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NASDAQ 6426.92 ▲ 0.07%

NIKKEI 20296.45 ▼ 0.25%

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What's News

Business & Finance

Lending to the most highly indebted firms in the U.S. and Europe is surging, sparking concern about the effect on financial markets if global expansion starts to fade. **A1**

♦ Uber is seeking to negotiate with London after the city's transport regulator said it would refuse to reissue the ride-hailing firm's operating license. **B1**

♦ European investors are buying more foreign bonds than ever before, a sign fund managers don't expect ECB tapering to boost local yields soon. **B1**

♦ A wave of attacks by Chinese hackers on Germany's manufacturing and technology companies is raising alarm in Berlin. **B1**

♦ Mashable is leaning toward an all-out sale of the new-media firm and has had talks with German broadcaster ProSiebenSat.1. **B1**

♦ Facebook abruptly abandoned a plan to change its stock structure that would have given CEO Zuckerberg more control. **B3**

♦ OPEC is scrambling to contain output from Libya and Nigeria, where surging production could derail efforts to boost oil prices. **B7**

♦ AIG will remain under federal supervision for now after U.S. officials discussed the firm's future at a private meeting. **B5**

♦ Bettencourt's death has placed a question mark over the ties between L'Oréal and Nestlé. **B2**

World-Wide

♦ Merkel's alliance was headed for victory in Germany's general election, according to exit polls, but support for the center-right bloc has dropped sharply. **A1**
♦ The nationalist AfD captured over 13% of the vote in one of the biggest jolts to Germany's political establishment in the postwar era. **A3**

♦ U.S. Senate GOP leaders face a seemingly impossible path this week to repealing the ACA after two Republican senators signaled that their support was unlikely. **A1**

♦ Pyongyang warned that a rocket attack on the U.S. mainland was "inevitable," while U.S. warplanes flew off the east coast of North Korea in a show of force. **A4**

♦ Iran said it tested a new medium-range ballistic missile, the day after unveiling in defiance of U.S. criticism of its nuclear program. **A4**

♦ Kurds are expected to back a referendum that could bring them closer to independence from Iraq, despite international concerns. **A4**

♦ Puerto Rico's mayors met with the island's governor for the first time since Hurricane Maria, reporting the full scope of the storm's devastation. **A7**

♦ The death toll from last week's quake in Mexico rose to 319, with thousands of survivors uncertain when they could return home. **A4**

♦ NFL players demonstrated before games as a feud between Trump and the sports world escalated. **A7**

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Merkel Set to Win; Support Slips

Far-right party appears poised to capture seats in parliament, signaling turbulence

By ANTON TROIANOVSKI

BERLIN—Chancellor Angela Merkel's conservative alliance was headed for victory in Germany's general election on Sunday, according to exit polls, but its support dropped dramatically from four years ago and a surge for an anti-immigrant party signaled political turbulence ahead for Europe's largest economy.

Ms. Merkel's center-right alliance finished well ahead of its closest competitor, the center-left Social Democrats, 33% to 20.6%, according to projections based on exit polls and early results released by ARD public television.

If those results hold, Ms. Merkel, who is 63 years old and first took office in 2005, will have enough backing to assure her status as the longest-serving elected leader of any major Western country.

But the early election results also pointed to a historic setback for her and for Germany's political mainstream.

The results would be the worst for the Social Democrats in postwar history and the worst since 1949 for Ms. Merkel's center-right bloc. The conservative alliance tallied 41.5% of the vote in 2013 and



German Chancellor Angela Merkel speaks as she is surrounded by her team during election night at the CDU's headquarters in Berlin.

33.8% of the vote in 2009.

The nationalist Alternative for Germany, or AfD, was on track to win 12.8% of the vote, according to the projections, a result that would make it the first time in more than half a century that a party this far to

the right has won seats in Germany's Parliament.

"We of course were hoping for a slightly better result," Ms. Merkel told supporters in Berlin after the early returns came in. "We want to win back AfD voters by solving prob-

lems, by taking in their concerns and in part their fears, and especially through good policy-making."

With a foothold in the legislature, the AfD, which has pledged to weaken European integration, would gain a more

prominent voice in the national discourse. The party describes Germany's Muslim minority as a "great danger" and

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♦ Voters boost nationalists... A3

♦ Tough road for Merkel..... A3

TRAGEDY IN SMALL-TOWN AMERICA

The Goski twins belonged to a generation of rural youths who enlisted after 9/11

By MICHAEL M. PHILLIPS

Mike Goski stared into the steel casket at his twin brother's body, dressed for eternity in a deep-blue Marine Corps jacket with red piping and brass buttons. It was like looking into a cruel mirror, Chris's face, so like his own, distorted by a wound the mortician couldn't hide.

Alone together for the last time, Mike slipped a knife into his brother's hand, a weapon for Valhalla, the mythical refuge for fallen warriors.

Chris was a born fighter from Red Oak, Texas, a Marine commando with six tours of duty. In combat, he could orchestrate from the chaos a lethal strike by jet fighters, helicopters, mortar and artillery, raining hot metal on enemies a few hundred yards away.

At the cemetery, as "Taps" played, comrades of the Goski twins stood at attention.

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Updated Nursery Rhymes Mend Humpty, Empower Miss Muffet

* * *

New versions with positive messages spawn media empire of viral videos

By ERIC BELLMAN

CHENNAI, India—Like many Indians, B.M. Krishnan grew up with both local and Western nursery rhymes. Even as a child, he figured the English ones just didn't make much sense.

The tale of the downfall of Humpty Dumpty—universally portrayed as a giant egg with limbs—still upsets him. "It is saying something cannot be fixed, cannot be repaired. That is not something you tell a child," Mr. Krishnan complains. "Why should Humpty be like that? So pathetic. Let him go to the doctor and be OK."

Humpty together again

Please see VIDEO page A2

Today, more than 200 programmers, animators and musicians sit shoulder to shoulder.

Please see VIDEO page A2

Bid to Scrap U.S. Health Law Is Facing More Resistance

By LOUISE RADNOFSKY AND TED MANN

WASHINGTON—Senate Republican leaders face a seemingly impossible path this week to reviving their bid to repeal the Obama-era Affordable Care Act, after GOP Sen. Susan Collins of Maine said she couldn't envision voting for the bill and Sen. Rand Paul of Kentucky outlined tough demands for his support.

"It's very difficult for me to imagine a scenario where I would end up voting for this bill," Ms. Collins said Sunday on CNN. Later, on CBS, she added: "It is hard for me to envision getting to 'yes' on this bill because my concerns are so fundamental."

Republican senators are making a last-ditch attempt to pass legislation striking much of the 2010 health law popularly known as Obamacare,

ahead of a Saturday deadline under parliamentary rules that would allow such an action with only GOP votes.

A bill by Republican Sens. Bill Cassidy of Louisiana and Lindsey Graham of South Carolina would set "block grants" of federal funding for each state to use for health care, including the Medicaid program for the poor. With capped funding, all states would likely

Please see HEALTH page A7



Trump's Feud With Athletes Escalates

TAKING A KNEE: Players around the NFL demonstrated in response to President Donald Trump saying they shouldn't be allowed to protest on the field during the national anthem. Two Tampa Bay Buccaneers before their game at Minnesota, left. A7

INSIDE



MAY BUYS A LITTLE TIME OVER BREXIT

EUROPE FILE, A2



THE NEED FOR BREACH DISCLOSURE

KEYWORDS, B1

Risks Pile Up Again In Leveraged Loans

By CHRISTOPHER WHITTALL

Lending to the most highly indebted companies in the U.S. and Europe is surging, a development that investors worry could pressure financial markets if the global economic expansion starts to fade.

Volume for these leveraged loans is up 53% this year in the U.S., putting it on pace to surpass the 2007 record of \$534 billion, according to S&P Global Market Intelligence's LCD unit.

In Europe, recent loans offer fewer investor safeguards than in the past. This year, 70% of the region's new leveraged loans are known as covenant-lite, according to LCD, more than triple the number four years ago. Covenants are the terms in a loan's contract that offer investor protections, such as provisions on borrowers' ability to take on more debt or invest in projects.

Toys 'R' Us offered a reminder of the risks of piling on debt when the company filed for bankruptcy protection on Sept. 18. The toy seller's chief executive said in court papers that Toys 'R' Us had been hampered by its "significant leverage." Its \$5.3 billion in debt included a large number of leveraged loans and high-yield bonds.

Even though default levels are currently low, and global growth has been picking up, the lending boom could prove troublesome when market conditions change or the economy slows.

"It feels like the market is getting frothy," said Henrik Johnsson, co-head of global debt-capital markets at Deutsche Bank AG. "We're overdue a correction."

Before the financial crisis, a boom in leveraged loans was one of the signs of markets

Please see LOANS page A2

WORLD NEWS

U.K.'s May Buys a Little Time Over Brexit



EUROPE FILE

By Simon Nixon

Theresa May had two objectives when she summoned members of her cabinet and the British press corp to the Italian city of Florence to hear her make a major speech on Brexit last week.

She needed to say enough to unblock a stalled Brexit negotiation ahead of the

next round of talks that start Monday in Brussels—essential to reassure increasingly

anxious United Kingdom-based businesses—without blowing apart the unity of her government just ahead of next Sunday's Conservative party conference in Manchester.

What made this task so complicated was that to secure the first objective, she had to abandon many core Brexiteer nostrums that have formed the basis of official Brexit policy until now. Gone were the bullish claims that negotiating a free-trade pact with the EU would be the easiest deal in history; that an agreement could be reached in two years while simultaneously negotiating ambitious free-trade deals with other major economies; that by March 2019, the U.K. would be free of all EU jurisdiction; that this could be done without paying vast



JEFF J. MITCHELL/POOL

In her speech, Theresa May pushed for a two-year transition deal during which the U.K. would continue to abide by EU rules.

sums to Brussels; or that Britain would emerge as well, if not better off, than before.

Instead, Mrs. May pushed for a two-year transition deal during which the U.K. would continue to abide by EU rules despite no longer having any say over them; she agreed that the U.K. would pay its share of all existing EU financial commitments—just weeks after British officials spent an entire negotiating round denying that the U.K. had any legal obligation to pay anything. She dropped the harsh language of her previous Brexit interventions in

favor of warm talk of shared values, common challenges and the need for a deep partnership covering security and trade. Indeed parts of her speech sounded like the full-throated strategic case for Britain's EU membership that was so conspicuously absent from the referendum campaign.

Will this unblock the talks, allowing the negotiations to move to the next phase in December when the U.K. and EU start discussing their future relationship? The concessions on future budgetary contributions and the rights of EU citizens living in the U.K. certainly appeared to go

further than many had been expecting—although EU officials insist they will need to see detailed proposals when talks resume on Monday. “You can't do a deal on the basis of a speech,” says a senior diplomat.

What is unclear is what further assurances the EU will demand on the future status of the Northern Irish border which the EU has identified as a priority in the first phase of talks and about which Mrs. May had nothing new to say. Much will depend on the approach taken by Dublin, which is dissatisfied with progress so far and has a de facto veto. But assuming these hur-

dles can be surmounted, Mrs. May still needs to abandon the most cherished of all Brexiteer nostrums if she is to achieve her goal of a smooth and orderly Brexit that doesn't inflict grave damage on the U.K. economy: that is the belief that the U.K. can—in the words of foreign secretary Boris Johnson—have its cake and eat it, that it can maintain frictionless trade with the EU while setting its own rules and pursuing its own trade deals.

British officials insist that Mrs. May conceded this point in Florence, recognizing for the first time that Britain cannot leave the EU and expect

everything to be the same. Yet by not saying where she thinks the balance of future benefits and obligations might lie, she kept hopes of a cake-and-eat-it deal alive.

The fate of Brexit hinges on when these trade-offs need to be fully acknowledged. Opinions vary. Some in Brussels take a legalistic view that Article 50 of the EU Treaties requires the framework of the future relationship to be agreed before any commitment to a transition deal; others argue that it would be better to keep discussion of the future framework as vague as possible until after the U.K. has formally left when it will become easier for the EU to make concessions.

Much may therefore depend on how Mrs. May chooses to play it. Does she try to defer the debate in hopes of keeping her party together and avoiding a chaotic Brexit, recognizing it will likely be impossible to secure any binding commitments before Brexit and trusting that economic logic will deliver a good deal? Or does she force the issue early in the next phase of talks while the U.K. still has some leverage?

Downing Street believes that politically it has no choice but to push for clarity on the nature of any future relationship early in the next phase of talks if it is to persuade Brexiteers to back their transition deal. But it also knows that this strategy comes with high risks. After all, it remains an article of faith for many hard-line Brexiteers that the only good deal is a cake-and-eat-it deal—and that no deal is better than a bad deal.

vestors demand to hold these securities over haven U.S. Treasurys has declined to levels not seen since 2007, according to Bloomberg Barclays bond indexes.

“If you get a spike in default rates, you're patently not getting compensated in high yield,” said Zak Summerscale, head of credit fund management for Europe and Asia Pacific at Intermediate Capital Group.

Still, some argue the valuations in loans and bonds are justified by the benign economic environment. Mike Freno, global head of fixed income and multiasset at Barings, said that while there are some troubled sectors, such as retail, overall the companies in his loan portfolios aren't showing “excessive leverage.” Economic “fundamentals are very supportive,” he said.

Loans to fund buyouts from private-equity firms are still well below where they were before the crisis. So far this year, U.S. loan issuance used to fund leveraged buyouts is 34% lower than in 2007. While leveraged buyout activity is on the rise in Europe, volumes are less than a quarter of their 2007 peak.

But there is increasing caution. Beth Maclean, a portfolio manager at Pacific Investment Management Co., said she has been reducing risk by favoring larger and better capitalized loans with higher ratings.

“We are seeing increasing risks across the board in the loan market in Europe and the U.S.,” she said.

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The News Building, 1 London Bridge Street,
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Thorold Barker, Editor, Europe
Graeme McCarthy, Senior News Editor, Europe
Cicely K. Dyson, News Editor, Europe
Darren Everson, International Editions Editor

Joseph C. Sternberg, Editorial Page Editor

Anna Foot, Advertising Sales
Jacky Lo, Circulation Sales
Andrew Robinson, Communications

Jonathan Wright,
Global Managing Director & Publisher

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On a Roll

While the volume of leveraged loans is up, changing market conditions could become troublesome for the lending boom.

