treatment, Pfizer said Friday after the Food and Drug Administration approved the product’s comeback. Pfizer says most patients will receive only one course. The new price is 58% higher than the \$15,522 cost for the drug when it was pulled in 2010.

Drugmakers have taken heat from politicians, patients and health insurers for charging high prices for new drugs and raising prices of older drugs in recent years. This week, the FDA approved a pioneering leukemia treatment from Novartis AG that costs \$475,000 per patient, which some critics termed excessive but which the company defended as a responsible price in light of the treatment’s benefits.

Pfizer says the new price for the resurrected Mylotarg

doesn’t look as steep once inflation is factored in. Accounting for average annual U.S. medical-price inflation of about 3% as calculated by the government, the 2010 price would be about \$19,128 in today’s dollars, Pfizer said.

Company spokeswoman Sally Beatty added that the inflation rate for branded drugs is significantly higher by some estimates.

Ms. Beatty said the company arrived at the new price after consulting with doctors, insurers and patients to assess the drug’s clinical and

economic benefits. “Based on clinical data and real-world evidence, and support from oncologists, we believe Mylotarg has the potential to provide meaningful improvement to the majority of patients with AML,” she said.

The American Cancer Society estimates there are about 21,380 new cases of acute myeloid leukemia—a particularly aggressive form of blood cancer—annually in the U.S., and about 10,590 deaths from the disease. The FDA has recently approved some new drugs for AML, including Cel-

gene Corp.’s Idhifa and Novartis’s Rydapt, after many years without new treatment options for the disease.

The FDA first approved Mylotarg in 2000 to treat patients age 60 and older with a type of AML. After the drug’s 2000 approval, additional patient studies failed to confirm its efficacy, and revealed an elevated risk of death of patients early in treatment. The FDA requested that Pfizer stop selling the drug in 2010. After the withdrawal, independent researchers tested different doses and other ways to make Mylotarg safer and more effective, with Pfizer providing the drug for testing purposes, the company said.

The results, which showed the drug improved certain measures of survival and induced remission in some patients, led to Pfizer’s application to bring the drug back to market.

The FDA on Friday approved a lower dose than the first version of Mylotarg, a different dosing schedule and in a slightly different patient population that includes pediatric patients.



Drugmakers have taken heat after raising prices for medications.

OPIOID

Continued from the prior page

Act also expanded coverage by mandating that ACA insurance plans sold to individuals cover mental-health treatment. The law also said children could be covered under their parents’ insurance until age 26.

“The Affordable Care Act created more insured lives. That combined with the opioid

crisis has changed the fabric of what we’re seeing in these treatment centers,” says Hunter Peterson, a partner at Riverside Co., which recently bought Florida treatment provider Lakeview Health LLC from another private-equity firm, Trinity Hunt Partners, and plans to expand it to Houston and other markets.

Lakeview, like many private-equity-backed treatment providers, doesn’t accept Medicaid or Tricare, the taxpayer-

financed insurance programs for low-income people and active-duty military members, respectively. Those programs offer reimbursement “below our cost,” and the paperwork can be excessive, says Roy Serpa, Lakeview’s chief executive. Lakeview’s patients are mostly covered by commercial insurance, he said.

Medicaid is the largest source of funding in the U.S. for mental-health care, including substance-abuse treat-

ment, according to the Robert Wood Johnson Foundation.

Private-equity’s move into rehab “might not necessarily ease access issues for those on Medicaid,” says Michael Botticelli, executive director of Boston’s Grayken Center for Addiction Medicine, which like many nonprofits does accept Medicaid. “But it does help overall access issues,” said Mr. Botticelli, the former director of the White House’s Office of National Drug Control Policy.

BUSINESS NEWS



Firm's air bags have been linked to over a dozen deaths.

Honda Reaches Takata Settlement

By Mike Spector

Honda Motor Co. reached a \$605 million legal settlement covering vehicles with rupture-prone **Takata** Corp. air bags, the latest auto maker to agree to resolve claims in a long-running safety crisis linked to numerous deaths and injuries.

Honda reached the settlement over financial-loss claims affecting current and former owners and lessees of roughly 16.5 million vehicles in the U.S. equipped with the air bags, plaintiffs' lawyers said on Friday. The air bags risk exploding and spraying shrapnel.

The settlement, which doesn't cover personal injury claims, still requires a judge's approval as part of widespread litigation consolidated in a Miami federal court.

Honda will ultimately pay \$484 million after receiving a 20% discount on the settlement amount in consideration of the auto maker's current recall efforts, which include providing free rental or loaner vehicles to customers awaiting repairs, the company said. The outlay will include a fund of nearly \$200 million aimed at expanding upon the auto maker's current efforts to reach and encourage customers to visit dealerships to get air bags in Honda and Acura vehicles replaced, Honda said.

Other big car manufacturers also reached air-bag settlements this year.

Auto makers including Nissan Motor Co., Toyota Motor Corp., Subaru Corp., Mazda Motor Corp. and **BMW** AG reached similar settlements earlier this year collectively totaling more than \$650 million.

Takata's air bags are linked to more than a dozen deaths and some 180 injuries globally. In the U.S. alone, auto makers are in the process of recalling an unprecedented 42 million vehicles with as many as nearly 70 million air bags. The Japanese automotive supplier, facing billions of dollars in recall costs, filed for bankruptcy protection in the U.S. and Japan earlier this year with a deal to sell operations to a rival. In January, Takata agreed to plead guilty to criminal wire fraud and to pay \$1 billion in penalties, including restitution to auto makers and consumers.

The settlement's terms include reimbursement for certain expenses customers incur from the recalls and a possible residual payment of up to \$500, plaintiffs' lawyers said. They will receive rental cars while awaiting recall remedies and a support program for repairs and adjustments on replacement air-bag inflators, including an extended warranty, plaintiffs' lawyers said,

Car Sales Wheeze After Long Climb

August proves to be a mixed month for auto makers; GM, Toyota post strong growth

By Mike Colias
And Christina Rogers

U.S. auto industry sales continued to slump in August amid mounting signs that American car buyers have become more fickle following a seven-year growth streak

While **General Motors** Co. and **Toyota Motor** Corp. notched relatively strong gains, fueled in part by heavier discounting, others reported lower results, with some citing lost sales tied to Hurricane Harvey.

U.S. light-vehicle sales in August fell 1.9% from a year earlier, according to Autodata Corp. The industry's annualized selling pace, a measure of how sales are tracking for the full year, was 16.14 million last month, below analysts' expectations and down from 17.22 million a year ago. The weaker performance comes despite last month having an extra selling day.

GM's August sales jumped 7.4% from a year earlier, totaling 275,326 vehicles, as the Detroit giant deepened discounts on many SUV models, aiming to make room on dealer lots for newer versions.

The nation's largest auto maker cleared out much of the excess inventory that has been worrying investors this year, with stocks on dealership lots falling to an 88-day supply, from 104 days in July.

Ford Motor Co.'s sales slipped 2.1%, to 209,029 vehicles, as demand for SUVs cooled. Still, it reported a 15% surge in sales of pickup trucks, its biggest profit generator.



After setting a record in 2016, U.S. auto-industry sales have posted lower growth in each of the first eight months of this year.

Fiat Chrysler Automobiles NV's August sales dropped 11%, to 172,773 vehicles, as five of its six brands reported declines. Sales for Jeep—FCA's highest-volume brand—fell 15%, while sales of its Ram pickups dropped 7%.

Shares of the Detroit auto makers rallied. GM and Ford shares were up 2.2% and 2.9%, respectively at Friday's close. FCA shares jumped 4.8% after Standard & Poor's revised its outlook for the stock to positive.

Strong auto sales have helped underpin the nation's economic recovery since the financial downturn, rising seven straight years to a record of more than 175 million vehicle sales in 2016. That streak is almost certain to end this year though, after the industry posted lower growth in each of the first eight months. August's

seasonally adjusted annual selling pace was the slowest for the closely watched benchmark since October 2014.

Market watchers believe auto sales could get a lift in coming months as owners of vehicles lost to the flooding in Texas and Louisiana buy replacement cars. Between 500,000 and 1 million vehicles likely were totaled during the storm and subsequent flooding, according to Black Book, a research firm that compiles car valuations.

August results were mixed for Japanese brands. Toyota's sales rose 6.8%, to 227,625 vehicles, while **Nissan Motor** Co.'s sales tumbled 13%, to 108,326 vehicles. **Honda Motor** Co.'s sales dipped 2.4%, to 146,015. The muted August results could lead to some especially sweet deals for car shop-

pers visiting dealership lots for Labor Day promotions this week, typically one of the busiest selling periods for the car business.

Auto makers have been sitting on bloated inventories for months and are scrambling to purge their lots of current-year models to make way for fresher versions. The car companies are behind on the annual model changeover this year—an unusually high 91% of vehicles sold in the first half of August were from model-year 2017, according to research firm J.D. Power.

The lag could pressure auto makers' profitability because later-model vehicles generally entail lower discounts and thus carry higher profit margins.

GM's incentive spending rose sharply in August as the company cleared out older cross-

over SUVs to make way for the launch of several redesigned models. GM's SUV sales jumped 47% compared with a year earlier, while Ford's fell 11%.