Total leveraged-loan issuance,

through Sept. 15 of each year

\$500 billion



Average leverage of private-equity-backed loan deals*

7 times



*Through August. Leverage is measured by debt to earnings before interest, tax, depreciation and amortization. Through Sept. 15

Source: LCD, S&P Global Market Intelligence

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LOANS

Continued from Page One
overheating. As the crisis intensified in 2008, investors in U.S. leveraged loans lost nearly 30%, according to the S&P/LSTA Leveraged Loan Index.

Regulators are taking note. In its most recent quarterly report, the Bank for International Settlements noted the growth of covenant-lite loans and pointed out that U.S. companies are more leveraged than at any time since the beginning of the millennium. That could harm the economy in the event of a downturn or a rise in interest rates, said the bank.

The leveraged loan market has long been favored by private-equity firms raising cash to fund takeovers. Investment banks arrange the loans and typically parcel them out to other lenders and investors.

Now, investors are jumping in because central bank stimulus has pushed down returns across bond and equity markets. In the U.S. alone, investors have poured \$16.9 billion into loan funds this year, tak-

ing total assets to a record of \$141.2 billion at the end of August, according to Thomson Reuters Lipper.

In Europe, the pipeline for leveraged loan deals still to be sold was €7.6 billion in August, according to LCD, the highest level in seven years.

In the U.S., loans issued to fund leveraged buyouts from private-equity companies this year total \$88.5 billion, up 74% from the same period last year and on track for the largest amount since 2007. High-yield bonds are trading at their highest levels since before the financial crisis.

“When you have more money seeking loans and bonds than there are new [deals], you see leverage creep up and covenants relax,” said Jeff Mueller, a portfolio manager at Eaton Vance.

Loan terms are now “more aggressive here in Europe,” said Christopher Kandel, a partner at law firm Latham & Watkins LLP, citing provisions giving borrowers greater flexibility to pay out dividends or incur additional debt.

Cov-lite loans barely existed in Europe before the financial crisis. “That will be the test

for investors,” said Taron Wade, a director at S&P Global. “How they perform through the cycle.”

Some fund managers, meanwhile, are uncomfortable with increasing levels of leverage in the market. That is particularly true in the U.S., where nearly a third of loans to private-equity backed companies this year are leveraged six times or more, according to LCD’s calculations of companies’ debt to earnings before interest, tax, depreciation and amortization.

That is despite 2013 guidelines from U.S. regulators, including the Federal Reserve, on loan underwriting stating that leverage of more than six times “raises concerns for most industries.”

Five of the six largest new loans backing leveraged buyouts this year have exceeded those levels, according to Dealogic and Moody’s Investors Service.

The largest was a \$3.15 billion loan taken earlier this year by Team Health Holdings Inc. to fund Blackstone Group LP’s leveraged buyout of this health-care provider. In January, Moody’s estimated that Team Health’s leverage was at around 7.5 times.

Moody’s USI Insurance Services had leverage of just above eight times following its takeover by KKR & Co. and Caisse de dépôt et placement du Québec, which was followed by \$2 billion in leveraged loans.

Other corners of the market are showing signs of overheating. In the high-yield bond market, another area where riskier companies look for funding, the extra premium in-

clickers on YouTube and when they like something they watch it repeatedly.

ChuChu previously helped companies build and maintain websites. It started to dabble in YouTube content in 2013, when it turned to Mr. Krishnan. He was the accountant at the time, but had always dreamed of directing a movie. In the office he was known as a scholar and storyteller who had a great memory for ancient tales in Tamil.

By looking at YouTube traffic numbers, the company could see videos of nursery rhymes were getting millions of clicks. The problem was viewers had hundreds of options. ChuChu needed to find a way to stand out.

Viewers also warned ChuChu about the supposed dark meanings behind some nurs-

ery rhymes.

With the help of books and the internet, Mr. Krishnan investigated rhymes that may have centuries-old, political and pagan origins. “Ring Around the Rosie,” goes one popular but unproven theory, is about the black plague. Humpty Dumpty, some say, could be about a cannon that fell off the ramparts around the town it was supposed to be protecting in the 17th century. While commonly portrayed as an egg, the verse doesn’t say so explicitly.

ChuChu has attracted more than 10 billion views, with the U.S. as the largest single source of traffic—an important distinction as ads played in the U.S. pay more.

The company still dabbles in updating nursery rhymes. Mr. Krishnan is working on a version of “Georgie Porgie” where Georgie makes up with the girls. He wants to add verses to “I’m a Little Teapot” to teach about other things, like how pizza is sliced. “I’m a Little Pizza,” is something he is considering.

His dream is that children who grew up on his take on the classics will sing them to their children. “I would love to see our changed version of the rhymes used by others,” he said. “Of course, even our rhymes could be rewritten.”



Humpty Dumpty survives the fall in the ChuChu TV Studios version.

Continued from Page One

der in the ChuChu office churning out videos that get more views on YouTube than the official channels of Beyoncé, Coldplay or “The Tonight Show Starring Jimmy Fallon.” It has become one of the 25 most-watched YouTube channels in the world.

One of ChuChu’s first viral hits was Jack and Jill. In Mr. Krishnan’s version, the duo gets a sort of pep talk, recoverers and then heads back up the hill to fetch a pail of water.

“Jack and Jill, with a strong will, went again up the hill,” starts the new verse.

“I thought ‘let’s take away the negativity.’ It should not de-motivate people,” said Mr. Krishnan, 47, creative head at ChuChu TV. “My songs should do better than that.”

In ChuChu’s rendition, Humpty Dumpty is healed and stops sitting on the wall. “Baa Baa Black Sheep” adds white and brown sheep to the flock and becomes a tale about sharing with the less fortunate. “Little Miss Muffet” is a song about female empowerment and “Ring Around the Rosie” is about appreciating nature.

Children are the most avid

readers.

With the help of books and the internet, Mr. Krishnan investigated rhymes that may have centuries-old, political and pagan origins. “Ring Around the Rosie,” goes one popular but unproven theory, is about the black plague. Humpty Dumpty, some say, could be about a cannon that fell off the ramparts around the town it was supposed to be protecting in the 17th century. While commonly portrayed as an egg, the verse doesn’t say so explicitly.

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During the 1970s, 1.2 million deutsche marks was equivalent to about \$485,000.

A Page One

WORLD NEWS

Results Point to Tough Road for Merkel

By BERTRAND BENOIT
AND WILLIAM BOSTON

BERLIN—German voters handed Angela Merkel a disappointing victory on Sunday, forcing her into what will be one of her most delicate balancing acts since she took power 12 years ago.

While the chancellor finished first and is all but guaranteed to head the next government for a fourth term, she scored her party's worst result since 1949, losing more than one million voters to the right-wing Alternative for Germany, or AfD, according to pollster Infratest-Dimap.

Within minutes of the first exit polls flashing on TV screens across the country, leaders of her conservative party were calling on her to rethink a centrist course they said had alienated former supporters.

"We've made the mistake that we left an open flank on our right on immigration and on security," said Horst Seehofer, Bavaria's state premier and chairman of the Christian Social Union, Ms. Merkel's sister party in the southern state. "We must close this vacuum."

This is something Ms. Merkel could find hard to do.

Given the election results, Ms. Merkel must build a coalition to govern. But she has no option for a center-right majority, and her current coalition partner, the Social Democratic Party, has announced it would go into opposition. The only coalition possible for Ms. Merkel appears to be an untested alliance with the pro-business Free Democrats, or FDP, and left-leaning Greens, which scored 10.6% and 8.9% Sunday respectively, according to early estimates released by ARD public-sector broadcaster.

As head of such a government, Ms. Merkel would have to chart a path between the demands of her increasingly restless party, the misgivings of the FDP on such issues as surveillance, and the liberal views of the Greens on immigration and the environment.

"Merkel's control on her party is very much diminished," said Jackson Janes, president of the American Institute for Contemporary Ger-

German Chancellor
Angela Merkel scored
her party's worst
result since 1949.

man Studies at Johns Hopkins University. "Holding this orchestra together is going to become far more complicated."

One possibility, he said, would be for Ms. Merkel to "outsource" the handling of security and immigration policy, for instance by naming a hard-line CSU politician to the interior ministry, while focusing herself on foreign policy and Europe.

As chancellor, Ms. Merkel ignored many conservative taboos. Her decision to open borders to hundreds of thousands of refugees in late 2015 nearly broke her party apart, as several senior conservatives, including Mr. Seehofer, rebelled against the policy.

While the refugee crisis has since receded, pollsters said the election was a delayed indictment of that decision. An early analysis of the vote by Infratest-Dimap showed some 67% of Ms. Merkel's Christian Democratic Union supporters who didn't vote for the party this time named Ms. Merkel's refugee policy as the reason, the institute said.

Ms. Merkel said Sunday night, "we want to win back AfD voters by solving problems, by taking in their concerns and in part their fears, and especially through good policy-making."

—William Wilkes
contributed to this article.

Voters Boost German Nationalists

A strong showing by the Alternative for Germany has jolted the country's politics

BY ANTON TROIANOVSKI
AND ZEKE TURNER

BERLIN—An antiestablishment, nationalist party won a foothold in Germany's parliament Sunday, delivering one of the biggest jolts to the country's political establishment in the postwar era and sending its multiparty system into uncharted waters.

Alternative for Germany, or AfD, which wants to limit European integration, cut back on immigration and lessen Germany's focus on Holocaust remembrance, captured around 13% of the vote in an election that saw eroding support for mainstream parties, projections based on early results showed.

That means that for the first time in more than half a century, a party will enter the national legislature that holds views well to the right of the center-right bloc led by German Chancellor Angela Merkel, whose Christian Democrats won the most votes Sunday.

Parties must win 5% of the vote to seat representatives in the German Bundestag.

Backers reacted with jubilation in a Berlin nightclub the party rented out to celebrate the results.

"We are going to chase down Ms. Merkel," Alexander Gauland, who co-led the AfD ticket, said on Sunday night, "and get our country back for the people."

The AfD remains a cultural lightning rod in Germany. Demonstrators gathered outside the AfD election-night venue, forcing party organizers to defensively close off the second-floor balcony. "Xenophobia isn't an alternative," read one protester's banner.



Alexander Gauland and Alice Weidel, the top candidates representing for the AfD, celebrated with supporters at an election party.

"Don't repeat history!" read another.

AfD's success echoes the rise of nationalist parties elsewhere in Europe. The German political mainstream will now have to decide whether to continue trying to isolate the AfD, ignore it or engage in hopes of defusing its antiestablishment message.

"We will have to see if German democracy is able to deal with this kind of party," said Gero Neugebauer, a political scientist at Berlin's Free University.

Exit polls showed the AfD did particularly well in the former East Germany and among men, blue-collar workers, and the unemployed.

Sandra Blümke, a 37-year-old businesswoman in Berlin, said she voted for the AfD because she was fed up with the

established parties' handling of the migration crisis.

"New people have to get to power," she said. "We can't bring people into the country when we aren't able to take care of our own."

Alice Weidel, the other co-leader of AfD ticket, said the party's initial goal in Parliament would be to launch an investigative committee to look into Ms. Merkel and "all the legal breaches" she allegedly committed. AfD politicians say Ms. Merkel broke the law by allowing refugees from the Middle East and Africa to enter Germany in 2015; the government says the actions were legal.

The party's direct influence on policy will be limited. It would need one-quarter of Bundestag members to support its Merkel investigation

before it can be undertaken, and all other parties have pledged not to work with it.

But the party's rise to the national legislature will give it a new level of prominence. It can expect more frequent invitations to appear on national television, and each of its lawmakers will receive state funding to hire staff and open local offices.

It is also expected to gain seats in a variety of bodies and organizations, from the board of the KfW development bank to the supervisory council of the German History Museum.

The party describes Germany's Muslim minority as a "great danger," and thinks too much attention is paid to Holocaust remembrance.

"Unfortunately our fears have come true," said Josef Schuster, president of the

Central Council of Jews in Germany, said. "A party that tolerates extreme right-wing thoughts and agitates against minorities is now not only in nearly all state parliaments, but also in the federal parliament."

Founded in 2013 focused on opposing eurozone bailouts, the party made a splash by presenting itself as a group of professorial, button-down conservatives who opposed the Christian Democrats' move to the center under Ms. Merkel.

The AfD scored below 5% in that year's general election, was soon riven by a leadership battle, and looked close to irrelevance two years later.

—Andrea Thomas
and Todd Buell
contributed to this article.

VOTE

Continued from Page One
says the country should reduce its focus on Holocaust remembrance.

Support for AfD has surged in the wake of the arrival in Germany of more than a million refugees and migrants, admitted by Ms. Merkel's government since 2015.

Sunday's election results are a sign that even in stable Germany, the political center is weakening—as it has across much of Europe—in the face of pressure from nationalist and euroskeptic parties once on the margins. In addition to the AfD's gains, the far-left Left Party was projected to win 9.1%.

The AfD's rise and what is likely to be an arduous effort by Ms. Merkel to assemble a ruling coalition inject new uncertainty into Europe's biggest economy—and the European Union itself—as important policy decisions loom on the direction of the EU and immigration.

Fear of losing more voters to the AfD could boost the influence of conservatives in Ms. Merkel's camp who are skeptical of deeper European integration and want the chancellor to limit the numbers of refugees that Germany will accept.

Ms. Merkel remains widely popular, buoyed by a strong economy providing jobs for almost every German who wants one. Her pre-vote approval ratings were over 60%. But with her own party falling short of an outright majority, she could face complicated negotiations to build a ruling coalition.

If the exit polls are right, her conservative alliance's favored partner, the pro-business Free Democrats, were set to win 10.6% of the vote, ac-

cording to the exit polls, which wouldn't be enough for a governing majority.

Instead, Ms. Merkel could seek a repeat of her current "grand coalition" with the Social Democrats, but would face resistance from some in her party. Many Social Democrats fiercely oppose another four years governing in Ms. Merkel's shadow, and many mainstream politicians fear that uniting the country's two largest political parties in one government yet again could further strengthen the political extremes on the right and the left.

Martin Schulz, the SPD's failed chancellor candidate, gave little hint of the party's next steps in his speech acknowledging the defeat. But other senior SPD figures including parliamentary leader Thomas Oppermann reacted to the first projected result by saying the voters have rejected the grand coalition, a strong hint his party wants to have some time in opposition.

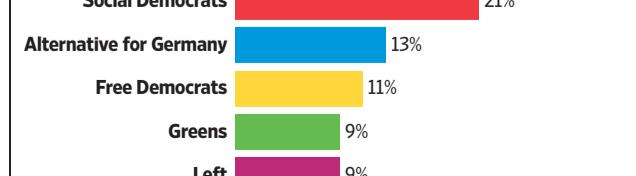
Ms. Merkel could also try for a three-way alliance with the Free Democrats and the environmentalist Greens, which were on track to win 8.9% of the vote.

The coalition-building process could drag on for weeks or even into the winter, as Ms. Merkel and other party leaders hammer out the new government's position on EU integration, immigration and other issues in their coalition talks.

Europe will be eagerly awaiting the result as French President Emmanuel Macron prepares to seek deeper political ties among the 19 countries that use the euro and the EU grapples with how to respond to the continuing flow of African migrants crossing the Mediterranean.

Projected Results

Percentage of votes won in Germany's election



Note: Projections based on partial returns as of 3:10 p.m. EDT *Including Bavarian sister party Christian Social Union Source: ARD Broadcasts

THE WALL STREET JOURNAL.

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WORLD NEWS

North Korea, U.S. Raise New Threats

American warplanes fly near coast in show of force as Pyongyang says it will attack

BY FARNAZ FASSIHI
AND BEN KESLING

North Korea's foreign minister warned in a United Nations speech that a rocket attack on the U.S. mainland was "inevitable," while U.S. warplanes flew off the east coast of North Korea in an explicit show of force.

The eight U.S. aircraft flew close to the North Korean coastline while remaining in international airspace, the Pentagon said, adding it was the farthest north of the demilitarized zone between North Korea and South Korea that American warplanes have flown since Pyongyang started testing ballistic missiles and nuclear weapons in the 1990s.

"This mission is a demonstration of U.S. resolve and a clear message that the president has many military options to defeat any threat," Pentagon spokeswoman Dana White said. "We are prepared to use the full range of military capabilities to defend the U.S. homeland and our allies."

The moves on Saturday capped a week of hostility between the two countries and involving their top leaders. The rising animosity has spurred world leaders to call

for restraint and diplomacy, but neither capital has shown an inclination to back down.

President Donald Trump last week derided North Korean leader Kim Jong Un as "Rocket Man," saying he was on a suicide mission and that the U.S. would annihilate North Korea if forced to defend itself or its allies. He drew a personal response from Mr. Kim, who called Mr. Trump "deranged" and warned of retaliation.

On Saturday, North Korean Foreign Minister Ri Yong Ho suggested at the annual General Assembly gathering that military strikes by his country are inevitable. North Korea has been steadily advancing in both its missile and nuclear-warhead programs and is considered close to possessing the capability of an intercontinental strike.

"Trump might not have been aware what is uttered from his mouth, but we will make sure that he bears consequences far beyond his words, far beyond the scope of what he can handle, even if he is ready to do so," Mr. Ri said.

"He committed an irreversible mistake of making our rockets' visit to the entire U.S. mainland inevitable all the more," he said.

U.S. officials watched as Mr. Ri spoke, but the U.S. mission to the U.N. didn't comment on Mr. Ri's speech.

Mr. Ri's speech marked a setback to hopes that Pyongyang

was open in the short



Tens of thousands of North Koreans gathered in Pyongyang's Kim Il Sung Square on Saturday for a protest against the U.S.

run to attempts to de-escalate tensions in the interest of diplomacy and negotiations.

The North Korean official delivered a series of personal attacks on Mr. Trump, calling him "mentally deranged," "evil," and an "old gambler" who had turned the White House into "a noisy marketing place" and the U.N. into a "gangster den."

He said it was Mr. Trump, not North Korean leader Kim Jong Un, who was on a "suicide mission" and that he should be blamed if innocent American lives were lost.

Mr. Ri also said North Korea's nuclear program had entered into the phase of completion and the country was a "responsible nuclear state" that would only use its weapons against nations that took military actions against Pyongyang.

Mr. Trump responded via Twitter late Saturday: "Just heard Foreign Minister of North Korea speak at U.N. If he echoes thoughts of Little Rocket Man, they won't be around much longer!"

In the U.S. air operation east of North Korea, eight planes including Air Force B-1 Lancer bombers and F-15C Eagle fighter escorts flew off the east coast of North Korea, the Pentagon said.

The U.S. air mission underscored "the seriousness with which we take DPRK's reckless behavior," said Ms. White, the Pentagon spokeswoman, referring to North Korea by its acronym.

Two B-1 bombers flew from the U.S. territory of Guam, home to two U.S. military bases, including Andersen Air Force base

and its fleet of B-1 bombers.

Mr. Kim in August threatened to launch a missile attack on the island of Guam, located roughly 3,800 miles west of Hawaii and 2,100 miles south-southeast of Pyongyang, though he backed off that threat days later.

The six F-15C escorts were deployed from Kadena Air Base in Okinawa, Japan, U.S. Pacific Command spokesman Cmdr. David Benham said.

Cmdr. Benham didn't comment on the planes' armaments but said the F-15s provided fighter escort and "they are prepared to defend against attack, if necessary."

Japan is within the range of North Korea's ballistic missiles, and in mid-September Mr. Kim launched a missile over Japan, the second such

launch in the span of a month. That missile flew an estimated 2,300 miles, according to South Korea's Joint Chiefs of Staff, which also would put Guam within range.

Cmdr. Benham declined to comment on whether North Korea responded in any way to the mission, citing policy to not discuss intelligence matters.

At the U.N., Mr. Ri said his country was a victim of unfair sanctions and biased action by the world body and said the U.N. was tilted in favor of the five permanent members of the Security Council, the U.S., U.K., France, Russia and China.

North Korea appeared defiant against international criticism and U.N. Security Council action, dismissing both as unjustified pressure by the U.S. and its allies.

Iran Tests a Missile Amid Tensions

BY ARESU EQBALI

TEHRAN—Iran said it had tested a new midrange ballistic missile, the day after unveiling it in defiance of U.S. criticism over its disputed nuclear program.

State television flashed images of the Khoramshahr missile's disengaging warhead, calling it the country's third such missile capable of traveling some 1,240 miles. The announcement came after it and other missiles, tanks and a submarine were displayed in a military parade on Tehran's outskirts marking the anniversary of the 1980s Iran-Iraq war.

President Hassan Rouhani on Friday vowed that his country would continue to bolster its ballistic-missile program, amid rising tensions with the U.S.

"Whether you like it or not, we will strengthen our defense and military capabilities as deemed necessary for deter-



Iranian armed forces members marched in a military parade Friday.

rence. Not just our missiles but also our land, air and maritime capabilities," he said in a speech. "We won't ask anybody's permission to defend our people."

Mr. Rouhani also addressed a key source of tension with the U.S. and its regional allies, saying Iran would continue to defend "the wronged people of Yemen, Syria and Palestine,"

indicating it wouldn't scale back its involvement in Middle East conflicts.

The missile test came days after U.S. President Donald Trump sharply criticized Iran in his address to the United Nations General Assembly, denouncing the landmark 2015 nuclear deal reached between Tehran and six world powers including the U.S.

Mr. Rouhani's comments came as the U.S. and international experts have said there is no evidence of nuclear cooperation between the two countries, but that they have cooperated on missile development.

U.S. sanctions introduced this year included legislation targeting the missile program.

Iran regards those new sanctions as a violation of the deal, which suspended most international sanctions on Tehran

in return for curbs to its nuclear program. It doesn't mention ballistic missiles.

Mr. Trump referred to the missile test in a Twitter message on Saturday that reiterated his criticism that the nuclear agreement doesn't cover issues such as Iran's missile program or support for regional militant groups.

"Iran just test-fired a ballistic missile capable of reaching Israel," he wrote in the Twitter message. "They are also working with North Korea. Not much of an agreement we have."

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in return for curbs to its nuclear program. It doesn't mention ballistic missiles.

Mexico Quake Survivors Reel

BY ROBBIE WHELAN
AND DUDLEY ALTHAUS

MEXICO CITY—Even as the death toll from last week's earthquake climbed on Sunday to 319, tens of thousands of people who survived the disaster in central Mexico were dealing with a new challenge: the gnawing uncertainty of not knowing when, if ever, they will be able to return to their homes.

Rescue teams still held out hope of finding survivors five days after the 7.1-magnitude quake, which claimed some 181 lives in Mexico City, parts of which sit on an ancient lake bed that amplifies the shaking.

At a collapsed office block in the capital's Roma neighborhood, dogs were still detecting life under the rubble early Sunday, local media reported. The building was one of about 40 that collapsed in Mexico City when the quake struck Tuesday afternoon.

"The priority is to continue with search-and-rescue tasks...at all points where there is the possibility of finding people alive," Mexico City Mayor Miguel Ángel Mancera said at a press conference. "We have the hope of finding people alive."

On Sunday, aftershocks continued from the 8.1-magnitude

quake that hit the southern states of Oaxaca and Chiapas on Sept. 7, killing almost 100 people. A 6.1-magnitude aftershock in Oaxaca early Saturday was strong enough to set off the earthquake alarms and be felt in Mexico City, sparking panic and briefly halting rescue work but causing no further damage in the capital.

Last Tuesday's quake, centered much closer to Mexico City, has had relatively few aftershocks, the biggest of which was magnitude 4, said Carlos Valdés, director of the National Center for Disaster Prevention.

The tremor caused serious damage to at least 3,000 buildings in Mexico City, Mr. Mancera said, leaving thousands of families homeless and many structures uninhabitable. There were nearly 17,000 people at shelters across the city, officials said.

As of late Saturday, inspections had been carried out at

7,649 buildings, 87% of which suffered minor damage and can still be occupied, Mr. Mancera said. The rest would have to be assessed to determine if they needed to be demolished.

Across the city, soldiers, police officers and representatives of the government's Civil Protection agency stood guard at buildings with crumbled facades, shattered plate-glass windows and sagging walls, their entrances roped off with yellow tape.

Julio Padilla, 25 years old, lived with his parents in a six-story building in the Roma Sur neighborhood. Two of the four walls of their condominium collapsed inward, and the facade of the building fell off in pieces.

Mr. Padilla, who is living with a friend temporarily, said neither of his parents—a retired small-business owner and a retired airline secretary—had pensions or property insurance, and the family had mostly given up hope on ever living in the building again.

"The fear is that we'll never again be able to live in the comfort we once had," he said.

Effort also has riled Iraq's neighbors, Iran and Turkey, as well as the U.S., which has been one of the Kurds' firmest allies.

In the latest strongly worded statement from the U.S., the State Department warned the vote "may jeopardize Iraqi Kurdistan's regional trade relations, and international assistance of all kinds."

Inside the semiautonomous region, one man is swimming against the tide.

Branded a traitor, businessman Shaswar Qadir is the only Kurdish figure to run a campaign against the referendum, taking on leaders in the region who have fought for an independent state since the breakup of the Ottoman Empire in 1918.

His following is tiny by comparison.

But the 38-year-old political upstart has given voice to widely held concerns about the timing and repercussions of a vote that Western powers have warned will undermine the war against Islamic State, spell the end of Iraq and destabilize the entire region.

"The circumstances are not ready for us to have independence, internally or internationally," said Mahmoud Othman, a veteran of the Kurdish struggle who is close to the region's leaders. "This is a gamble."

The Kurds no longer believe in a unified Iraq, proponents of the referendum say. They are prepared to "pay any price for freedom" from a country that has inflicted genocide on them, the region's president, Masoud Barzani, told a crowd of more than 20,000 on Friday.

It isn't only Baghdad that opposes the referendum. The

effort also has riled Iraq's neighbors, Iran and Turkey, as well as the U.S., which has been one of the Kurds' firmest allies.

In the latest strongly worded statement from the U.S., the State Department warned the vote "may jeopardize Iraqi Kurdistan's regional trade relations, and international assistance of all kinds."

Still, the Kurds have rebuffed an alternative proposed by Western powers to facilitate talks with Baghdad on all matters of concern, including the future of their relationship. Kurdish leaders say they have exhausted dialogue and will now settle for no less than a clear road map to independence.

"This is not a risk-free process," said Hoshyar Zebari, one of the referendum's main backers. "We have calculated the risk."

Although the vote won't automatically deliver statehood, Kurdish leaders say a strong "yes" would give them a mandate to initiate divorce proceedings with Baghdad, culminating in an amicable separation years from now.

Like the overwhelming majority of Iraq's Kurds, Mr. Qadir says he, too, dreams of statehood, but doesn't believe the referendum will advance their cause. Many Kurds fear it could have the reverse effect, endangering what the Kurds have gained over decades of armed struggle and diplomacy.

"This unrecognized and untrusted referendum will not help us," Mr. Qadir said. Talks with Baghdad and the Kurds' allies should come first, he adds.

—Nour Malas in Istanbul contributed to this article.



Kurds packed a stadium in Erbil in support of Monday's referendum.

REVIEW

Letter From North Korea

As the nuclear crisis mounts, Journal reporters were able to visit Pyongyang and see life there in a tightly controlled tour.

BY JOHN LYONS
AND JONATHAN CHENG

NORTH KOREA'S nuclear ambitions are etched into the landscape of Pyongyang, its showcase capital city. A giant sculpture of the atom sits on top of a new apartment tower built for nuclear scientists. Atom designs adorn road overpasses, lampposts and building facades.

Bomb imagery colors daily life. At an orphanage, children play with plastic mobile rocket launchers instead of toy trucks. Shops sell commemorative intercontinental ballistic missile stamps, while a bakery sells cakes featuring an upright rocket, ready for launch.

During a recent visit, the first by The Wall Street Journal since 2008, the city's atomic aesthetics reinforced the message government officials conveyed repeatedly to the Journal reporters: North Korea won't part with its nuclear weapons under any circumstances and is resolved to suffer economic sanctions and risk war with the U.S. to keep them.

"It is too late, we have grown up," said Ri Yong Pil, the vice president of the Institute for American Studies, a division of North Korea's Ministry of Foreign Affairs. "We are not interested in dialogue to undermine our newly built strategic status."

The Journal reporters traveled to Pyongyang for a tightly controlled reporting trip between Sept. 14 and 19 amid rising tension between the U.S. and North Korea, one of the world's most brutal and isolated dictatorships. North Korea launched a ballistic missile over Japan on the second day of the trip. Hours after the group departed, U.S. President Donald Trump vowed to "totally destroy North Korea" if the U.S. is required to defend itself or allies, saying leader Kim Jong Un—whom he called "Rocket Man"—was on a suicide path.