Crossover SUVs, which ride on car platforms and return better fuel economy than truck-based SUVs, have become a key battleground as car buyers migrate away from sedans. Auto makers "have gotten much more aggressive from an incentives and marketing standpoint" in SUVs, Nissan U.S. sale chief Judy Wheeler said in an interview.

Toyota outsold Ford in August for the second straight month—a rarity—amid a sharp increase in SUV sales. Mark LaNeve, Ford's U.S. sales chief, said the car maker has new models coming, including a new full-size Expedition SUV and EcoSport small crossover.

Expecting Less, Workers in U.S. Cheer Up

By Lauren Weber

Americans are happier at work than before, but they might just be settling for less.

For the first time since 2005, more than half of U.S. workers say they're satisfied with their jobs, according to the Conference Board, a research group. Employment is up, wages are finally rising and layoffs are near record lows, resulting in a more optimistic, contented workforce.

That buoyancy is giving Americans confidence to pull out their wallets. Consumer spending has risen every month this year, with a strong pickup in August, and the U.S. economy grew in the second quarter at its fastest pace in more than two years.

Yet the data also suggest U.S. workers have changing views of what makes a job good, and a decade of bruising job cuts, minimal raises and lean staffing has led them to lower their expectations, economists and labor-market experts say.

The average employee today shoulders more risk for her retirement and health care than in past generations, and enjoys less job security. The traditional bond between employer and employee—in which companies provided job and retirement security in exchange for hard work and loyalty—has eroded so much that young workers today "don't even know what they're missing," says Rick Wartzman, a management expert and author of "The End of Loyalty: The Rise and Fall of Good Jobs in America," released in May by PublicAffairs.

Almost 51% of employees say they are very satisfied or somewhat satisfied with their jobs, according to the Conference



Haley O'Donnell, a part-time writer, recently received eight weeks of paid maternity leave.

Board, which surveyed about 1,600 workers across the U.S. last November on various aspects of their work. Workers gave top ranking to their colleagues, commutes and job tasks, but were frustrated with companies' promotion policies, bonus plans, training opportunities and performance-review processes.

American workers remain scarred by the Great Recession, which reset expectations for a generation, says Peter Cappelli, a management professor at the University of Pennsylvania's Wharton School of Business.

Unemployment reached a 25-year high of 10% in 2009, sending record numbers of Americans into long stretches of joblessness. Those who did remain in jobs were asked to do

more with less.

"In the dot-com period, we had M.B.A. students who literally were expecting to be millionaires within two or three years," Mr. Cappelli says, referring to the late-1990s tech bubble. "After 2009, we had people who were just glad to get any kind of job."

Now, with unemployment at 4.4% and wages showing signs of lifting, workers are feeling greater peace of mind and fulfillment than they have in years.

Mechanical engineer David Hunt was let go from an engineering job in 2012 and spent the next five years unemployed or working short-term contracts.

When Mr. Hunt, who holds two master's degrees, was offered a job at a Boston-area high-tech company in June, the

firm's human-resources manager called him with "good" news and "bad" news about his salary. Mr. Hunt, 52 years old, asked for the bad first.

We can't pay what you asked for, the manager told Mr. Hunt. Instead, the company offered 10% above that number.

Mr. Hunt now earns enough to support his family while his wife pursues a Ph.D., and says he feels his ideas are valued.

Worker satisfaction is mixed but improving in areas like wages and job security. Just over 52% of workers feel safe from a layoff, up 6 percentage points from 2011, and 41.6% say they are pleased with their wages, up from 36.1% five years earlier, according to Conference Board.

Average hourly earnings are

growing at a slow pace by historical standards—rising 2.5% from July 2016 to July 2017—but low inflation means paychecks are buying more and workers are feeling more flush.

Amid a continuing shift away from pensions toward 401(k) plans with unpredictable returns, satisfaction with retirement plans rose from 35% in 2011 to 37.3% in 2016, the Conference Board says, possibly reflecting higher 401(k) returns from stock investments.

Overall, Americans' sense of retirement security has dropped. In 1993, 73% of U.S. workers felt confident they could afford a comfortable retirement, according to the Employee Benefits Research Institute. In 2017, 60% felt that way.

Also falling in workers' esteem are health-insurance and family-leave plans. Employees are paying more for health care and coping with higher deductibles. And though some employers have enriched parental-leave benefits for white-collar workers, U.S. parents get less leave than their counterparts in other industrialized nations.

Haley O'Donnell, 33, was a manager in the corporate office of a Fortune 500 retailer a few years ago when one of her employees became a father. The company offered no paid paternity leave, and Ms. O'Donnell sent an angry letter to the chief executive. She never received a response. Following a career switch, Ms. O'Donnell wrote a young-adult novel and now works part time as a writer for **Armstrong & Associates**, Inc., a logistics consulting firm in Milwaukee. She recently had her first child and has eight weeks' paid maternity leave, a rare benefit for part-timers.

Delivery Firms Bulk Up Staffs to Cope With Holiday Orders

By Jennifer Smith

Package-delivery firms are shoring up their staffing in big numbers as they prepare for a holiday season likely to see another surge in online sales.

Courier and messenger companies added 3,900 jobs in August, the fifth straight monthly increase, the **U.S. Bureau of Labor Statistics** said in its monthly jobs report released Friday. The parcel sector, which is bulking up as demand to deliver goods to consumers' homes

grows, has added 7,000 jobs over the past two months and more than 30,000 since August 2016.

The warehousing and storage sector added 900 jobs in August, as fulfillment centers that process online orders ramped up recruiting in a tight labor market.

The growth in transportation related to e-commerce came as the overall pace of hiring slowed in August, with U.S. employers adding 156,000 jobs from the previous month, below economists' expecta-

tions.

The national jobs figures showed strength in industrial sectors that feed shipping demand, however. Manufacturing payrolls grew by 36,000, boosted by gains in the automotive sector, and construction employment rose by 28,000.

The factory hiring came as the Institute for Supply Management's monthly measure of U.S. manufacturing activity reached a six-year high in August.

The gains come as retailers

and manufacturers are stocking up inventories, with inbound shipments of auto parts, furniture and back-to-school goods driving robust imports at American ports.

Household spending rose in July, and shoppers are also spending more money online, a trend that should pick up in the fourth quarter. E-commerce accounted for 8.9% of U.S. retail sales in the second quarter, or \$111.5 billion, according to the **U.S. Census Bureau**, but the online sales are growing far faster than in-

store sales.

Forty-six percent of parents planned to shop online for back-to-school supplies, according to the **National Retail Federation**. And 82% of respondents to an August survey on the coming holiday season said they expect to buy gifts online, while 77% expect to buy gifts in physical stores, research firm **Fung Global Retail & Technology** said.

Despite growing demand, trucking companies cut 1,600 jobs in August. BLS said Au-

gust jobs data weren't affected by Hurricane Harvey, which closed the Port of Houston and disrupted supply chains around the region. The storm has boosted some prices on the spot market for cargo moved by truck, where shippers book freight transportation on a daily basis.

Trucking companies are reporting difficulty recruiting drivers, with some employees leaving for construction or energy jobs. A handful of large publicly traded carriers have increased driver wages.

Alexa and Siri Escalate Battle

Amazon, Apple and rivals race to make their virtual assistants more powerful

By Laura Stevens
And Tripp Mickel

Apple Inc. and Amazon.com Inc. are bolstering the teams that run their Siri and Alexa virtual assistants, part of a string of recent moves by technology giants to step up competition in an area seen by many as the future of computing.

Amazon is adding hundreds of engineers to the Alexa program and giving it hiring preference over other divisions, according to people familiar with the company's thinking. It also has put Tom Taylor, a veteran Amazon executive known for building up high-growth divisions, in charge after the former Alexa chief retired.

Apple, meanwhile, has shifted oversight of its Siri system to Craig Federighi, its top software engineer, after five years under the leadership of another senior vice president, Eddy Cue. That move comes amid concerns that Siri, which popularized voice assistants when Apple introduced it in 2011, has lost ground to rivals including Alexa and Alphabet Inc.'s Google Assistant.

Voice-driven virtual assistants like Siri and Alexa, powered by artificial-intelligence technology, are rapidly gaining popularity by making it simpler for people to perform computing tasks from searching for information to shopping to turning on home lamps. More than 4 billion consumer devices by the end of 2017 will make use of some kind of digital assistant, according to IHS Markit, a market research firm.

Apple, Amazon, Google, Microsoft Corp. and Samsung Electronics Co. are racing to make their assistants more powerful and pervasive, in part by trying to embed them in more devices. Apple still has the greatest reach among voice assistants, with Siri accessed monthly on more than 375 million Apple devices across 36 countries. Amazon's introduction of the Alexa-powered Echo speaker nearly three years ago sparked a new land rush, prompting Apple in June



Amazon introduced the Alexa-powered Echo about three years ago. It currently dominates the smart speaker market in the U.S.

to unveil a rival device, the HomePod, that goes on sale at the end of this year.

The companies bring different strengths to the fight. Because of their dominance of the smartphone market, Apple, Google and Samsung have broad reach and enormous volumes of user data that they can use to train their assistants. Google, like Amazon, also draws data from its own home speaker, which uses the Google virtual assistant. Microsoft's Cortana is mainly available on computers running Windows 10.