On the day the Journal group flew into Pyongyang, North Korea's state news agency declared in a news release that all "Yankees" should be "beaten to death, as a stick is fit for a rabid dog," for persuading the United Nations to enact economic sanctions against the country.

Two affable, English-speaking diplomats in dark suits who received the Journal at Pyongyang's new glass-fronted international airport took a more measured tone.

Over the next few days, the supervised series of official interviews, visits to city landmarks and brief encounters with a handful of Pyongyang residents appeared to signal a rare outreach campaign by the government, which has included other U.S. news organizations, to describe what it sees as the logic of its nuclear-weapons program. The U.S. and North Korea don't have diplomatic relations, and even informal contact between the two nations is limited.

Official reporting trips to North Korea only happen with the explicit sanction of the state, and visitors are kept under close watch. Authorities granted Journal requests to visit factories and stores, which were chosen by the government. Some requests, such as to meet two U.S. citizens detained while working at a Pyongyang university, were denied.

Handlers allowed the Journal to talk to residents encountered along the way, but translations were done by the North Koreans and it was unclear if people felt free to speak their minds.

North Korean officials said their weapons, which include nuclear missiles being designed to reach the U.S., were meant for defensive purposes only. They described them as necessary to end what they said was a constant threat of attack by the U.S., which has maintained troops in South Korea since 1953. The officials said they wanted to force the U.S. to coexist under a system of deterrence, much as it did with the Soviet Union in the Cold War.

The North Korean officials expressed curiosity about difficult-to-answer questions such as: Who is Mr. Trump's chief adviser? And will Secretary of State Rex Tillerson keep his job? One official had followed the heated U.S. debate over transgender soldiers, and wondered if the U.S. had many.

They were convinced the U.S. had wanted the destruction of their government since the Cold War, and reminded reporters that the U.S. designated North Korea as part of an axis of evil in 2002. They expressed chagrin at perceived U.S. slights, with Mr. Ri recalling taking offense once when a U.S. immigration officer at New York's John F.



A SIGNBOARD in Pyongyang declares 'No one can stand in our way' as a tank rolls over words representing U.N. sanctions and North Korea's international isolation.



A BIRTHDAY CAKE in Pyongyang featured a replica of a North Korean rocket.

PAOLO BOSONI/THE WALL STREET JOURNAL
conclusions about whether Pyongyang can outlast the sanctions.

During the trip, Mr. Trump suggested in a tweet that new sanctions were causing long lines at Pyongyang gas stations.

A European aid worker in Pyongyang interviewed by the Journal said gas prices had risen significantly since November. But there were no lines at four gas stations that reporters saw while touring the city. At one station where reporters waited for 20 minutes seeking permission to take a photograph, two cars came in to fill up.

Ri Gi Song, an economist at North Korea's Academy of Social Sciences, said North Korea was well positioned to weather sanctions after enduring them in some form or another since the end of the Korean War. Cryptically, he said the country could rely on oil-producing North Korean allies to get around the sanctions. "I'll let you guess which," he said. When the Journal suggested a few possible countries, including Iran and Venezuela, he smiled and repeated his answer.

What's more, he said, the nuclear-weapons program was already allowing the country to reduce spending on conventional weapons and channel that money to economic development.

"You can't hurt this economy with sanctions," said Ding Jiancheng, a Chinese coal trader who lives in Pyongyang and was enjoying a musical performance by the waitresses at a bustling new Pyongyang pizza restaurant on the banks of the Taedong River. He said his coal business was thriving despite U.N. sanctions designed to stop coal sales to North Korea, though he declined to say how.

The Journal also spoke with Ri Song Ho, who directs the Golden Cup Trading Co. factory, which produces some 700 different snacks, sodas, bread and sweets, including a cake featuring a North Korean rocket ready for launch. He said his experience during the lean years of the 1990s inspired him to produce more food to offset the sanctions.

"Since we were kids, we've known how to find a way to make things work," he said.

Like all companies in North Korea, the Golden Cup is state-owned. An economic policy introduced in 2013 gives managers such as Mr. Ri more decision-making power, he said, as well as the freedom to sell any surplus production directly to customers for extra profit.

Much of the building was dedicated to other activities. On a higher floor, a hallway decorated like a cave led to a large tropical-themed swimming pool featuring live banana trees.

Mr. Ri had two rooms dedicated to the two visits made by North Korea's leader.

His conversation moved quickly from making snacks to nuclear deterrence. He was convinced that the threat of war would fade as the U.S. came to accept North Korea's nuclear power as a fact of life.

"We now have all these nuclear weapons to defend us. I believe in a few days there will be news that will mean that the U.S. will not attack us, but I can't say what that is," said Mr. Ri.

—Andrew Dowell and Paolo Bosonni contributed to this article.

'We are not interested in dialogue to undermine our newly built strategic status.'

said they supported the missile program and were resolved to make sacrifices if sanctions squeezed the economy.

A restaurant bartender approached by the Journal expressed pride in the country's advancing missile capabilities after a broadcast of a Sept. 15 missile test played on a television over the bar. "We will accomplish the final victory against the U.S.," the bartender said. "I wish they would launch 20 or 30 missiles a day."

Several people, including some government officials, expressed wariness of China, a longtime friend of Pyongyang that historically has opposed any talk of regime change. China supported recent steps to tighten sanctions against North Korea, and some residents said they question the quality and safety of Chinese foods and other products.

Pyongyang appeared spotless. A Korean War museum with marbled

anti-U.S. posters and slogans to the constant sound of patriotic hymns, sometimes set to rock beats. The messages exalt three generations of Kim family leaders, who have stayed in power for more than seven decades by building a police state and instilling in the populace a quasi-religious devotion.

At a new ophthalmology hospital with a giant bubble window shaped like a human eye, external-affairs director Kim Un Ae said the facility was completed in six months and that supreme leader Kim Jong Un visited on May 26, 2016, during construction to give "on-the-spot guidance."

Mr. Kim suggested changes to the hospital's eye-shaped logo, including adding a second line to the eye-brow, the hospital's external-affairs director said. Mr. Kim picked green as the main interior color because it soothes the eyes, and guided the glasses shop inside to organize frames by gender and price.

parts of the country describe a strikingly different scene in the provinces. Even on the city's outskirts, the drop-off in living standards is stark. Journal reporters saw farmers relying on ox carts in fields just a short drive from the new dolphin-show facility and science complexes.

North Korea's economy grew 3.9% last year to around \$32 billion, according to South Korea's central bank, which makes estimates about the economy of its northern neighbor in the absence of reliable figures from Pyongyang.

That is the fastest growth since 1999, according to South Korea, and may have been helped by government spending on weapons manufacturing.

The U.S. strategy is to squeeze Mr. Kim by snuffing out North Korean growth with sanctions, including limits on purchases of oil. The supervised nature of the Journal's trip made it impossible to draw

WINS

Continued from Page One
In an analysis of government
military data by The Wall
Street Journal found.

Using Pentagon data on the
birthplaces of 6,800 military
casualties from the wars in
Iraq and Afghanistan through
2016, the Journal found that
most came from small towns
and rural areas, even though
those places made up just 17%
of the U.S. population.

In contrast, 23% of those
who died came from core counties
in metropolitan areas of
more than one million people,
where 29% of Americans live.
The Goski's story is one of
brothers at home and at arms.
Mike was born first, and Mike
loved. That was the way it
would always be. Growing up,
Mike threw the first punch,
Mike leapt to his defense.
Mike quit high school; Mike
was the same. Chris enlisted in
the military the day after 9/11;
Mike wasn't far behind.

The thing Mike loved most
in the world was Chris," their
mother said, "and the thing
Chris loved most in the world
was Mike."

After burying his brother in
Texas, Mike was left to find a
new path.

This account of his journey
is based on military, police and

medical records, as well as

interviews with relatives and friends, and

records and emails, texts,

and photographs;

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SPECIAL FORCES FRIEND: LAURA BUCKMAN FOR THE WALL STREET JOURNAL; GOSKI FAMILY (BOTTOM)

'The thing Mike loved most in the world was Chris, and the thing Chris loved most in the world was Mike.'

Tim Goski, their father

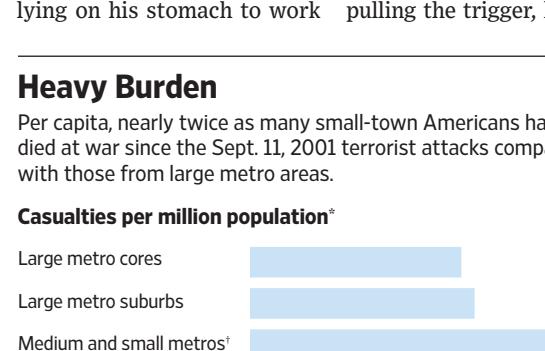


Clockwise from top left,
Mike and Chris Goski,
right, with Mike's twin
boys, also named Mike
and Chris; Chris, left, and
Mike in uniform in New
Jersey; the twins as boys.

Heavy Burden

Per capita, nearly twice as many small-town Americans have died at war since the Sept. 11, 2001 terrorist attacks compared with those from large metro areas.

Casualties per million population*



*Deployed military fatal casualties from 2001 through 2016 divided by 2006 population.

*Metros with between 50,000 and 1 million population

in Clarksville, Tenn., to determine the findings of a Marine Corps investigation. The report found Chris had mixed alcohol and antianxiety drugs despite warnings and determined the Marine Corps wasn't responsible for his death.

"This is unacceptable," Mike told them. "He was my responsibility." Then he took a menacing step toward the senior Marines. "Get the f— out of my house," he said.

In the months that followed, Mike became convinced the outburst undermined his standing in the Special Forces.

Mike's commander ordered him to undergo a mental health evaluation in January 2013, citing a menu of issues: "Dealing with grief; Danger to self & others; Anger management; Ability to perform; Driving skills."

Mike saw a military psychiatrist, who recommended Mike's traumatic brain injury from exposure to explosions and "adjustment disorder with anxiety."

In October 2013, Mike was still on active duty. He lost his home to foreclosure, and returned to Texas to live with his parents. Over the next 2½ years, he rarely left his room. He thought people spied on him via emails and put duct tape over the cameras on computer monitors, put a shield of body armor over his headboard.

When Mike did venture outside, he carried a snub-nosed revolver in his belt, hidden under a shirt. His phone calls to friends were never-ending and exhausting. "I want to go over there, and I want to be there," he told a Special Forces friend.

Mike sought solace through a mind-altering use of Dust-Off, compressed air used to clear debris from computer keyboards. He inhaled blasts of the chemical vapors, which gave him hallucinations.

High on the fumes, Mike would imagine Chris back home, leaning on him and saying, "I lost you. I've been looking for you."

In May 2016, Kathy received notice of a certain letter waiting for her at the post office. It was about Chris. She read it before leaving a parking lot, sitting in the 10-year-old Chevy TrailBlazer she had given her.

"I know that words can never ease the pain of loss, which is why I have no suicide prevention my priority as the commander of United States Special Operations Command," wrote Raymond A. Thomas III.

He asked Kathy and Tim to participate in a study of military suicides. He included his phone number of a social worker.

Kathy called the social worker at once. "You need help?" she demanded. "How about you help myself? That's still alive?"

The social worker contacted Larry Rivera, a care coordinator assigned to special-operations troops. The next day, Rivera spoke with Mike for 90 minutes. They discussed treatment at the Department of Veterans Affairs hospital in Tampa, Fla., which specialized in helping commandos.

Tim saw a rare smile on Kathy's face. Mike returned to Tennessee hopeful but weary. "I'll believe it when I see it," he told his mother.

On July 2, Mike went to Nashville for the wedding of a close friend, another Chris. The ceremony included only the couple, a maid of honor and Mike, who was best man. He felt safe enough to leave his gun in the car when the wedding party went out to celebrate.

The next day, Mike came back to his apartment in Clarksville. He settled on a camouflaged poncho lined with the bare mattress and put the nozzle of a Dust-Off can in his mouth. Police found his body five days later.

When Mike's casket arrived in Dallas, Tim and Kathy followed the same journey they had with Chris.

"That's how they came to the world," Tim said. "That's how they left."

—Paul Overberg contributed

U.S. NEWS

Tax Proposal Puts Focus on High Earners

GOP wants roughly similar tax rates for corporations and pass-through firms

By RICHARD RUBIN
AND LAURA SAUNDERS

WASHINGTON—Today, a business owner making \$500,000 gets taxed much like a corporate executive with a \$500,000 salary. How they make their income doesn't matter much.

That could change dramatically under Republican plans aimed at driving down tax rates on business income, leaving high-income wage earners with much less to gain from a tax overhaul.

Republicans, eager to drive down business tax rates in a bid to boost economic growth, want roughly similar tax rates for corporations and for so-called pass-through firms that report business income on the individual tax returns of their owners.

For them, lowering the 35% corporate tax rate requires also lowering the 39.6% top rate for pass-through business income, even though creating a new special rate for that business income leaves a potentially large gap with the top rate for high-income wage earners.

The exact contours of the GOP tax agenda aren't set. Top lawmakers and administration officials say they will release another blueprint in the coming days.

The 2016 House GOP blue-



President Donald Trump during a rally on Friday in Huntsville, Ala.

print called for a 20% corporate tax rate, a 25% tax rate on pass-throughs and a 33% top individual rate. In April the White House proposed a 35% top rate for individuals. President Donald Trump has said he might not cut taxes for the wealthiest Americans, and recently Republicans have talked a lot less about the importance of reducing the 39.6% top tax rate on ordinary income. In the end that rate might not come down much and some

deductions could go away. With GOP senators agreeing to, at most, \$1.5 trillion in tax cuts over the next decade, there is a limited amount to go around. Republicans are focused on cutting business taxes and offering a larger standard deduction for middle-income households.

The emerging Republican plan would "open a gulf between wages and pass-through business income that has never existed before, putting

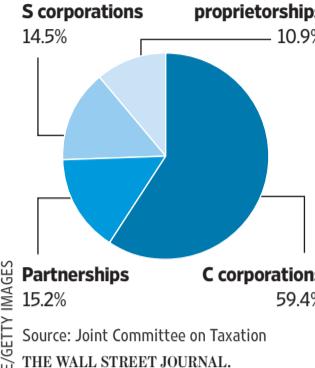
the high-wage earners at a disadvantage," said Andy Mattson, a certified public accountant with Moss Adams in Campbell, Calif.

Keeping the top tax rate on wages near 39.6% would be a way for Mr. Trump to defend his argument that he isn't prioritizing tax cuts for the rich, even if other pieces of the tax plan favor wealthy business owners, investors or heirs of large estates.

Under current law, pass-

Where's the Business Income?

Net income by entity, 2014



Source: Joint Committee on Taxation
THE WALL STREET JOURNAL

through businesses include partnerships, limited liability companies and S corporations. The income they earn doesn't face the corporate income tax and then a potential second tax layer on capital gains or dividends; instead, it passes through to owners' tax returns and is taxed at their individual rates.

Such firms reported more than 40% of net business income in 2014, according to the congressional Joint Committee on Taxation.

They include global law and accounting firms, real-estate investors, hedge funds, doctors' offices and manufacturers. About 60% of pass-through income goes to households making over \$500,000, according to the Tax Policy Center.

In the past, Republicans have seized on the importance of pass-through income to ar-

gue against raising the top rate on individuals. They warned tax increases would punish successful small businesses, although many aren't small. By splitting wage and business taxation, the approach under consideration could undercut future arguments against raising the top rate.

Lowering the corporate rate to improve U.S. investment incentives is a core driver of the planned tax overhaul. Other large industrialized countries have lowered their rates.

Politically, it is nearly impossible to cut corporate rates without cutting the rate on pass-through income. Pass-throughs form a key part of the Republican coalition.

"The pass-through community demands something in the process of the corporate rate going down," said Douglas Holtz-Eakin, president of the center-right American Action Forum.

"There is a difference between high-wage income or some other [business] income," said Sen. Mike Crapo (R., Idaho). "It doesn't have to all be treated identically."

The challenge for policy makers will be separating wage income from business income for high earners. The proposed lower pass-through rate wouldn't help the large share of business owners who don't generate significant high income, because their top rates are below the 25% proposed rate in the House plan. The biggest winners are high earners who can classify their earnings as business income.

Puerto Rico's Mayors Tell of Ruin

BY JOSÉ DE CÓRDOBA

SAN JUAN, Puerto Rico—The full scope of Hurricane Maria's devastation of Puerto Rico began to emerge over the weekend as 48 of the island's 78 mayors, many of them cut off since the storm, met with Gov. Ricardo Rosselló for the first time, bringing reports of ruined homes and destroyed infrastructure.

Most of the mayors attending the meeting Saturday had been incommunicado since the Category 4 hurricane dragged fierce winds and heavy rain across the island after making landfall Wednesday. "I learnt about it from a runner who brought a note," said Jose Gerena Polanco, the mayor of the town of Florida. In his area, bridges have been destroyed and more than 200 people had lost the roofs on their homes, he said.

Oscar Santiago, the mayor of Vega Alta, a town on Puerto Rico's north coast, said his municipality had been pounded by 20-foot waves. Two bridges had been destroyed, and more than 100 families had lost roofs. He said many people had refused to evacuate, and were staying in the ruins of their houses, using wood and zinc



Puerto Ricans sat in shelters after evacuations over the weekend.

sheets scrounged from the detritus to build new temporary roofs on their homes.

"This is about to turn into a humanitarian crisis," said Rolando Ortega, the president of Puerto Rico's mayors association. Mr. Ortega, the mayor of Cayey, a town of about 50,000 people in the island's central mountains, said the town had been devastated. Its residents were in dire need of water, diesel fuel and gasoline, and he said they would soon lack food.

About 20 municipalities still haven't been able to communicate with the governor.

As the mayors described widespread destruction in their towns, the island's national guard and police raced to evacuate some 300 families around the towns of Quebradillas and Isabela on Puerto Rico's northern coast because of a widening crack in a dam threatening communities with catastrophic flooding.

"It's a situation that calls for immediate evacuation," said Mr. Rosselló in a news conference. He confirmed 10 deaths on the island due to the hurricane, the strongest storm to make landfall on the island since 1928.

Pressed by CNN's Jake Tapper to say whether she would oppose the bill if it comes to a vote, Ms. Collins said she expected to make her decision after the nonpartisan Congressional Budget Office weighs in on the legislation Monday.

Ms. Collins said the Senate should follow the lead of Sens. Lamar Alexander (R., Tenn.) and Patty Murray (D., Wash.), who have held hearings on plans to stabilize the insurance markets. That effort was shelved as the 11th hour GOP repeal bid picked up steam.

Ms. Murkowski hasn't yet indicated her decision on the new bill, and GOP leaders, as well as Democrats and health-care advocacy groups, have been trying to persuade her to their side.

Health-care lobbying groups argue that the new effort would leave states with too little funding to operate health systems and undo popular and important protections of the ACA. Mr. Cassidy said that on pre-existing conditions, states wouldn't be able to jettison guaranteed coverage for these patients unless they show that these people have other protections.

Kristina Peterson and Laura Meckler contributed to this article.

Trump, Athletes Escalate Dispute

BY ANDREW BEATON
AND MATTHEW FUTTERMAN

Players around the National Football League demonstrated before games Sunday in response to an escalating feud between President Donald Trump and the professional sports world.

The number of protests surged far beyond anything the NFL has seen before, with players on every team making gestures of some sort at stadiums around the country.

Some players knelt for the national anthem, while others interlocked arms. One team, the Pittsburgh Steelers, stayed in the locker room for the anthem. Later, the Seattle Seahawks and Tennessee Titans followed the Steelers' path and chose to remain in the locker room during the national anthem. The Titans in a statement said the "players jointly decided this was the best course of action" and "the absence of our team for the national anthem shouldn't be misconstrued as unpatriotic."

The events effectively represented a leaguewide expression, as many owners showed support for their players and denounced the president's statements.

The controversy comes at a unique moment for the NFL, which is grappling with declining television ratings and heightened concerns about concussions. The protests risk further alienating some fans and potentially making broadcast partners—who pay the league billions of dollars annually—nervous about the implications.

The developments extended a feud Mr. Trump has been waging since Friday against athletes who have criticized him or his policies.

On Saturday morning, Mr. Trump declared that he had withdrawn an invitation for the

National Basketball Association champion Golden State Warriors to visit the White House, after star guard Stephen Curry, among others, had expressed reluctance to attend a ceremony with the president. Mr. Trump was quickly denounced by other prominent athletes, including LeBron James of the Cleveland Cavaliers. "U bum," Mr. James tweeted at the president.

Although Mr. Trump had been critical of the NFL protests at various points in the past year, this latest and most emphatic war of words began Friday when he addressed the topic during a stump speech for sitting Republican Sen. Luther Strange in Alabama.

Mr. Trump said he and Mr. Strange "respect the flag" and encouraged NFL owners to fire players who take part in the protests.

The comments drew rebuttals from a number of players, owners and executives. NFL Commissioner Roger Goodell, in a statement, said, "Divisive comments like these demonstrate an unfortunate lack of respect for the NFL, our great game and all of our players, and a failure to understand the overwhelming force for good our clubs and players represent in our communities."

The message behind the protests has become more diffuse since Colin Kaepernick, the then-quarterback of the San Francisco 49ers, first refused to stand for the national anthem last season. That was initially meant to call attention to police brutality in the U.S., particularly in communities of color. More recently, the message has been about calling attention to social and economic inequality. Now, the demonstration has become a protest against Mr. Trump and an exclamation that they won't be bullied into falling into line.



NFL players knelt during the U.S. national anthem in London Sunday.

HEALTH

Continued from Page One
get less funding over time than they would under the current system.

The GOP bill also would let states seek to opt out of ACA insurance requirements such as one that mandates everyone be able to buy health insurance at similar prices regardless of their medical history.

No Senate Democrats are expected to support the legislation, meaning the bill's sponsors must cobble together 50 votes from among the 52 Senate seats they control. That has been a month-long struggle between the GOP's more centrist and conservative senators.

Republican Sen. John McCain of Arizona indicated his own vote was out of reach Friday. With room for no more defections beyond Mr. McCain and Ms. Collins, party leaders have now focused on winning over Mr. Paul, who has criticized the Graham-Cassidy effort but who was believed to be open to negotiating.

Mr. Paul on Sunday set a high bar, saying on NBC that the block grants that Democrats and some centrist Repub-



Sen. Susan Collins, a Republican from Maine, in July.

licans worry are too small were still too big for his liking. "The Graham-Cassidy bill basically keeps most of the Obamacare spending, almost all of the spending, and just reshuffles it and block grants it to the states," Mr. Paul said. "They could remove the block grants from it and then we could vote on what we actually all agree on."

Meanwhile, Republican Sen. Ted Cruz offered criticism of the bill as well, saying Sunday he and other conservative senators still were holding out. "Right now, they don't have my vote, and I don't think they

LIFE & ARTS

WEEKEND CONFIDENTIAL | By Alexandra Wolfe

A Novelist's New Experiment

With 'Manhattan Beach,' Jennifer Egan opted for a more traditional approach

JENNIFER EGAN has become known for her genre-bending, time-traveling, inventive fiction. Her 2010 Pulitzer-Prize winning novel "A Visit from the Goon Squad" was hailed as a creative work of meta-fiction, incorporating multiple points of view, with one chapter told entirely in PowerPoint and another set far in the future. In 2012, her science-fiction short story "Black Box" was released in 140-character installments on Twitter.

Her new book, "Manhattan Beach," thus comes as something of a surprise. It's a more traditional historical novel whose protagonist is a female diver working in the Brooklyn Navy Yard during World War II.

Ms. Egan didn't set out to write a straightforward narrative. At first she wanted to tell the story by going back and forth in time, but it just didn't lend itself to a fragmented approach. "It was so inert when I tried that," she says.

She did years of research for the book, interviewing retirees in Florida who once worked at the Navy Yard and combing through original documents at the Brooklyn Historical Society. "I found writing...the old-fashioned way to be actually much harder," she says, because of the need to sustain the story's momentum. "It's no joke," she says. "It's really hard to do."

Ms. Egan, 55, wanted to be a doctor as a kid growing up in San Francisco. "In a way I'm amazed I didn't become a doctor in that I was so sure," she says. But she found as a teen that she was squeamish about blood and gore.

She discovered her passion for writing just before college, when she kept a journal during a trip through Europe. It was a difficult time in her life. She was anxious about being so far away from home, and her mother and stepfather were divorcing. Writing, she found, was a "lifeline." Once she got to the University of Pennsylvania, she decided to major in English.

In her mid-20s Ms. Egan moved to New York to try to become a writer. Inspired by her pre-college trip abroad, she had started a novel about an 18-year-old girl who re-traces a trip her sister took through Europe before she committed suicide.

She worked on the novel for years. An early draft grew to 800 pages. An old college professor agreed to take a look at it and told her he could barely make it through the first few pages.

She kept at it, though. "I don't think I really believed in myself that much, but I just kept going," she says. In the meantime, she took on odd jobs, such as working as a caterer for the Port Authority at the World Trade Center and becoming a



Ms. Egan's new novel whose protagonist is a female diver working in the Brooklyn Navy Yard during World War II is something of a surprise.

MATT FURMAN FOR THE WALL STREET JOURNAL; HAIR & MAKEUP BY NICKEE DAVID

personal secretary to a countess.

She eventually managed to publish some short stories and won a grant from the National Endowment for the Arts. Her novel, "The Invisible Circus" was published in 1995, when she was 32.

She went on to publish "Emerald City and Other Stories" in 1996, and "Look at Me," a suspenseful novel about the fashion industry, in 2001. Her first best seller was her 2006 novel "The Keep," a haunting book about two cousins renovating a Gothic castle. She calls "Look at Me" a "cross-over book" in terms of her writing style. Her previous books had been more traditional.

"The Keep" is actually a story within a story: The Gothic castle

narrative is being written by a character in a writing workshop at a prison. "It's sort of one step removed from reality," she says. "I felt like it was the first thing I'd written for which I didn't really have any clear models."

She says that she has always been excited about new approaches to narrative. "I didn't think, 'Oh, I am going to experiment,'" she recalls. "I thought, 'Oh, I'm telling this really strange story, and I'm doing it the best I can.'" "A Visit From the Goon Squad" took the experimentation further. "I think it's natural that my projects would be more ambitious as I got older and more confident as a writer," she says. She admires Don DeLillo, among current writers, but says that she doesn't

strive to emulate anyone in particular.

Ms. Egan keeps to a routine when she's writing. As we tour her office on the third floor of her spacious Brooklyn brownstone, she points to a lounge chair in the corner. "That's where I write," she says. "I like to recline."

She writes the first draft of her books by hand. The first draft of "Manhattan Beach" takes up 27 legal pads. Now stacked up in a shelf in her office closet, they took her a year and a half to fill.

Then she types up what she's written. "There's a certain amount of horror in that, because of course it's terrible," she says with a laugh. Once that's done, she develops a proper outline and structure, using

the parts and characters that work and discarding those that don't.

She hasn't given up on experimental literature. For her next book, she'd like to bring back characters and elements from "A Visit from the Goon Squad."

Ms. Egan has two teenage sons with her husband, theater director David Herskovits. But don't expect to read any fiction based on her own life. "For me, the No. 1 thing about my process that's different from most people I know is that I do not use my own life at all or anyone I know.... I seem to go pretty cold when I try to get near myself," she says. "I don't know what it is, but I feel bored." Instead, she adds, "I'm always looking to be transported out of my life."

ANATOMY OF A SONG | By Marc Myers

HOW THE DEAD'S TOURING INSPIRED 'TRUCKIN'

A MONTH AFTER the Grateful Dead's "Truckin'" was released in November 1970, the single peaked at #64 on Billboard's pop chart. Frequent FM-radio airplay of the longer album version turned the road song into a counterculture anthem. Recently, Bob Weir, the Grateful Dead guitarist and lead singer and the co-writer of "Truckin,'" talked about the song's evolution. Mr. Weir was just named a U.N. Development Programme Goodwill Ambassador for world poverty and climate change, and his band, Dead & Company, will tour this fall. Edited from an interview.

Bob Weir: In the spring of 1970, the hardest thing about touring was getting up in the morning. We were young and full of fun, and we didn't go to bed real early. We were on the road a lot, and our nightly "celebrations" probably made touring more difficult than it had to be (laughs).

Our touring schedule in 1969 and early '70 was relentless. We'd play a gig, stay up late and then fly to our next gig first thing in the morning. Most of the time, our equipment was trucked overnight to the next destination.