Amazon draws its user data primarily from its retail website, which gives it an edge for shopping and related tasks. It also currently dominates in smart speakers—its Echo has about three-quarters of the U.S. market for such devices, with more than 11 million sold through the end of last year, according to analyst estimates.

Amazon also has been aggressively signing deals with other companies to add Alexa to products ranging from Ford Motor Co. cars to Sears Holdings Corp.'s Kenmore refrigerators. Samsung has outlined a similar vision for its recently launched assistant, called Bixby.

Google said last week that it would open its assistant to other speaker makers including Sony Corp., and to appliance makers like LG Electronics Inc., to incorporate the assistant into dryers and vacuums.

Google also is taking aim at Amazon's e-commerce stronghold with a partnership announced last month with Walmart Stores Inc. to let users of its Google Express shopping service order from the retail giant by voice via Google's virtual assistant. Amazon announced a deal last week with Microsoft to link their virtual assistants so that people

could, for example, use Alexa to access Microsoft's Cortana and check their calendars in Outlook.

Apple, in addition to rolling out a smart speaker, increasingly is enmeshing Siri in its Mac and iPhone operating systems, which Mr. Federighi also manages. His new role was noted on Friday in a change to his biography on Apple's website. An Apple spokeswoman confirmed the change but declined to comment further.

Gene Munster, head of research with Loup Ventures, said that Mr. Federighi brings more of a technical background than Mr. Cue, who heads internet software and services and is leading Apple's push into original video in Hollywood.

The ability to train assistants effectively is critical to making them more accurate and effective in responding to queries.

Google's smart speaker, which responds to "OK, Google," now understands questions as well as Alexa, at about 95%, according to Loup Ventures research, which tested 800 questions on both systems. Google previously lagged behind in a February test, understanding about 77% of queries, versus 94% for Alexa. Google answered 65% of the questions correctly, compared with 54% for Alexa, although both improved.

Amazon has been accelerating the growth of its Alexa staff rapidly for years, and currently has nearly 1,500 openings mentioning Alexa on its job site.

Amazon's Mr. Taylor took charge in June and previously ran seller services, which has grown significantly over the past few years.

Amazon declined to comment on its Alexa strategy.

Huawei Arms Itself For Battle On Phones

By Dan Strumpf

Chinese telecom giant Huawei Technologies Co. launched a new chipset with built-in artificial-intelligence capabilities to power its next-generation smartphones and take on rivals Apple Inc. and Samsung Electronics Co.

Though Huawei is well known in the smartphone business—it is No. 3 world-wide behind Apple and Samsung—it is lesser known as a maker of chips for its own phones. The company says its new Kirin 970 chip will power its forthcoming Mate 10 smartphone, set to launch next month to compete against the coming 10th-anniversary iPhone.

Huawei's new chipset was unveiled Saturday at the IFA electronics trade show in Berlin. It comes as the company has been pouring resources into the more profitable high-end phone market, long dominated by Apple. Its current flagship phone, the P10, launched this year with a base price of \$685.

The Shenzhen-based company has said the Mate 10 will have improved camera and battery life. It also said the new Kirin chipset will power stronger image-recognition abilities and other camera features on its phones.

While Huawei's rivals are likely working on chip upgrades as well, "making AI computation faster and more efficient will give Huawei an edge, if it can demonstrate improved performance or battery life when conducting everyday tasks," said Tim Coulling, analyst at electronics-research firm Canalsys.

Huawei has been steadily gaining market share from rivals in the smartphone wars. In China, where Apple has been losing ground, Huawei recaptured the top spot from Chinese brand Oppo in the first quarter, according to Canalsys. Globally, it had 10% of the market in the first quarter, according to Canalsys, behind Samsung's 23% and Apple's 15%. While it is a major player in Europe, its sales remain low in the U.S.

BUSINESS WATCH

J&F INVESTIMENTOS

JBS Owner Sells Paper-Pulp Maker

The holding company of troubled Brazil meatpacker JBS SA said Saturday it sold its paper-pulp maker Eldorado Brasil Celulose SA to Netherlands-based Paper Excellence for 15 billion reais (\$4.8 billion). The transaction is expected to take up to 12 months to be completed, the companies said Saturday.

Eldorado was one of the key assets owned by J&F Investimentos, the holding company that belongs to the family of brothers Wesley and Joesley Batista, who have admitted to bribing government officials for several years in exchange for favors. Through their family holding company, J&F, the brothers have agreed to pay a fine of 10.3 billion reais to sign a leniency agreement with Brazilian prosecutors. J&F recently agreed to sell flip-flop maker Alpargatas SA, as well as dairy company Vigor Alimentos SA.

—Luciana Magalhaes

NEW YORK TIMES

Publisher Seeks Out New Funding Source

The New York Times is exploring another source of funding: philanthropy. The newspaper said one of its top editors, Janet Elder, will be setting up an operation to seek nonprofit funding that can help support ambitious newsroom projects.

The Times has enjoyed a surge in digital subscriptions and solid digital ad growth recently, but the company said nonprofit funding can provide greater flexibility. Publications like the Times have often done stand-alone projects with nonprofits or philanthropic organizations, but the new arrangement formalizes the process and signals a bigger commitment.

—Imani Moise

Tesla Faces Complaint on Labor Practices

By Tim Higgins

The National Labor Relations Board filed a complaint Thursday against Tesla Inc. based on allegations of unfair labor practices from workers at the company's Fremont, Calif., factory.

The employees accuse Tesla of being required to sign overly broad nondisclosure agreements that prohibit them from raising safety concerns. They also allege the Silicon Valley electric-car maker harassed them during unionizing efforts.

A hearing before an administrative judge is scheduled for Nov. 14.

Tesla said the accusations in the complaint are without merit and accused the United Auto Workers union—which has sought to organize employees in Fremont—of filing com-

plaints "only to generate headlines." Earlier this year, three workers and the union filed their claims with the NLRB against Tesla.

The NLRB complaint and brewing labor unrest at the Fremont factory threaten to disrupt Tesla just as it begins boosting production of the Model 3, a \$35,000 all-electric sedan aimed at attracting more customers than its luxury cars and sport-utility vehicles that typically sell for about \$100,000. Tesla Chief Executive Elon Musk cautioned in July that the effort to bring out the car would be "manufacturing hell" as the company learns to build the vehicle in large numbers.

In Thursday's complaint, the NLRB's arm in Oakland, Calif., said Tesla "has been interfering with, restraining and coercing employees in the exercise of



Fremont, Calif., workers allege harassment during unionizing efforts.

their rights." The complaint listed several instances that alleged company employees instructed workers to stop distributing union leaflets and told them not to discuss safety concerns with the union and co-workers.

production associate, said in a statement. "I'm proud of my co-workers who filed these charges and stood up for us."

In an August statement, Tesla blasted the UAW. "Faced with declining membership, an overwhelming loss at a Nissan plant earlier this month, corruption charges that were recently leveled against union leaders who misused UAW funds, and failure to gain traction with our employees, it's no surprise the union is feeling pressured to continue its publicity campaign against Tesla," the company said.

The UAW has faced several setbacks in recent months, including failing to win enough votes to organize a Nissan Motor Co. factory in Mississippi and watching former members of its leadership be accused of misuse of worker-training funds.

DATA

Continued from page B1

Russia's electricity. Its power assets include four huge, Soviet-era hydroelectric plants along the Angara River, which passes through Irkutsk, and the Yenisei River, which cuts through central Russia and empties into the Arctic Ocean.

But the power plants can produce about twice as much as is used, leaving plenty of cheap electricity available that the company wants to monetize.

The plants were built, starting in the 1950s, as part of efforts to transform Siberia into an economic powerhouse. Aluminum titan Rusal, which En+ controls, uses the electricity to power its smelters.

After the collapse of the Soviet Union, demand for electricity fell as Russia's economy shrank. At the Krasnoyarsk Hy-

droelectric Plant, with a 400 ft.-high dam on the Yenisei that opened 45 years ago, only five of 12 generators were running on a recent day.

"There aren't so many buyers, and it's so cheap," said Mikhail Kamenev, deputy head of production at the plant. He

En+ says the infrastructure is in place for 'Clouds of Siberia.'

said electricity costs around 15 kopecks per kilowatt-hour, or around a quarter of a cent.

The data center in Irkutsk, at En+'s Thermal Power Station, is housed in a structure around the size of two shipping containers. Inside, eight racks of servers produced by Huawei Technologies Co. are powered

by two electricity lines from the plant.

Local needs are helping drive demand for data storage, Mr. Sgrebny said. New counterterrorism laws scheduled to come into force next year will oblige telecom companies to store internet traffic and phone conversations for six months—a potential source of business, the company said. Big local businesses are already clients, said Mr. Sgrebny.

Mr. Sokov, the CEO, said his data centers could be more profitable than the aluminum business. While power generation accounts for 30% of the cost of making aluminum, for data centers the share is 50%, and close to 70% for blockchain, a digital ledger to efficiently share and track information related to contracts and transactions, he said.

"We're creating our own demand" for power, said Mr. Sokov. "We are taking advantage of Soviet synergies."



Aleksandr Sgrebny, who heads En+'s data-center effort, inside the Irkutsk center. Big local businesses are already clients.

FINANCE & MARKETS

Storm Victims Check Fine Print

Most home-insurance policies in U.S. exclude flooding; shortfalls in coverage expected

BY LESLIE SCISM
AND NICOLE FRIEDMAN

Hundreds of thousands of Texas homeowners are expected to lack adequate insurance for repairing flooded houses, if they have it at all.

Many homeowners never examine details of the policies they buy, and it is only after a flood they learn the basics: Standard homeowners' policies provide payouts for damage from wind, fire, fallen trees and other storm-related events but not flooding. For that, people generally need to buy separate policies from the U.S. government.

As Houston residents started to return home Friday following Hurricane Harvey, many were for the first time checking the fine print on their insurance contracts and hoping for the best.

Among them was Andrea Womack, a 38-year-old mother of four. The carpet and some clothing in her one-story house in Houston's Settegast neighborhood were damaged by water. On Friday morning, Ms. Womack was waiting for an insurance company representative to come by and go through what was covered.

"I signed up for insurance awhile back, but on my papers it says it does not cover flood insurance. So I'm not sure" what will be covered, she said.

Early loss estimates are starting to show that Ms. Womack isn't alone.

Analytics firm CoreLogic has estimated total residential flood costs of \$25 billion to \$37 billion in 70 counties in Texas and Louisiana hit by Harvey. Of that, about 70%, or \$18 billion to \$27 billion, is uninsured.

Overall, households and



Sydney Truss hauled belongings out of his home, which flooded as Harvey dumped more than 50 inches of rain in parts of Texas.

businesses in Harris County, which includes Houston, held roughly 249,000 federal flood policies as of June 30, according to the Federal Emergency Management Agency. There are about 1.7 million housing units in the county.

Those homeowners who do have flood insurance are likely those whose mortgage lenders require it, said Etti Baranoff, an associate professor of insurance at Virginia Commonwealth University.

"The mortgage company checks if your home is in a flood zone or not, and they'll make you take" a policy out if so, she said.

Even so, those with the government flood policies aren't always made whole, she said. These policies pay out a maximum \$250,000 for rebuilding and \$100,000 for personal possessions.

Among homeowners with

flood coverage are Sydney Truss and his wife, who live south of Houston in Friendswood, Texas.

When they were house hunting last year, the couple worried about flooding. So, before they settled on a home, they looked up whether it flooded during Tropical Storm Allison in 2001.

"That's kind of the storm Houstonians judge everything by," said Mr. Truss. "It did not flood during Allison." Even so, the couple's bank required them to get a flood policy.

"We're hearing you have to have [all the damaged items] to get insurance" claims paid, Mr. Truss said, surveying the piles of clothes, toys and books in his front yard. He said he was initially going to wait until he heard from insurance officials before clearing out the house, but "it would be a disaster if we kept wait-

ing any longer."

Standard homeowners' policies do pay for some damage from water—such as if it enters the house after the wind rips off the roof. But if water overflows a riverbank or gushes down a street to seep into a house, the homeowner can expect a claim to be rejected, according to industry lawyers.

The federal flood insurance program's payouts for Harvey appear on track to rival those made for superstorm Sandy in 2012, the U.S.'s third-costliest hurricane (behind Katrina in 2005 and Andrew in 1992). So far, 130,622 Sandy claims have cost the program \$8.4 billion, an average of \$64,331 apiece, according to the Insurance Information Institute trade group.

Overall, private-market insurance payouts for Harvey are expected to be dominated

by payments to business policyholders and range from \$10 billion to \$20 billion. At the high end, they would likely top those for Sandy, which cost \$19.8 billion in 2016 dollars, according to the Insurance Information Institute.

An area of dispute after hurricanes has been how much an insurer ought to pay in instances in which both winds and flooding damaged a property. Those disputes could arise in communities where Harvey landed as a Category 4 hurricane with its strongest winds.

"If there is a breath of wind and breath of storm surge, that ought to be enough to put in front of the Texas courts and ask for relief for these people," said David Wood, a policyholder lawyer for corporate clients at Barnes & Thornburg LLP in Los Angeles.

—Erin Ailworth
contributed to this article.

SoFi Is Probing Conduct Claims

By Peter Rudegeair

Online lender **Social Finance** Inc. said that it has launched an outside investigation into claims that current and former female employees were sexually harassed at work, the latest Silicon Valley startup to face accusations about its behavior toward women.

The San Francisco-based company, one of the most highly valued financial-technology firms in the U.S., announced the move Friday, a day after a former employee said in a court filing related to his wrongful-termination lawsuit that the company's CEO allowed "male employees to engage in inappropriate sexual conduct in the workplace."

SoFi has denied the specific allegations of that former worker, Brandon Charles. However, Chief Executive Mike Cagney said in a note to all employees Friday that as its lawyers were weighing a response to the lawsuit, they learned that several people are



A court filing accuses CEO Mike Cagney of allowing 'male employees to engage in inappropriate sexual conduct.'

prepared to formally allege they had witnessed or had been the victims of "improper activity" at SoFi's operations center in Healdsburg, Calif.

"That kind of behavior has no place at SoFi, and we're not going to tolerate it," Mr. Cagney wrote. He said SoFi's outside lawyers are reviewing the matter and that the company would bulk up its training and add ways for employees to give anonymous feedback on any issue.

The lawsuit and action by SoFi occur as questions swirl around the culture of the technology industry that have sparked debate about a lack of diversity and the treatment of women in typically male-dominated companies. In February, a former engineer at Uber Technologies Inc. said the company hadn't disciplined a manager who mistreated female employees.

That kicked off an investigation into Uber's operations and culture that ultimately led to the resignation of its chief executive and founder, Travis Kalanick.

At SoFi, the August lawsuit filed against the company by Mr. Charles said he was wrongfully terminated for reporting that some managers had hidden errors made in processing loan applications. The legal action also claimed another manager had made sexual or inappropriate comments about women who worked at SoFi.

Mr. Charles's attorney couldn't be reached to comment.

Mr. Charles amended his lawsuit on Thursday to include accusations that Mr. Cagney defamed him in a company-wide videoconference days after his original complaint was filed. According to the amended suit, Mr. Cagney told SoFi's staff Mr. Charles was a liar and that SoFi would take "unspecified action" against him at a later date.

A SoFi spokesman said that the company had investigated Mr. Charles's claims internally and found them to have no merit.

SEC Ends Lawsuit Against Financier

By Maria Armental

Wall Street's top cop has dropped a civil lawsuit against a financier accused of manipulating the shares of companies he helped take public, after a judge had tossed out key evidence in a related criminal case.

The Securities and Exchange Commission's move Friday to drop the lawsuit—which follows the Justice Department's dismissal last month of criminal charges—brings to an abrupt end the case against Benjamin Wey, a key figure in the so-called re-

Mr. Wey was a key figure in a boom in deals that brought Chinese firms to U.S.

verse-merger boom that brought many Chinese companies into the U.S. more than a decade ago.

"Today's dismissal can only be described as a complete victory for our clients," said David Siegal, a lawyer for Mr. Wey and his wife, Michaela Wey.

"My client has always maintained his innocence," Mr. Siegal said, adding that the one-time chief executive of **New York Global Group**, a now shuttered private-equity investment and corporate-advisory firm, "plans to rebuild his business and his reputation."

Mr. Wey was arrested in the summer of 2015 and New York Global Group shut its offices late that year.

At the time, federal officials hailed the case as a high-profile example in the government's attempt to crack down on accounting fraud and other improprieties involving small Chinese companies that went public in the U.S.

A spokesman for the SEC declined to comment.

Roku IPO Filing Has 2 Stock Classes

By Maria Armental
And Maureen Farrell

Roku Inc., which makes streaming-media devices and software, has filed preliminary documents for an initial public offering of shares.

The Wall Street Journal has previously reported the IPO plans, saying the California company targeted a valuation of roughly \$1 billion.

Roku is on track to go public this fall. The potential IPO comes during a year that has seen a sharp uptick in public offerings. Roughly \$31.6 billion has been raised through 112 IPOs on U.S. exchanges so far this year—more than double the volume last year, when \$12.9 billion was raised in 63 U.S. IPOs through the end of August, according to Dealogic.

The documents, filed Friday with the Securities and Exchange Commission, don't offer much detail on Roku's planned IPO, beyond saying that the company seeks to trade on Nasdaq under the ticker ROKU.

The securities filing includes a figure of \$100 million for its issuance, but that figure is used to calculate filing fees and is often changed.

According to the filing, owners of Class B shares—in-



A Roku streaming device. The firm aims to go public this fall.

cluding 51-year-old founder and Chief Executive Anthony Wood—would retain control based on voting power.

Class A shares, which would be sold to the public, would have one vote each, while Class B shares would have 10 votes.

Roku, which had worked on a possible IPO in 2014, was founded in 2002 and made its name through small boxes that hook up to televisions and

stream video from services such as Hulu and Netflix Inc.

The company, however, has been shifting its business to draw more of its revenue from ads and revenue-sharing deals.

Roku still makes the majority of its revenue from sales of streaming players: \$117 million of the \$199.7 million in revenue it reported for the first half of 2017.

Yet streaming players accounted for a smaller portion

Investing Chief Leaves Hedge-Fund Firm

The chief investment officer at **Winton Group** Ltd., one of the world's largest hedge funds, quit to set up his own firm.