In the band's early days, Robert Hunter occasionally traveled with us. He's a great guitarist, but he wasn't a playing member of the band. He was a friend and our lyri-



cist. He had ears. He would write lyrics and hand us the sheets. Then we'd work on the music and vocal harmonies.

At some point in early March 1970, Hunter pulled a lyric sheet out of his luggage and gave it to Jerry [Garcia]. Hunter's title at the top said "Truckin'." Jerry liked what he read, and we planned to work on the music as soon as we had some down time.

The word "truckin'" goes back to music of the 1930s. But Hunter probably grabbed the title from Mr. Natural, one of R. Crumb's underground-comic characters. Mr. Natural had a bunch of sayings. One of

them was "Keep on Truckin'," which was the spirit of our song—keep boogieing on.

At first, the meaning of Hunter's lyric was a mystery to us. But the words became clear the more we read them. For example, Hunter included our New Orleans incident two months earlier in January.

After we played a gig at the Warehouse there, we returned to our hotel to find that the cops had searched our rooms and found our stash. A bunch of us were arrested, but a settlement was reached.

Hunter's lyric was, "Busted, down on Bourbon Street / Set up, like a bowlin' pin / Knocked down, it gets

The Grateful Dead's Jerry Garcia, far left, and Bob Weir in London in 1972.

to wearin' thin / They just won't let you be."

The "reds" were red Seconal pills. The bikers were using them as a recreational drug. We took them to overcome insomnia. Given how much coffee we drank to be up for shows, a little Seconal at night was the only thing that knocked us out fast.

In late March 1970, we finally had time to work on the music. We were booked to play a theme park in Dania Beach, Fla., called Pirates World. At our motel, we had the afternoon off, so the band sat by the pool. I don't believe Hunter was there.

Jerry, bassist Phil Lesh and I sat on the diving board with our acoustic guitars and came up with a melody to go with Hunter's words.

As we wrote, we came up with this bluesy shuffle. We moved back and forth from the diving board to a table to write things down. The melody had to work in my register, so we put it in the key of E. The melody came fairly quickly. Then we came up with choral parts.

The choruses were easy for me to sing lead but the verses were hell. Some of them were straight-up tongue twisters, like "Most of the cats that you meet on the streets speak of true love."

At first, I complained bitterly about how those dense verses were going to go. Jerry's response was, "Sing 'em like Chuck Berry in 'School Days'." Jerry meant I should use Chuck's rapid-fire delivery and enunciation.

We kept refining the music and tightening the choruses (sing): "Truckin', up to Buffalo. Been thinkin', you got to mellow slow / Takes time, you pick a place to go, an' just keep truckin' on."

We never divided up harmony parts to sing in specific ranges. Instead, each of us just looked for great-sounding notes. If you listen carefully, you'll hear that sometimes I'm on the high notes and sometimes the lowest ones.

We first performed "Truckin'" in August 1970 at the Fillmore West in San Francisco. We didn't have time to go into rehearsal space to work on things. We did that live, while touring. Today, when I sing "Truckin,'" I go back to that time through my character's eyes. It's sort of a fantasy version of what my life was like then and what I was observing on the road. In those rare moments when I do think about the words I'm singing on "Truckin,'" I usually wish I had a few new verses. But I don't feel at liberty to write them myself. I'll have to give Hunter a buzz to see if he has anything for me.

LIFE & ARTS

FITNESS

When Take-Out Follows Workout

Catering to time-pressed fitness buffs, many gyms offer freshly made ready-to-eat meals to go

BY RACHEL BACHMAN

SEAN POTTER gets his pork chops where he does his pull-ups.

Mr. Potter, a member of the CrossFit New England gym in Natick, Mass., is part of a growing group of exercisers picking up prepared food where they work out. His favorite service, Paleo Power Meals, delivers freshly made breakfasts, lunches and dinners twice weekly to a refrigerator at CrossFit New England. When not on the road for work, Mr. Potter buys several meals a week, such as the "all-natural" Berkshire pork chop with red and green peppers, balsamic glaze and mashed cauliflower. Other members order ahead, and leave workouts lugging bags bulging with entrees.

Mr. Potter, who is married and has three children, explains why he started relying on the gym for healthy meals, particularly lunches. "No. 1, spending time with my family is more important than cooking meals for the week," the 40-year-old software salesman says. "No. 2, spending time at the gym is more important than going out to lunch."

For years, companies have delivered stocks of enticing meals to customers' homes. The services are finding a new market in time-strapped people seeking healthy, preservative-free servings, often packed in a single plastic container. To minimize delivery costs, many companies drop the meals off in a place that customers frequent: the gym.

Healthy packaged meals are popping up everywhere from Tone House, a Manhattan studio where a sports-conditioning class costs \$40, to Energy Fitness in Paducah, Ky., where the meals are popular with food-loving millennials as well as budget-conscious seniors who live alone, says Sharon Hales, the gym's general manager.

About 25% of Energy Fitness's members buy Megafit Meals, prepared in nearby Benton, Ky., which the gym displays in a cooler. Offering healthy meals helps members stick to weight-loss and fitness goals, Ms. Hales says.

"If they leave our club and they



Heather Bergeron, above, co-owner of CrossFit New England in Natick Mass., which stocks Paleo Power Meals, like the one favored by her co-owner, Ben Bergeron, below right. Chicken harissa, below left, is an option from LifeCafe.



go through a drive-thru and eat unhealthy food, they're just spinning their wheels," she says.

A typical lunch or dinner from these services costs between \$8 and \$14 if picked up at a gym. (Delivery can add \$30 or more for multiple-meal orders going long distances on dry ice or in insulated packages.) Fans point out



that the meals don't cost much more than grass-fed beef or organic vegetables at a grocery store—and spare them the shopping, food prep and clean-up.

These meals often have labels detailing how much protein, carbohydrates and fat they contain—along with calories and ingredients. Some meals are vegan or vegetarian, or comply with low-carb plans such as the Paleo diet or Whole 30, in which people ex-

clude sugar, grains, dairy and other foods for 30 days.

Life Time, a 127-location health-club chain based in Chanhassen, Minn., is revamping and relaunching its Meals to Go service. What used to be a few basic items—chicken enchiladas and wraps—is expanding to about 30 options including steak chimichurri with roasted vegetables and tuna togarashi.

The club's members are "trying

to avoid carbs and sugar and are really seeking out protein and fresh vegetables," says Jason Vieth, senior vice president of LifeCafe, Life Time's fast-casual restaurant.

It's good that more people are focused on eating unprocessed foods, says Yoni Freedhoff, medical director of the Bariatric Medical Institute, a weight-management center in Ottawa. But for the average person, he says, packaged-meal services can subvert an important part of long-term overall health: preparing healthy meals and sharing them with friends or family.

"I think it's a mistake for us to fall into that narrative that it's hugely difficult and takes tremendous effort, because it really doesn't," Dr. Freedhoff says.

Many fitness-industry leaders acknowledge that eating choices play a larger role in weight loss than exercise. The U.S. Army is planning to bring healthy foods into fitness centers, including sandwiches, salads and box breakfasts.

"In some cases our dining facilities are a distance away from a fitness center, so sometimes soldiers have to choose between working out and eating breakfast," says Tim Higdon, Healthy Army Communities program manager. "This allows them to accomplish both."

The changes could arrive in some fitness centers as soon as next spring, he says.

Bonnie Lefrak, chief executive of the Fitness Asylum, a studio with three Massachusetts locations, has tried half-a-dozen prepared-healthy-meal services and says they help her have something nourishing on hand amid a hectic schedule.

"I know if I get hungry, then I'm eating off my kids' plates. I call those 'mommivores,'" Ms. Lefrak says. She recently started offering meals from New York-based Kettlebell Kitchen at her location in Hudson, Mass.

Ms. Lefrak says she asks members at kickoff events: How many of you like to cook? "Not a lot of hands are going up," she says.

Nationwide research underscores that notion, and the challenge for meal-kit services that arrive with ingredients and a recipe. Baltimore-based Terra's Kitchen mostly delivers meal kits but CEO Mike McDevitt says prepared foods make up 16% of sales, a share that's rising quickly.

"There are these two markets," the Fitness Asylum's Ms. Lefrak says, "and the one with the already cooked food is going to win."

FILM REVIEW

'STRONGER': WHAT MAKES A HERO?

BY JOHN ANDERSON

WHEN A MOVIE is called "Stronger" and its hero is a maimed survivor of the Boston Marathon bombing, certain expectations arise. Courage? Valor? Tragedy? A dash of dark comedy? A heaping helping of tenacity? Yes, and "Stronger" delivers all the above. But it does so in a way that flips the whole idea of post-9/11 hero worship upside down, in a manner as welcome as it is disturbing.

Equally disturbing: Jake Gyllenhaal, who always has the glint of the madman about him and delivers a powerful, vulnerable portrayal of Jeff Bauman, a Boston guy who was in the wrong place at the wrong time: A photo of a shattered Mr. Bauman post-blast, his legs shredded, became emblematic of the catastrophe. When he awakens in the hospital, intubated and mute, the first thing he writes down is "saw the bomber"—he'd been jostled by one of the Tsarnaev brothers just before the explosion, and realizes the connection. The FBI descends. The inclination of the public to find a bright spot amid senseless terror suddenly has an outlet.

From the start, Jeff recoils from having the whole "Boston Strong" thing thrust upon him. "I'm a hero for standing there and getting my legs blown off?" he asks. The only reason he was at the Marathon at all was to impress his on-again, off-again girlfriend Erin Hurley (a wonderful Tatiana Maslany), who was actually running. If anything, Erin is the real heroine of "Stronger." She's the person who doesn't walk



Jake Gyllenhaal plays Boston Marathon survivor Jeff Bauman in a film that turns hero worship upside down.

away, who cleans Jeff up when he's a mess, and who contends with Jeff's family—who, if they are to be construed as typical of the city's blue-collar community, might constitute grounds for a class-action slander suit by an entire stratum of Boston citizenry.

It's a remarkable characterization, actually. Spearheaded by an epic Miranda Richardson as Jeff's mother, Patty, the family Bauman is an almost comically vulgar clan of alcoholic Red Sox fans who come to

enjoy the reflected celebrity of their mangled boy. They coerce him into waving the team flag at center ice at a Bruins game, during which he experiences a violent flashback to the bombing. They can't believe he doesn't want to have Oprah Winfrey come to his house. "C'mon, it's Oprah," his mother pleads, oblivious to his pain. She's a full-blown monster, but no one save Erin is exempt from that categorization.

Director David Gordon Green, working with screenwriter John

Pollono's adaptation of the book by Mr. Bauman and Bret Witter, maintains a brisk pace. There's barely a maudlin moment, which is remarkable given the subject matter, and the things that make Mr. Bauman's story more than a soap opera with a side of current events come through loud and clear: the embarrassment of being publicly deified for something you consider your own stupid timing; the pure idiocy of characters who accuse Jeff of being part of a

"false flag" operation; the near impossibility of functioning as a legless man, not just as a citizen of the modern world but as a member of a family in which somebody should know how to install a handrail in a bathroom. Being Jeff Bauman isn't easy, of course, and he isn't even totally likable. But the fact he survives that family makes him a hero in my book.

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

OPINION

REVIEW & OUTLOOK

Merkeldämmerung

German voters on Sunday returned Angela Merkel to her fourth and almost certainly final term as Chancellor. But they also handed the bronze medal—which was the only prize in real contention—to a protest party in a muted plea for more competition.

Exit polls pegged Mrs. Merkel's center-right Christian-democratic CDU/CSU alliance at around 33% of the vote, down eight percentage points from her win four years ago. Her coalition partners in the center-left Social Democratic Party (SPD) waddled in at an abysmal second-place with around 20%. The seat count in the Bundestag will take time to tabulate, but Mrs. Merkel will again control a plurality in the parliament.

The big surprise is that the right-wing Alternative for Germany (AfD) party finished third, with more than 13% of the vote. Once a wonky professors' protest party against the euro, the AfD has transformed into an anti-immigration, nationalistic echo of France's National Front. Its entry into the Bundestag marks the first time Germans have put a far-right party in parliament in decades.

This is a very German protest vote: safe. The AfD struggled for most of the campaign season, and its home-stretch surge owes to two factors. A television debate between Mrs. Merkel and her SPD challenger, Martin Schulz, this month highlighted how little the two major parties compete with each other. And polls showing Mrs. Merkel steamrolling her opponents reassured voters they could cast a ballot for the AfD without handing the party real power.

The message is that Germans want competition. The AfD draws support from voters on both left and right who are disillusioned with 12 years of Mrs. Merkel's bland-as-she-goes

leadership, and with the SPD's failure to oppose her for the eight of those years when it formed coalitions with her.

Merkel wins again but Germans show a desire for more choices.

and just under 10% respectively, will allow Mrs. Merkel to divorce the SPD and form a coalition with the two smaller parties. The SPD seems ready to push her in that direction instead of being gulled into another coalition.

Berlin could offer more than a browbeaten "ja" to whatever scheme for European Union fiscal integration French President Emmanuel Macron dreams up. Germans deserve a vigorous debate on EU reform. More conservative members of Mrs. Merkel's own party, who will have to find her replacement in four years, would relish the opportunity.

If the FDP enters a coalition government, Berlin also might have a shot at tax reform. Expect only marginal progress here, but the party could push Mrs. Merkel beyond the paltry €15 billion (\$17.93 billion) in personal-tax rate cuts she promised in the campaign. At least it's a start.

This election is no sea change. Mrs. Merkel's unimaginative grip on German politics is still strong, all the other parties are weak, and Germans don't like big shake-ups.

But Germany is entering the twilight of the Merkel era—call it "Merkeldämmerung"—and it's time to consider what comes next. That means policies to meet the demographic and competitive pressures bearing down on Germany, and politics that delivers meaningful debate. If Germany can't have the reforms while Mrs. Merkel is in office, its politicians can set the stage for them in the future.

Ignore the Turmoil, ESPN Isn't Doomed



BUSINESS WORLD
By Holman W. Jenkins, Jr.

It's time to let you in on a secret, two weeks into the Jemele Hill controversy here in America. Ms. Hill, an ESPN on-air personality, sparked a furor by tweeting her opinion that Donald Trump is a "white supremacist" and his presidency a "direct result of white supremacy."