Matthew Beddall worked at Winton for about 17 years and is one of the best-known managers of computer-driven hedge funds in Europe. He left Winton in August, according to regulatory filings.

He has set up **Havelock London**, a consultancy and investment-management business in which Winton plans to take a stake.

Mr. Beddall, 37 years old, who has been on sabbatical in the U.S. for the past year, said in an interview Friday that his new firm will aim to use technology to manage money and give advice to clients.

Winton, set up by billion-

aire hedge-fund manager David Harding, runs around \$30 billion in computer-driven hedge-fund strategies, much of which is based on trying to profit from trends in financial markets.

Mr. Beddall's departure comes as the hedge-fund industry is in flux. Many investors, tired of lackluster returns and some managers' inability to turn a profit, are increasingly looking to computer-driven funds to navigate markets.

Mr. Beddall, who is still a shareholder in Winton, is setting up Havelock with former Winton research director Kate Land, former Winton technology director Alisdair Wren, and Neil Carter, a former senior distribution head at Jupiter Asset Management.

Winton said that since Mr.

Beddall began his sabbatical, his role has been divided up among other Winton staff.

Mr. Beddall said his new firm wouldn't compete with Winton or focus on trying to follow market trends—one of the biggest areas of quantitative trading. He said one of his main areas of interest was in-

vesting based on securities' valuations, and that much of his own wealth is run in that manner. Machine learning—one of the hottest areas of computer-driven investing—was useful in "specific circumstances," Mr. Beddall said, but it was "not prudent to leave a computer to it in an unspecified way."

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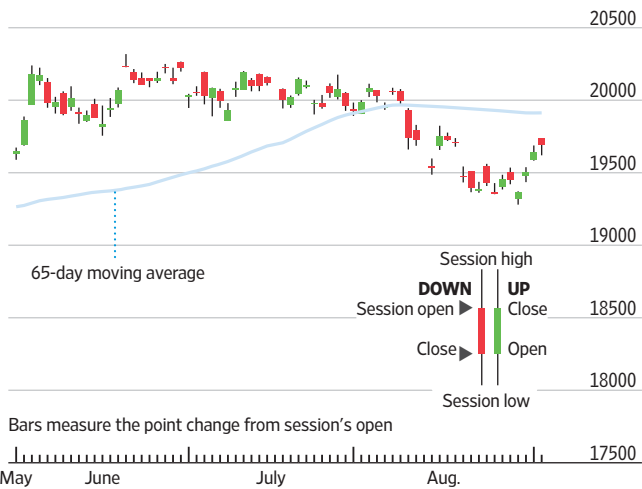
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MARKETS DIGEST

Data as of Friday, September 1, 2017

Nikkei 225 Index

19691.47 ▲45.23, or 0.23%
High, low, open and close for each trading day of the past three months.



STOXX 600 Index

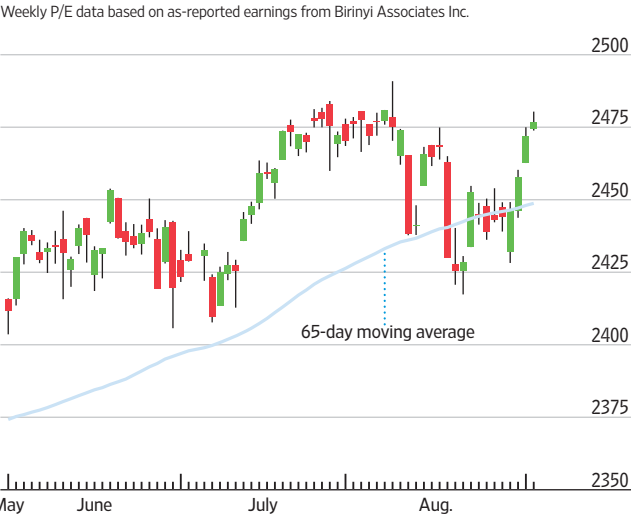
376.14 ▲2.26, or 0.60%
High, low, open and close for each trading day of the past three months.



S&P 500 Index

Data as of 4 p.m. New York time

2476.55 ▲4.90, or 0.20%
High, low, open and close for each trading day of the past three months.



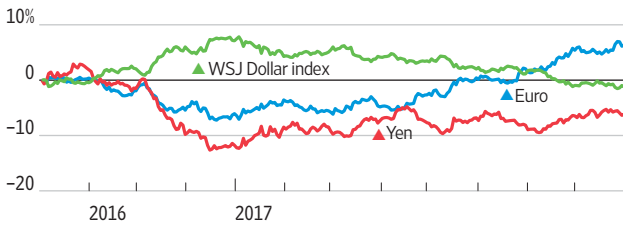
International Stock Indexes

Region/Country	Index	Close	Latest NetChg	% chg	Low	52-Week Range Close	High	YTD % chg
World	The Global Dow	2852.47	7.58	▲0.27	2390.11	2878.99	2878.99	12.7
	MSCI EAFE	1938.37	7.55	▲0.39	1614.17	1955.39	1955.39	15.1
	MSCI EM USD	1091.36	3.66	▲0.34	838.96	1091.36	1091.36	26.6
Americas	DJ Americas	597.46	1.87	▲0.31	503.67	597.46	597.46	10.6
	Sao Paulo Bovespa	71923.11	1088.06	▲1.54	56820.77	71923.11	71923.11	19.4
	S&P/TSX Comp	15191.60	-20.27	-0.13	14349.10	15922.37	15922.37	-0.6
	IPC All-Share	51080.85	-129.63	-0.25	44364.17	51713.38	51713.38	11.9
	Santiago IPSA	3930.32	15.77	▲0.40	3127.54	3932.62	3932.62	21.9
U.S.	DJIA	21987.56	39.46	▲0.18	17888.28	22118.42	22118.42	11.3
	Nasdaq Composite	6435.33	6.67	▲0.10	5046.37	6435.33	6435.33	19.5
	S&P 500	2476.55	4.90	▲0.20	2085.18	2480.91	2480.91	10.6
	CBOE Volatility	10.13	-0.46	-4.34	9.36	22.51	22.51	-27.8
EMEA	Stoxx Europe 600	376.14	2.26	▲0.60	328.80	396.45	396.45	4.1
	Stoxx Europe 50	3058.37	16.76	▲0.55	2730.05	3276.11	3276.11	1.6
	ATX	3259.40	26.57	▲0.82	2320.70	3280.48	3280.48	24.5
	Bel-20	3901.42	13.87	▲0.36	3426.21	4041.03	4041.03	8.2
	CAC 40	5123.26	37.67	▲0.74	4332.45	5432.40	5432.40	5.4
	DAX	12142.64	86.80	▲0.72	10259.13	12888.95	12888.95	5.8
	ATG	818.66	-6.82	-0.83	551.93	858.08	858.08	27.2
	BUX	37719.90	-372.36	-0.98	27476.40	38097.59	38097.59	17.9
	Tel Aviv	1400.94	...	Closed	1363.50	1478.96	1478.96	-4.7
	FTSE MIB	21858.56	188.54	▲0.87	16134.71	22048.30	22048.30	13.6
	AEX	518.18	2.14	▲0.41	439.07	536.26	536.26	7.2
	WIG	65208.48	234.72	▲0.36	46756.18	65208.48	65208.48	26.0
	RTS Index	1100.58	4.74	▲0.43	960.32	1195.61	1195.61	-4.5
	IBEX 35	10325.50	26.00	▲0.25	8607.10	11135.40	11135.40	10.4
	SX All Share	559.23	4.32	▲0.78	496.66	596.72	596.72	4.6
	Swiss Market	8941.62	16.17	▲0.18	7593.20	9176.99	9176.99	8.8
	Johannesburg All Share	56513.46	-8.65	-0.02	48935.90	56655.88	56655.88	11.6
Asia-Pacific	BIST 100	110010.49	...	Closed	72519.85	110423.11	110423.11	40.8
	FTSE 100	7438.50	7.88	▲0.11	6665.63	7547.63	7547.63	4.1

Source: SIX Financial Information;WSJ Market Data Group

Currencies

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



Country/currency	Fri in US\$	per US\$	US\$ vs. YTD chg (%)
Americas			
	Argentina peso-a	0.0580 17.2376	8.6
	Brazil real	0.3192 3.1327	-3.8
	Canada dollar	0.8076 1.2383	-7.9
	Chile peso	0.001602 624.40	-6.8
	Colombia peso	0.0003409 2933.43	-2.3
	Ecuador US dollar-f	1 1	unch
	Mexico peso-a	0.0562 17.7948	-14.2
	Peru sol	0.3088 3.2385	-3.4
	Uruguay peso-e	0.0349 28.680	-2.3
Venezuela boliviar			
		0.099059 10.09	1.0
Asia-Pacific			
	Australia dollar	0.7979 1.2533	-9.7
	China yuan	0.1526 6.5551	-5.6

Country/currency	Fri in US\$	per US\$	US\$ vs. YTD chg (%)
Europe			
	Hong Kong dollar	0.1278 7.8243	0.9
	India rupee	0.0157 63.8450	-6.1
	Indonesia rupiah	0.0000750 13338	-1.4
	Japan yen	0.009081 110.12	-5.9
	Kazakhstan tenge	0.002958 338.02	1.3
	Macau pataca	0.1240 8.0627	1.8
	Malaysia ringgit-c	0.2342 4.2705	-3.8
	New Zealand dollar	0.7166 1.3955	-4.4
	Pakistan rupee	0.0095 105.150	0.7
Middle East/Africa			
	Philippines peso	0.0196 51.055	2.9
	Singapore dollar	0.7373 1.3563	-6.3
	South Korea won	0.0008921 1121.00	-7.2
	Sri Lanka rupee	0.0065432 152.83	3.0
	Taiwan dollar	0.03322 30.103	-7.2
	Thailand baht	0.03015 33.170	-7.4
South America			
	Bulgaria lev	0.6073 1.6466	-11.4
	Croatia kuna	0.1602 6.242	-13.0
	Euro zone euro	1.1880 0.8418	-11.4
	Czech Rep. koruna-b	0.0456 21.938	-14.6
	Denmark krone	0.1597 6.2613	-11.4
	Hungary forint	0.003887 257.30	-12.6
	Iceland krona	0.009525 104.99	-7.1
	Norway krone	0.1283 7.7958	-9.8
	Poland zloty	0.2792 3.5814	-14.5
Russia			
	Russia ruble-d	0.01739 57.500	-6.1
	Sweden krona	0.1251 7.9968	-12.2
	Switzerland franc	1.0382 0.9632	-5.5
	Turkey lira	0.2919 3.4255	-2.8
	Ukraine hryvnia	0.0388 25.7800	-4.8
	U.K. pound	1.2973 0.7708	-4.8
Asia			
	Bahrain dinar	2.6518 0.3771	-0.02
	Egypt pound-a	0.0567 17.6390	-2.7
	Israel shekel	0.2798 3.5741	-7.1
	Kuwait dinar	3.3192 0.3013	-1.4
	Oman sul rial	2.5977 0.3850	-0.003
	Qatar rial	0.2711 3.688	1.33
	Saudi Arabia riyal	0.2666 3.7504	-0.01
	South Africa rand	0.0774 12.9247	-5.6
Africa			
	WSJ Dollar Index	85.69 -0.03 -0.04	-7.79

Source: Tullett Prebon,WSJ Market Data Group

Key Rates

	Latest	52 wks ago
Libor		
	One month	1.23056% 0.52572%
	Three month	1.31611 0.83511
	Six month	1.45333 1.24706
	One year	1.71178 1.55944
Euro Libor		
	One month	-0.40214% -0.37400%
	Three month	-0.37329 -0.32586
	Six month	-0.30757 -0.20500
	One year	-0.20929 -0.07543
Euribor		
	One month	-0.37300% -0.37300%
	Three month	-0.32900 -0.30100
	Six month	-0.27300 -0.19300
	One year	-0.16100 -0.05200
Yen Libor		
	One month	-0.05557% -0.07814%
	Three month	-0.02921 -0.03007
	Six month	-0.00707 -0.00071
	One year	0.11086 0.09314
Offer Bid		
Eurodollars		
	One month	1.3300% 1.2300%
	Three month	1.3700 1.2700
	Six month	1.5700 1.4700
	One year	1.8200 1.7200
Prime rates		
	U.S.	4.25% 3.50%
	Canada	2.95 2.70
	Japan	1.405 1.475
	Hong Kong	5.00 5.00
Policy rates		
	ECB	0.00% 0.00%
	Britain	0.25 0.25
	Switzerland	0.50 0.50
	Australia	1.50 1.50
U.S. discount		
	Fed-funds target	1.00-1.25 0.25-0.50
	Calm money	3.00 2.25
Overnight repurchase rates		
	U.S.	1.18% 0.52%
	Euro zone	n.a. n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

Cur Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans				
HK\$ AIAGroup	1299	60.50	0.75	38.29
¥ AstellasPharma	4503	1402.00	1.34	-13.64
AUS AusNZBK	ANZ	29.59	0.65	-2.73
AUS BHP	BHP	27.42	0.15	9.42
HK\$ BankofChina	3988	4.11	-0.24	19.48
HK\$ CKHutchison	0001	101.70	-0.68	15.70
HK\$ CNOOC	0883	9.41	0.53	-2.99
AUS CSL	CSL	130.99	1.92	30.46
¥ Canon	7751	3833.00	-0.54	16.33
¥ CentralJapanRy	9022	1871.00	0.43	-2.70
HK\$ ChinaConstructr	0939	6.81	-0.73	14.07
HK\$ ChinaLifeInsurance	2628	24.90	-0.80	23.27
HK\$ ChinaMobile	0941	82.90	-0.12	0.85
HK\$ ChinaPetro&Chem	0386	6.05	1.00	10.00
AUS CmwthBkAust	CBA	75.48	-0.42	-8.41
¥ EastJapanRailway	9020	1010.00	0.15	...
¥ Fancu	6954	21345	0.02	7.72
¥ Hitachi	6501	754.00	-0.40	19.30
TW\$ Hon Hai Precisin	2317	117.50	...	39.55
¥ HondaMotor	7267	3096.00	0.49	-9.34
KRW HyundaiMtr	005380	143000	1.78	-2.05
HK\$ IndsComm	1398	5.80	-1.02	24.73
¥ Japan Tobacco	9434	3770.00	0.16	-1.93
¥ KDDI	2913	2956.00	-0.37	-0.12
¥ Mitsubishi	8058	2527.00	-0.65	1.49
¥ MitsubishiElectric	6503	1679.50	3.23	3.07
¥ MitsubishiUFJFin	8306	675.60	-0.22	-6.19
¥ Mitsui	8031	1635.00	-0.58	1.74
¥ Mizuho Fin	8411	189.10	...	-9.87
¥ NTTDoCoMo	9437	2532.00	-0.84	-4.92
AUS NatAustBnk	NAB	30.33	0.43	-1.11
¥ NipponTelegr	9432	5332.00	-2.49	8.55
¥ NissanMotor	7201	1096.00	0.27	-6.76
¥ Panasonic	6752	1462.50	0.20	22.95
HK\$ PingAnInsfChina	2318	62.25	0.16	60.44
¥ RelianceIndsGDR	RIGD	49.85	0.81	58.00
HK\$ SamsungElectronics	005930	2324000	0.35	28.97
¥ Sevens&Hlids	3362	4347.00	-0.41	-2.38
¥ ServBankGroup	9984	8950.00	0.31	15.26
¥ Sony	6758	4376.00	0.90	33.62
¥ Sumitomo Mitsui	8316	4120.00	0.15	-7.62
HK\$ SunHngKaiPrp	0016	129.70	-0.69	32.35
TW\$ TaiwanSemiMfg	2330	216.50	...	19.28

Cur Stock	Sym	Last	% Chg	YTD% Chg
¥ TakedaPharm	4502	6062.00	-0.25	25.38
HK\$ TencentHoldings	0700	326.20	-0.31	71.96
¥ TokaiMarineHldg	8766	4390.00	...	-8.47
¥ ToyotaMtr	7203	6182.00	-0.02	-10.12
AUS Wesfarmers	WES	42.44	-0.42	0.71
AUS WestpacBanking	WBC	31.34	0.22	-3.87
AUS Woolworths	WOW	25.79	-0.81	7.01
Stoxx 50				
CHF ABB	ABBN	22.41	0.95	4.33
¥ ASMLHolding	ASML	132.10	1.23	23.86
¥ AXA	CS	24.50	0.49	2.13
¥ AirLiquide	AI	102.95	0.39	-

FINANCE & MARKETS

In Germany, ‘Locals’ Top Exporters

Strong euro, robust national economy lift the stocks of firms with domestic focus

By Mike Bird

The German economy is famous as an export powerhouse, but this year, in the country’s stock markets, the companies closest to home are outperforming their internationally focused peers by a mile.

The country’s flagship stock index, the DAX, is up 5.8% for 2017. Meanwhile, the FTSE Local Germany Index has returned more than 20% since the year began.

The increasing strength of the euro and the still-improving picture for the German domestic economy have both helped drive a wedge between the two indexes.

Only stocks that receive 70% or more of their total revenue from their home countries are included in the FTSE

Local series, leaving out Germany’s major export champions.

The DAX itself is dominated by companies that make most of their money abroad, with over 75% of revenue coming from outside Germany.

The outperformance of domestic-focused stocks began most clearly in May, when the trade-weighted euro—a measure of the common currency’s value against the currencies of the eurozone’s main trading partners—began to pick up sharply in the wake of France’s presidential election.

That makes sense because Germany’s major exporters see drawbacks from a stronger euro. A dollar in revenue translates into fewer euros, meaning lower profits. The stronger euro also makes German products more expensive for consumers outside the eurozone, which can weigh on demand.

But the different performances of the two indexes isn’t just down to the euro. In 2014 and 2015, when the euro



KRISTIAN BOCSI/BLOOMBERG NEWS

A Claas factory in Harsewinkel, Germany. The country’s domestic-focused stocks are outperforming export-oriented peers.

fell by more than 10% against the eurozone’s main trading partners’ currencies, the FTSE Local Germany’s total return was practically identical to the DAX. In essence, Germany’s strong national economy in those years helped domestic firms match the gains reaped by exporters that were enjoying the benefits of a cheap local currency.