Now, this epithet may not mean what you think it does. As Wikipedia or linguists or some on the disquieted left would be happy to tell you, in the mouths of "critical race theory" activists, white supremacy refers, in fact, to almost everybody and everything. CUNY's Angus Johnston, an enthusiastic purveyor, explained on Twitter last year: "White supremacy isn't about what is in somebody's heart. It's about who wields political power."

The finer points received a thorough airing last November when certain writers on the left debated whether Bernie Sanders qualified as a white supremacist because of comments pooh-poohing the Democratic preoccupation with identity politics. What remains to be pointed out is the obvious appeal of such thinking about white supremacy: It's a way of gratifyingly expanding the number of persons, occasions and institutions that can be denounced as racist.

How ESPN put its foot in this mess is also partly explained by the fact that many more enrollees in American journalism schools aspire to be sports reporters than find jobs as sports reporters. They become business reporters instead. And the flailings of ESPN have already become America's favorite—and overstated—business story.

The Disney-owned sports channel has been losing at least two million subscribers a year since 2013. Many of them were basic-cable subscribers who were forced to pay for ESPN though they didn't watch it. If this keeps up, ESPN is certainly kaput. Except it likely won't: When the sports network loses a cord-cutter who never watched, its remaining customer base consists increasingly of those who value ESPN.

To be sure, the rise of broadband video has eroded cable's strength in regularly scheduled programming, including ESPN's flagship "Sports Center." Scores and highlights now can be watched on your smartphone whenever you want. This seems to have led ESPN down the ill-advised path of promoting noisy, opinionated hosts like Ms. Hill to jazz up the viewing.

But notice something else: In a Netflix world, live sports increasingly will be the only programming people will be willing to watch while tolerating commercials. The value of ESPN's live-sports rights should actually go up.

LETTERS TO THE EDITOR

'Bourgeois Norms' Got Professors Their Jobs

Regarding Heather Mac Donald's "Higher Education's Latest Taboo Is 'Bourgeois Norms'" (op-ed, Sept. 9): The left won the culture wars that began in the 1960s and ended with cultural conservatives running for cover during the Obama years. One would think that the left would be magnanimous in victory and open to intellectual debate. After all, President Obama himself observed that children growing up without a father are more likely to live in poverty, more likely to drop out of school and more likely to wind up in prison.

A married couple with children earns, on average, an income that is more than triple the income of a household headed by a single mom. That fact isn't a license to stigmatize single moms, but it is a statistical truth—and the left apparently cannot handle the truth. With freedom, including post-1950s sexual liberation, comes responsibility. Shouting down those who call attention to the economic fall-out from postbourgeois culture change is neither responsible nor progressive.

GENE BRADLEY
Norfolk, Va.

up the "norms" of that era as some sort of beacon of American virtue sure as hell scares me.

DAVID L. SAFFAN
Santa Barbara, Calif.

As an immigrant from India, I am, like most of my fellow immigrants, living the American dream precisely because my family follows what the authors advocate. This also holds true, from what I know, for most East Asian immigrants, even the most liberal among us. And I am gratified to see that our adult children do this too.

We practice bourgeois norms, self-reliance, conservatism and are proud to be in America. But we personify "diversity" and are perplexed to hear rants against diversity in general, rather than against specific behavior.

AJIT DAMLE
Tampa, Fla.

What is strange about the opposition by University of Pennsylvania faculty to Amy Wax's advice (work hard, get married, go to school, don't drink too much) is that every one of them has followed this advice. I have spent my career in academia, and all professors whom I know have done exactly that. Why would so many of Ms. Wax's colleagues be opposed to advice that has made them so successful?

PROF. PAUL H. RUBIN
Emory University
Atlanta

Ms. Wax and Larry Alexander say nothing to imply white supremacy, misogyny or homophobia. They espouse traditional values. The response of Dean Ruger, Stephen Ferruolo and many of the faculty only reveals their bigotry in assuming the authors were referring to black people.

HUGH DOSS
Louisville, Ky.

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ObamaCare's Tax on the Poor

Democrats claim to have a monopoly on caring for the poor and suffering, and the left has been portraying a GOP health-care bill as an attack on America's vulnerable. So check out the data on how ObamaCare is a tax on some low-income families.

Internal Revenue Service data offers insight into who paid the law's individual-mandate penalty in 2015 for not buying health insurance, the latest year for which figures are available. Spoiler alert: The payers aren't Warren Buffett or any of the other wealthy folks Democrats say they want to tax. More than one in three of taxed U.S. households earned less than \$25,000, which is roughly the federal poverty line for a family of four.

More than 75% of penalized households made less than \$50,000 and nine in 10 earned less than \$75,000. Fewer families paid the tax in 2015 than in 2014, yet government revenues increased to more than \$3 billion from about \$1.7 billion, as the financial punishment for lacking coverage increased.

These Americans are paying a fine to avoid purchasing a product they don't want or can't afford but government compels them to buy.

Such individuals don't suddenly have access to less expensive or higher quality medical care, but they do have less money for household expenses, which can consume a high share of income for this class of families.

The unfortunate irony is that ObamaCare destroyed the private market that offered options that in some cases made sense for these people. For example: High-deductible, limited coverage for unexpected events.

Then again, the point of this coercion was to substitute the government's political preferences for individual judgment, while forcing the young and healthy to pay more to finance the mandated benefits that Democrats think everyone must have. This is the status quo that Senators John McCain and Rand Paul are supporting with their opposition to reform.

Ms. Mac Donald asks: "What are university administrators and faculty so afraid of?" Here's what they're so afraid of: perpetuating the myth that "hard work" is what's needed to counter the economic problems that plague so many people in an America where jobs are wiped out daily by technology; promoting the idea, widely believed in the 1950s, that a lack of "self-discipline" is at the root of poverty, alcoholism, mental illness and other social scourges; admonishing married couples to stay together for "the good of the kids," while the kids watch Daddy batter Mommy (or vice versa) physically or mentally and end up in similar dysfunctional relationships themselves; upholding "respect for authority," which for decades allowed predator priests (and certainly not only them) to molest children, confident that the child's (or his/her parents') "respect for authority" would guarantee his silence.

I grew up in the 1950s, in a "bourgeois" family, and the idea of holding

OPINION

Trump Gets Blunt at the United Nations



DECLARATIONS
By Peggy Noonan

I'm not sure President Trump's speech to the United Nations General Assembly last week has been fairly judged or received. It was a strong speech—clear, emphatic, remarkably blunt. The great question is whether the bluntness will tend at this point in history to make things better or worse. We'll find out soon enough.

Often Mr. Trump grows bored with prepared speeches and starts throwing in asides and improvising adjectives. But he was committed to this speech and focused: It looked like Trump believing what Trump

Will bracing clarity make things better or worse? We'll know soon enough. But he said things the world needed to hear.

was saying. Detractors say, "Oh, his speechwriters just put something in front of him," but all presidents, from the most naturally eloquent to the verbally dullest, have speechwriters. The point is what a president decides he wants to say and how he agrees to say it. In the end he directs what goes in and what comes out.

Mr. Trump explained to the U.N. the assumptions he sees as driving his own foreign policy, which showed a proper respect for the opinion of mankind. He outlined the central problems facing the world as he sees them—a tradition in such speeches, and a good one, for it matters what an American president thinks.

Mr. Trump's speech was rhetorically dense, in that a lot was in it and

little time was wasted. There were moments of eloquence—the U.N. must not be complacent; we cannot become "bystanders to history."

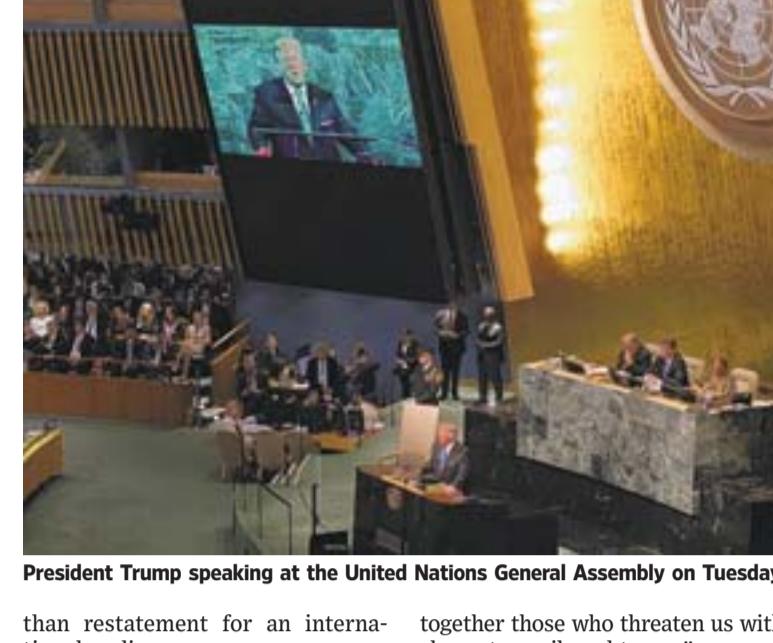
He began with the usual bragging: The U.S. economy is improving, and we are militarily strong and getting stronger—and fairly quickly kicked into hopefulness, and respect for the U.N.'s history.

On his administration's driving foreign-policy attitudes: "We do not expect diverse countries to share the same cultures, traditions or even systems of government. But we do expect all nations to uphold these two core sovereign duties: to respect the interests of their own people and the rights of every sovereign nation." Then: "In America, we do not seek to impose our way of life on anyone, but rather to let it shine as an example for everyone to watch."

He painted "America First" as benign, politically realistic. "Our government's first duty is to its people, to our citizens—to serve their needs, to ensure their safety, to preserve their rights, and to defend their values. As president of the United States, I will always put America first, just like you, as the leaders of your countries, will always and should always put your countries first." Still, the nations of the world must "work together in close harmony and unity to create a more safe and peaceful future for all people."

The U.S. has always been "a great friend to the world" and will continue to be. "Our citizens have paid the ultimate price to defend our freedom and the freedom of many nations represented in this great hall," he said. "We want harmony and friendship, not conflict and strife. We are guided by outcomes, not ideology. We have a policy of principled realism, rooted in shared goals, interests and values."

All this is the opposite of democracy promotion and nation building and dreams of eradicating evil. The president has spoken like this before. This section was less statement



MOHAMED EL-SHAHAMY/ANADOLU AGENCY/GETTY IMAGES

President Trump speaking at the United Nations General Assembly on Tuesday.

than restatement for an international audience.

But there was an interesting question of emphasis. Throughout the speech Mr. Trump stressed the importance of national sovereignty, of countries protecting their own ways and needs.

Sovereignty, of course, is crucial. But as he spoke, my mind went back to 1914 and all the fiercely sovereign nations that decided to go to war with each other, putting an end to a unique and rising European civilization. In 1945, after World War II, they put greater emphasis on a more corporate approach, on cooperation and transnational institutions. That path can be abused too, and has been. But it hasn't been all bad.

It has been charged that Mr. Trump virtually ignored Russia, mentioning it only once, in thanks for supporting sanctions against North Korea. But he also said: "We must reject threats to sovereignty, from the Ukraine to the South China Sea." That isn't ignoring Russia. "We must uphold respect for law, respect for borders, and respect for culture," he said. "We must work together and confront

together those who threaten us with chaos, turmoil, and terror."

The most publicized section of the speech was on North Korea. He characterized its regime as "depraved," "twisted," a "band of criminals." True enough. North Korea's "reckless pursuit of nuclear weapons and ballistic missiles" cannot be allowed to continue. In the speech's most famous flourish: "Rocket Man is on a suicide mission for himself and for his regime." The U.S. "has great strength and patience, but if it is forced to defend itself or its allies, we will have no choice but to totally destroy North Korea."

Is this too hot, or helpful, or both? During the Cold War colorful candor produced a great deal. When Ronald Reagan was drop-dead blunt about the nature of the Soviet Union, foreign affairs was a high-stakes chess game between two superpowers. The context now is a less clearly demarcated world in which anyone with a weapon of mass destruction is, for the moment, a "superpower."

It's hard to know if blunt talk will excite nuts into greater activity, or if bracing clarity about the risks

they're taking will slow them down, make them question their ambitions and intentions. But the U.N. needed to hear clearly and unequivocally the gravity with which the American president views North Korea. Ultimately, as Mr. Trump noted, confronting this question is "what the United Nations is for."

A great line—because it spoke a great truth—was this: "The problem in Venezuela is not that socialism has been poorly implemented, but that socialism has been faithfully implemented." Mr. Trump then paused and looked at the audience. It struck some as a "please clap" moment. It struck me as a stare-down: *I'm saying something a lot of you need to hear. You're not going to like it, and I'm going to watch you not like it.*

Two final points: One is that Mr. Trump is on a roll, a sustained one the past few weeks, and this is new. All levels of government performed well in the hurricanes. Mr. Trump showed competence, focus and warmth. His bipartisan outreach, however it ends, went over well with core supporters and others. He had a strong speech at the U.N., in fact a successful U.N. week, from beginning to end. His poll numbers are inching toward 40%.

Which gets us to point two: This is a very important moment for him. History suggests he will ruin it at any minute with intemperate statements, wiggy decisions or crazy tweets.

He does this because he's somewhat compulsive and has trouble governing himself. He also does it because he thinks his supporters like it. Some do, most don't. He thinks they all do because he misunderstands his base.

Mr. Trump's supporters should push back when he starts to go slightly mad. They should tweet at him: "Stop, Donald! Be U.N. Donald, not Twitter Donald."

They should tweet this to him by the millions. Because he does feel some loyalty to them, and it's possible he might try to listen.

Why Afghans Are Hopeful About Trump's New Strategy

By Parwiz Kawa
And Shafi Sharifi

Kabul

In 2011 President Obama announced that all U.S.-led coalition forces would leave Afghanistan by the end of 2014. The timing of the departure could not have been worse. The country was being ripped apart politically by a presidential election marred with corruption. Afghan security forces were not fully ready to take on the Taliban and other terrorist groups pouring in from safe havens across the border in Pakistan, their ranks replenished by thousands of recent graduates of Pakistani madrassas.

In the absence of a clear U.S. strategy, Iran and Russia also began increasing their involvement in Afghanistan, providing arms to the Taliban. By mid-2015, the emboldened Taliban could see victory. They had been attacking Afghan government posts in bigger numbers, targeting provincial centers and strategic areas. According to public reports and

private accounts of Afghan officials, casualty rates of Afghan security forces in 2015 and 2016 soared to record numbers, as many as 50 killed and wounded daily.

Despite all this, violent extremists have failed to break up Afghan security forces or gain full control of a province. There were two reasons.