Now that the euro has taken

an upward trajectory, the buoyant German economy is amplifying the differences between inward- and outward-focused businesses.

In the past four years, the recovery in domestic demand outstripped previous recoveries beginning in 1993, 1999, 2005 and 2009, according to UBS Group AG economist Felix Huefner. The German stocks UBS analysts

favor have high exposure to Ger-

man consumers or real estate.

Household consumption rose 2.2% in the second quarter of 2017, compared with the year-earlier period, the strongest increase in over 10 years.

HSBC Holdings PLC economists cited the rise in consumption for raising their growth forecasts. The bank now expects a 2.2% rise in gross domestic product from “the German economic juggler-

naut” this year, up from the 1.8% expected previously.

There is no guarantee that Germany’s home-focused stocks will keep outperforming, but many analysts are projecting further support for household spending, too.

Both the center-left Social Democrats and Chancellor Angela Merkel’s center-right Christian Democrats have promised tax cuts.

Investors Stop Pulling Money Out of Stock Market

By Akane Otani

Investors finally stepped back into the U.S. stock market again last week.

After pulling \$30 billion out of equity funds over a 10-week span this summer, investors put \$300 million back into the funds for the seven days ended Wednesday, according to Bank of America Merrill Lynch data.

Stocks have ticked higher in

recent days as a fresh batch of economic data showing the U.S. consumer on strong footing helped investors look past renewed tensions between North Korea and the U.S.

Before the latest week, mutual funds and exchange-traded funds that invest in U.S. equities had posted their longest streak of withdrawals in 13 years—the latest indication to some analysts that investors were increasingly wary of the long U.S. stock rally.

There are plenty of reasons not to love the stock rally at the moment, investors say. Stocks are trading at higher-than-average valuations; economic data has shown lagging measures for inflation, wage growth and U.S. auto sales; and turbulence in Washington has cast doubt on the Trump administration’s ability to push through policies such as tax cuts and fiscal stimulus. While hopes for pro-business policies had helped U.S. stock indexes

jump past their international peers after Election Day, lately many investors have expressed a preference for stocks elsewhere that are trading at lower valuations. Japanese equity funds attracted inflows for the seventh consecutive week in the seven days ended Wednesday, data show.

Concerns about the durability of the U.S. stock rally has also kept many investors cautious heading into the end of the summer, while reigniting

demand for so-called haven assets such as gold, government bonds and their stock proxies.

The S&P 500 managed to eke out a monthly gain, but only just: The broad index finished August up 1.35 points, or less than 0.1%. Meanwhile, assets that investors consider safer stores of value rallied. Shares of utilities companies, which many investors think of as bondlike because of their relatively hefty dividends, rose 2.7% in August. Gold jumped

3.9% to \$1,316.20 a troy ounce, finishing off the month at its highest level since September.

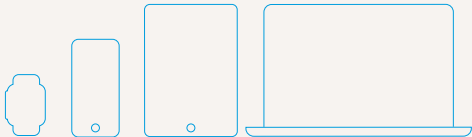
The true test of investors’ appetite for stocks will arrive in coming weeks. Next, with Congress returning from recess, investors will have to contend with a number of risks, including coming debates over lifting the debt ceiling and passing a spending bill. Signs of political gridlock could send investors fleeing from U.S. stock funds again.



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MARKETS

Oil Outlook Grows Darker

Banks in survey again cut forecast amid doubts about OPEC and rising U.S. output

By Marina Force

Banks have cut their forecasts on oil prices for a fourth consecutive month, as markets brace for more supply when OPEC's agreement to cap output is expected to end next year.

Members of the Organization of the Petroleum Exporting Countries renewed a deal with other crude-oil producers in May to withhold almost 2% of global oil supply. The accord is set to expire in March and concerns are mounting among investors as that date approaches, although Saudi Arabia and Russia are pushing to extend the deal for three more months.

A poll of 14 investment banks, surveyed by The Wall Street Journal at the end of August, predicted that Brent crude, the international benchmark, will average \$54 a barrel next year, down \$1 from the July survey. The banks expect West Texas Intermediate, the U.S. oil gauge, to average \$51 a barrel in 2018, down \$2 from the previous survey.

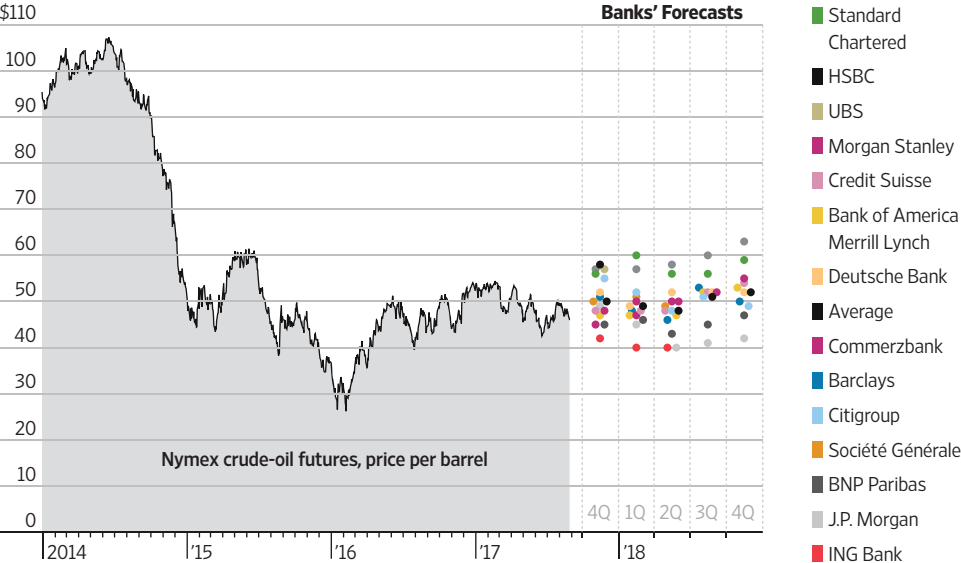
On Friday, Brent crude fell 0.2%, to \$52.75 a barrel, while West Texas Intermediate rose 0.1%, to \$47.29.

The survey was conducted before Tropical Storm Harvey crippled refineries on the U.S. Gulf Coast. Analysts say it is too early to predict what the longer-term impact of the storm will be, but it could have some beneficial effects on the oil price given that U.S. production has been hit.

"We still expect prices to fall back next year as the OPEC deal comes to an end and U.S. production growth accelerates again due to higher prices," Tom Pugh, commodities economist at

Looking Ahead at Oil Prices

Where investment banks in August's survey see the price of U.S. crude-oil futures in the next few quarters



Sources: WSJ Market Data Group (oil price); the companies (forecasts)

THE WALL STREET JOURNAL.

Capital Economics, wrote in a report.

The OPEC production deal is aimed at ending a global glut that has weighed on oil prices and shaken the economies of countries dependent on crude.

Market fundamentals have been going oil producers' way in recent months as inventory levels fall. On Wednesday, the U.S. Energy Information Administration reported that U.S. stockpiles, excluding the Strategic Petroleum Reserve, declined the previous week by 5.4 million barrels.

Stockpiles held by members of the Organization for Economic Cooperation and Development declined in May, according to the latest available data from the International Energy Agency.

Despite this bullish data, analysts don't believe prices will be heading much higher.

"While we estimate that a very modest undersupply will persist through the end of the year, OECD inventories are unlikely to return to five-year av-

erage levels anytime soon," said Jason Gammel, research analyst at Jefferies.

Analysts also say that without further output caps, production from OPEC and Russia may rise, flooding the markets with crude and potentially sinking prices. Even if the agreement was renewed, analysts doubt compliance with it would be guaranteed.

"We could see increasing dissatisfaction within individual members, who then will begin to overproduce on their quotas," said Hamza Khan, head of commodity strategy at ING Bank.

Indeed, many OPEC nations, which rely on oil for a substantial part of their budgets, are already failing short of their reduction targets.

Rising U.S. production, and increased supply from Libya and Nigeria, two OPEC members that are exempt from production caps, has added to the bearish sentiment about the market, said Carsten Fritsch, an analyst at Commerzbank AG.

On the demand side, growth in global oil consumption has been lackluster this year, further hampering efforts to reduce the glut.

"If you add higher supply with weaker demand growth, you end up with a market we believed is oversupplied and susceptible to lower prices," Mr. Khan said.

The banks in the survey expect prices to stay below \$60 a barrel in 2019. These analysts predict that Brent will average \$58.47 a barrel, down from \$76 a barrel in the August 2016 survey.

Analysts still see the U.S. shale industry as being key to the longer-term outlook for oil prices. Some predict that the country will produce just shy of 10 million barrels a day next year, from around 9.3 million now. That would be this industry's highest-ever annual average.

"We see continuing records being broken for U.S. production.... That limits the power and ability of OPEC to control oil prices," Mr. Fritsch said.

China Firm to Buy European Lender

By Margot Patrick

Legend Holdings Corp. made one of China's biggest forays into European banking with an agreement to buy **Banque Internationale à Luxembourg** SA from its Qatari owners and turn it into an international banking brand.

Beijing-based Legend, best known for its stake in computer maker **Lenovo Group Ltd.**, said Friday that it would pay **Precision Capital SA** €1.48 billion (\$1.76 billion) for an 89.9% stake, valuing BIL at €1.6 billion. The Luxembourg government will continue holding the remaining shares.

BIL is Luxembourg's oldest privately owned bank, founded in 1856, when steel production dominated the grand duchy's economy. Legend Holdings Chairman Liu Chuanzhi said the plan is to take BIL beyond being a national champion and make the brand international, while keeping its base in Luxembourg.

Luxembourg, now reliant on financial services to power its economy, has become a hub for Chinese banks operating in Europe.

Only a few European banks have been bought by the Chinese, though. In 2014, China's Haitong Securities Co. Ltd.

bought the former Banco Espírito Santo investment banking business for €379 million.

Precision Capital, a vehicle of Qatar's royal Al-Thani family. It bought the bank in 2011 when BIL's then-parent, Dexia, was selling assets to comply with conditions on a state bailout from France, Belgium and Luxembourg. The purchase price then valued the whole bank at €730 million.

BIL is Luxembourg's oldest privately owned bank, founded in 1856.

BIL had €37.7 billion in assets under management at the end of 2016 and total assets of €23.1 billion.

Legend is known for its portfolio of "new China" businesses in the consumer and financial sectors, seen as likely to grow quickly because of the country's expanding consumer class. The investment group already owns several financial services company in China and bought a stake in a U.K. pension insurer last year.



Legend's Liu Chuanzhi aims to make BIL's brand international.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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A Case for Selling the Swiss Franc

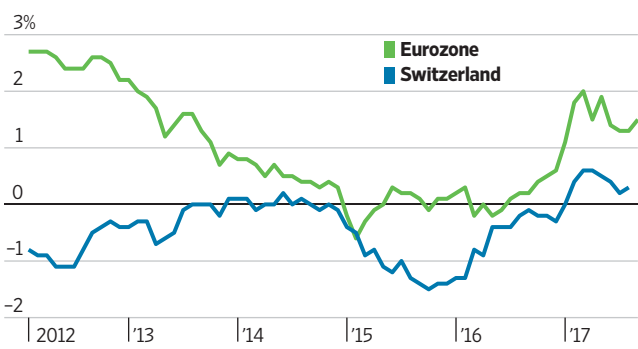
For all of the controversy around aggressive monetary policy, there is little dispute that central bankers have succeeded in moving the values of stocks, bonds and currencies. The exception that proves the rule is the Swiss franc.

The Swiss National Bank has tried hard to battle the strength of its currency but, where other central banks had big impacts, the Swiss franc has refused to fall. The SNB has gone deep into negative-interest-rate territory. For four years it put an outright cap on appreciation against the euro, printing francs and buying foreign assets in a campaign that has taken its balance sheet to more than 100% of Switzerland's gross domestic product.

The SNB's cap did temporarily turn the Swiss franc around, but chaos sparked by its January 2015 decision to abandon that policy still hasn't fully reversed. On a trade-weighted basis and adjusted for inflation, the Swiss franc is still some 12% higher than its precrisis average.

Even Lower, Even Longer

Consumer prices, change from a year earlier



Note: Eurozone inflation to August 2017, Swiss to July

Source: FactSet

THE WALL STREET JOURNAL.

Against the euro, the franc has fallen 6% this year but is still stronger than the level the SNB targeted before January 2015.

The SNB's efforts to weaken the franc have been overwhelmed by its much bigger neighbor's actions. But now the European Central Bank is gradually moving away from quantitative easing as its economy recovers.

Switzerland's low inflation means the SNB has no reason

to change. Annual inflation has only been above zero in 12 of the 67 months since the start of 2012. The SNB forecasts inflation at 0.3% in 2018 and 1% in 2019.

The combination of weak inflation and loose monetary policy in Switzerland and stronger growth and less easing in Europe argues for the franc to weaken versus the euro. The other factor pushing for a weaker franc is improving eurozone prospects.

Fear of the currency bloc breaking up helps the franc. Swiss outward investment flows, much of which traditionally landed in the eurozone, have collapsed since the crisis. As those fears fade, so should the franc. The first time the franc showed signs of weakening this year was after the French elections, won by staunchly pro-Europe Emmanuel Macron.

The franc won't stop being a haven. When risk aversion rises, investors seem hardwired to embrace it. Italian elections next year could be a flashpoint. But unless there is a specific threat to eurozone cohesion, such reversals shouldn't prove too disruptive.

All that makes the Swiss franc a sell against the euro. Even if the franc falls from its current €0.875 to €0.83, a big move in currencies, it would only be at the highest level that the Swiss central bank allowed it to go in 2015. A further decline would make them happier. Investors should go along for the ride. —Richard Barley

OVERHEARD

While they still beat car salespeople and members of Congress, the legal profession doesn't score very highly in public surveys about perceived ethics. Penny-ante tactics like this might be one reason why.

TD Bank branches in the U.S. used to be known for coin-counting machines called penny arcades, but they were removed over the past year or so. Blame a lawsuit that accused the bank of undercounting. While the bank didn't admit this happened, it chose not to litigate.

The 13 "class representatives" named in the lawsuit are set to receive awards not to exceed \$65,000. The lawyers have requested an award for their work not to exceed \$1,935,000. And the thousands of other customers allegedly shortchanged? The settlement should amount to at least 26 cents per \$100 exchanged, which, in the case of most customers, probably doesn't exceed the value of a first-class postage stamp.

No Hurry To Invest In Music

Universal Music Group is booming. It is a pity you can't invest in it without risking money on the other parts of quixotically managed media group **Vivendi**.

Owner of the world's largest catalog of music rights, Universal is a prime beneficiary of the popularity of streaming services like Spotify. First-half like-for-like revenue rose 14% year over year, led by 45% growth in subscription and streaming revenue. Universal is working closely with the new digital distributors.

Having declined since the late 1990s, the recorded-music industry reached a nadir in 2014. Last year, global revenue rose 5.9% to \$15.7 billion, a quarter of which came from streaming subscriptions. The profit is made by rights owners, not the streamers.

It is a shame investors have no way to get pure stock-market exposure to the business. Sony Music accounts for less than a 10th of Sony's sales, while **Warner Music** was taken private in 2011.

Vivendi might seem the best bet as Universal accounts for half of revenue. But the rest is unappealing: a French cable-TV service that faces declining revenue; a videogame firm that barely breaks even; a stake in Italy's former state telecom monopoly; and a listed advertising agency. Dominant shareholder Vincent Bolloré has offered little explanation for this mix beyond talk of media "convergence."

Investors may be better off waiting until Universal is spun off. Vivendi management hints an IPO is the most likely eventual outcome, but hasn't set a date. Mr. Bolloré needs to act while the beat is pumping. —Stephen Wilmot

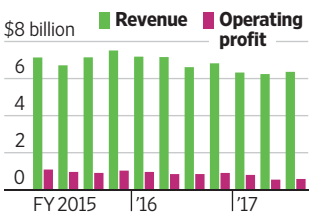
Hewlett's Meg Whitman Has a Different Mess to Clean Up

If Meg Whitman is looking for a fix-up job, she doesn't have to go far.

The **Hewlett Packard Enterprise** chief executive was apparently interested in the top job at **Uber Technologies** after all, though exactly how much seems a matter of some dispute. Regardless, that job has now gone to someone else, leaving investors to wonder just what's in store for Hewlett Packard. Ms. Whitman put the one-time tech behemoth on a crash diet that has left it smaller and, based on recent sales trends, weaker. Then she flirted with the idea of taking charge of Silicon Valley's most pre-eminent mul-

Server Crash

Hewlett Packard operating results for enterprise group, quarterly



Note: Fiscal year ends in October

Source: FactSet

ticar pileup.

So Ms. Whitman has some explaining to do, which hopefully will come during the company's fiscal third-quarter earnings call this

week. Hewlett Packard's stock price has fallen 7% following each of its last two quarterly reports. A slump in the sales of servers, data-storage gear and other enterprise tech hardware have put pressure on what is left of the business following the divestitures of its services and software divisions.

Ms. Whitman needs to show a way out of that slump, which won't be easy. Splitting from the computer-and-printer half nearly two years ago established Hewlett Packard Enterprise with a little over \$50 billion a year in annual revenue. The subsequent divestitures leave the enterprise group and fi-

nancial services units remaining, which are projected to generate about \$29 billion in combined revenue for the fiscal year ending in October, according to FactSet. That is down 6% last year.

A big problem is servers, which will account for more than 40% of Hewlett Packard's revenue. Server sales for the six-month period ended April 30 slid more than 13% from the same period last year. Rival Dell has been pricing its own servers aggressively and has gained share. And Microsoft—Hewlett's largest customer—has been cutting back on server orders.

Hewlett Packard needs to

stave off those declines, as well as show investors that the remaining business will still generate a healthy cash flow that can fund its dividend, buybacks and an acquisition campaign that has netted four companies already this year.

Ms. Whitman's flip-flop on the Uber job gave Hewlett Packard's investors and employees reason to question her commitment to the company.

To win them back, Ms. Whitman has to prove she's either in it for the long haul or has a plan to put Hewlett Packard's wheel into other capable hands.

—Dan Gallagher