First, Mr. Obama realized that leaving Afghanistan altogether risked squandering the gains of the previous decade and a half. The limited presence and support of U.S. special forces and advisers helped Afghan special forces stall the Taliban's momentum, especially in the battle for Kunduz in 2015 and 2016.

Second, Afghanistan has changed fundamentally since 1996, when the Taliban came to power. The population is younger and better educated. Afghans have better access to information and technology, as well as higher literacy rates. Popular support for Afghan security forces has increased too, especially for the Afghan National Army.

Now that President Trump has announced a new strategy, there is renewed but cautious optimism in Afghanistan. Afghans are hopeful because Mr. Trump's plan, though

lacking details, puts aside a timeline-based exit in favor of a conditions-based approach.

It also boosts support for Afghan security forces and, more importantly, addresses Pakistan's support for the Taliban and other terrorist groups such as the Haqqani network. This will allow Afghanistan to sustain what has been achieved since 2001.

In the past 16 years a new generation of Afghans have come of age. They are accustomed to a free

press, social media and fearless self-expression. This was inconceivable for past generations. They are also against the Taliban's ideology and their version of Islam.

The new strategy provides more training and support for Afghan security forces. A strong military is essential if Afghanistan is to tackle domestic security challenges and join with coalition forces against terrorism in the country and region. It will also pave the way for a peaceful political settlement.

With his new strategy, Mr. Trump has made it clear that he recognizes Pakistan's double game—harboring, arming and supporting the Taliban and Haqqani network while claiming to be an ally of the U.S.

On the political side, the success of the new American strategy largely depends on whether President Ashraf Ghani's government can ensure that elections scheduled for 2018 and 2019 are fair, transparent and successful. Afghans cannot afford another debacle like the 2014 elections.

Corruption remains a significant challenge. Some corrupt officials have been successfully prosecuted: Gen. Mohammad Moeen Faqir and businessman Abdul Ghafar Dawi were convicted of embezzlement and abuse of authority in August.

Yet the government must do a better job of tackling the ethnic divisions and partisan bickering that hamper anticorruption efforts.

There is also the problem of brain drain. Without serious economic and security reforms to create more and better jobs, Afghanistan will lose its best asset: educated Afghan youth.

Afghanistan's future as a peaceful, functioning democracy is not guaranteed. But for the first time in a long time, Afghanistan has hope.

Mr. Kawa is editor in chief of *Hasht-e-Subh Daily*, Afghanistan's largest newspaper. Mr. Sharifi is the chairman of Afghanistan Analysis and Awareness, a Kabul-based think tank.

By Nina Shea

As Islamic State heads toward defeat in Iraq, Christian and Yazidi survivors of genocide should be returning to their hometowns in Nineveh province. Instead, these fragile minority communities mostly remain stranded at displacement shelters in Kurdistan without the means to rebuild their villages. Many are fleeing Iraq, and the country now risks losing these religious minorities entirely. The Trump administration is making the situation worse by continuing Obama policies that effectively ex-

clude these non-Muslims from U.S. aid in Iraq.

Today there are fewer than 250,000 Christians in Iraq, according to the U.S. State Department, down from as many as 1.4 million before the 2003 invasion. These Christians speak Aramaic, like Jesus of Nazareth, and trace their faith to Thomas the Apostle, whose relics were spirited from Nineveh by Orthodox monks as Islamic State approached.

The Iraqi Jewish community, its roots in the Babylonian exile, was forced out over the past 70 years; fewer than 10 Jewish families remain in Baghdad. Yazidis—who

have lived near the Sinjar Mountains—number about 400,000. Nada Murad, the voice for thousands of Yazidis enslaved by Islamic State, warned a congressional panel earlier this year that her people could soon disappear because of emigration. This would signal the end of Iraq's indigenous non-Muslim communities.

Since fiscal 2014, the U.S. has provided \$1.4 billion in humanitarian aid for Iraq, but very little of it has reached the beleaguered Christian and Yazidi communities. This is because the Obama administration decided to channel most of it through United Nations refugee and development agencies, a practice the new administration has continued.

There is no protection for religious minorities in the U.N.'s overwhelmingly Muslim camps, and Christians and Yazidis are terrified of entering them. The U.N. doesn't operate camps in Iraq for displaced Christians, and the international body has enough resources to shelter only half the Yazidis who congregate around Dohuk, in Iraqi Kurdistan. U.N. programs also exclude the local churches that struggle to care for these minorities, forcing them to raise aid on a piecemeal and insecure basis from other sources.

President Trump has spoken about the plight of Christians in the Middle East, but he has done little to effect change. Far lower percentages of Christians and Yazidis are returning from displacement to their homes in the devastated Nineveh Plains and Sinjar, respectively, compared with

the larger religious groups in Tikrit, Fallujah and Mosul.

Usaid lacks direct oversight in Nineveh and relies heavily on U.N. Development Program reports that

Trump should undo an Obama policy that largely blocks them from getting U.S. aid.

claim progress in Christian towns. One local church authority told me the U.N. reports "grossly overstate the quality and substance of the actual work" and their projects' influence is "minimal or nonexistent." A representative from the Nineveh Reconstruction Committee, a unified church group, told me earlier this month that the only major projects under way are its own. These are supported by Hungary and the Knights of Columbus. Samaritan's Purse and Aid to the Church in Need are planning projects in Qaraqosh, also without U.S. government assistance. These private charities can rebuild houses, but large infrastructure projects need government aid.

The U.N. acknowledges that most of the displaced minorities have not returned home and have shown "a reluctance to return without guarantees of their security and the stability of their towns and villages." Church leaders close to the displaced are excluded from U.N. and Iraqi government committees that

decide stabilization projects, track progress and ensure locals are hired for them. Rex Tillerson's State Department has not changed this policy. Nor has it answered my request for information.

Security remains a problem and threatens America's regional interests. Iran is moving in on the towns minorities have been unable to reclaim. The U.N. has focused on minor projects in Bartella, a main Christian town. Yet on Sept. 15 the "Imam Khomeini" elementary school and mosque complex opened there at an official ceremony, a "gift from the Islamic Republic of Iran." In several towns, Iranian-backed militias stand guard.

Mr. Trump can take immediate steps to ensure U.S. aid reaches Iraq's most vulnerable minorities. First, he can direct his administration to address their humanitarian and stabilization needs. This should include dropping the U.N. as a pass-through for U.S. aid.

He can also appoint an interagency coordinator to ensure that bureaucratic hurdles don't interfere with getting aid to all groups. These relatively small tweaks would help preserve the region's religious minorities.

Iraq's religious minorities are small in number, but assisting them would affirm that the U.S. stands against genocide, protects religious freedom and aids vulnerable minority groups.

Ms. Shea is director of the Hudson Institute's Center for Religious Freedom.

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Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

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LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

Inspired to Sweat

Hawaii's culture and natural beauty led Jeff Ammerman to Kiakahi, an intense workout

SOME PEOPLE TURN to spirituality when they hit hard times. Jeff Ammerman turned to fitness. "Sunday beach workouts are my church," he says. "It's my spiritual reset and network of support." Mr. Ammerman, 37, had been living a "rocker party" lifestyle on Oahu, struggling with depression and alcohol. In 2015 he moved to Maui hoping for a fresh start. A personal vacation planner for Westin Maui Resorts, he overhead a resort concierge talking about Kiakahi.

Kiakahi workouts fuse Polynesian cultural practices with functional movement. A typical session might start with an oli, or a Hawaiian chant, follow with various kolo, or crawls, and sprints in the ocean, and end with the instructor blowing on a conch shell.

Mr. Ammerman showed up for a free community workout on Sugar Beach in September 2016 and was greeted by an instructor jumping out of the ocean with a huge rock in his hands. "I was immediately sold," he says.

Mr. Ammerman is 6-feet-2 and at the time weighed 250 pounds. "I struggled," he says. "I couldn't run more than 25 yards on the sand without thinking of giving up." But he says the instructors' encouragement and outdoor setting kept him motivated.

Mr. Ammerman was born on Oahu but spent his teens and 20s in California and says he lost touch with Hawaii's culture. "Every workout speaks to the cultural message of respecting the land or people and understanding the true meaning of aloha," he says. "It sets a tone of gratitude and appreciation."

As he got more fit, Mr. Ammerman began going to Uprising, a functional workout at a field run by some of the Kiakahi instructors. "It's like Kiakahi, but with a CrossFit edge, and you have to wear shoes," he says. In August, Mr. Ammerman, along with some of his Uprising and Kiakahi friends, participated in the Spar-



Top, Mr. Ammerman and a partner work with a laau. Below, he and teammates run through the surf carrying a pohaku.

tan Ultra Beast, a race that covers 26 miles and has 60-plus obstacles throughout the course.

Mr. Ammerman has dropped to 215 pounds and is training for the Maui Marathon Relay on Oct. 15. "I never imagined when I went to that first beach workout I'd find a family," he says. "I train not just for me but to make them proud because they believe in me."

The Workout

Two-hour Kiakahi sessions incorporate ropes, sandbags, medicine balls, jump rope, pohaku, or rocks, and laau, or long wooden sticks.

The workout is broken into four parts. The first involves crawls that warm up the muscles and might even include somersaults and frog hops. The second part uses laau, which Mr. Ammerman might push and pull with a partner or throw

at a target. Hakoko, or Hawaiian play fight, involves partner drills and movements like squats and lunges. Workouts end with kaula, or ropes, which work the arms and core and challenge balance. He says one of the toughest drills involves carrying sandbags through thigh-high waves.

Four nights a week he attends



Uprising workouts at a local field. The group might run stadium stairs 100 times, then rotate through stations of kettle bells, jump ropes, sled pulls, burpees and medicine ball throws. He goes to 24 Hour Fitness three times a week and will lift weights and run 3 miles on the treadmill. Once or twice a week he does a P90X yoga and ab workout at home after a beach run.

The Diet

Breakfast is occasional and light. "It depends on if I'm working," Mr. Ammerman says. "I usually grab a banana after I run." He has sushi for lunch. Uprising finishes at 6:30 p.m. and his drive home can take up to an hour. "I'm too lazy to cook when I get home," he says. "I usually just pick up something healthy and easy."

A Buddy's Positive Influence

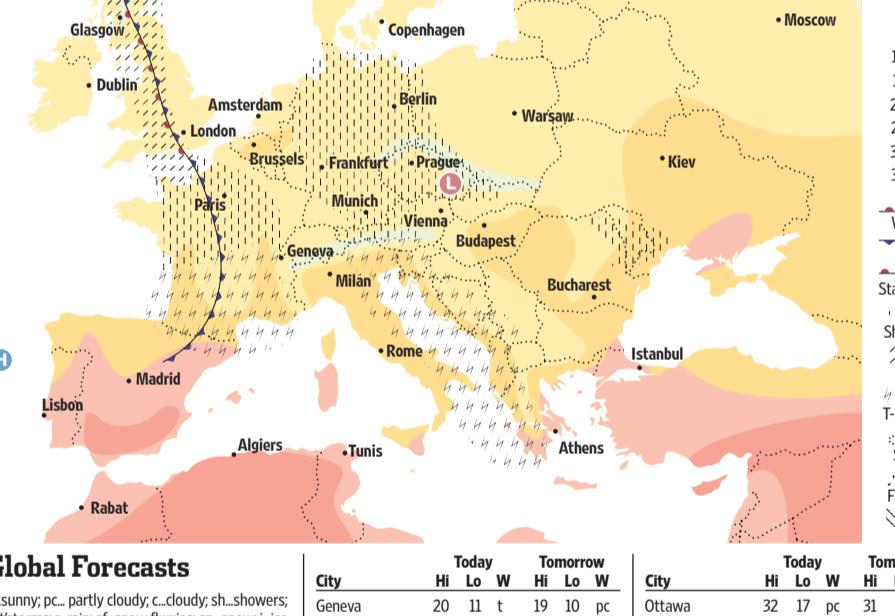
Workout buddies can motivate us for a 5 a.m. gym session and push us to run that extra mile, but they can also affect our choices outside the gym, says Tony Maloney, an exercise physiologist and fitness center manager at the National Institute for Fitness and Sport in Indianapolis. "I always ask people, 'What does your power circle of friends look like?'" he says. "We often act like the people we hang out with." Mr. Maloney says people who overcome an addiction, such as alcoholism, typically change their friends. "When you make a positive change and others don't, it can bring out their insecurities," he says. "Rather than rise up and support you, they might try to bring you down." Being in a community that cares about exercise, nutrition, sleep, career and family can be inspiring, he says, and people who discover fitness often pick up the healthy habits of their personal trainers or workout partners and friends. "Instead of having three drinks at a bar after a workout, you might go for a juice or grab a healthy dinner," he says.

He routinely hits the salad bar at a local grocery store and tosses together greens, broccoli, eggs, chicken, cucumbers and strawberries or raisins and tops it with balsamic vinaigrette. He used to eat sweets every day. His weakness is chocolate peanut butter Häagen-Dazs. "I would eat an entire container in one go," he says. "Now I try to make a pint last over the course of a week or two. I have four or five bites and set a date of when I'm allowed to dig back in." He says he still drinks alcohol, but in moderation.

The Gear & Cost

Mr. Ammerman wears Inov-8 X Talon 212 sneakers for trail running (retail \$115) and or Nike Flex Experience RN 6 sneakers (\$65) for the gym or road running. He buys Virus compression apparel. He pays \$40 a month for his membership at 24 Hour Fitness and \$60 a month for Uprising workouts. Kiakahi workouts are free.

Weather



Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	18	10	pc	18	10	sh
Anchorage	11	5	r	12	7	s
Athens	27	20	pc	25	18	t
Atlanta	30	20	s	31	20	s
Bahrain	42	24	s	43	25	s
Baltimore	31	19	s	28	20	pc
Bangkok	33	25	t	31	25	t
Beijing	27	18	pc	22	12	c
Berlin	15	10	sh	18	11	pc
Bogota	21	8	r	20	8	r
Boise	18	8	pc	20	9	s
Boston	28	18	pc	25	18	pc
Brussels	20	9	pc	19	9	sh
Buenos Aires	24	10	s	17	9	sh
Cairo	32	22	pc	32	23	s
Calgary	18	7	pc	18	6	p
Caracas	33	26	pc	33	25	pc
Charlotte	31	19	pc	30	20	s
Chicago	32	20	s	32	17	s
Dallas	33	24	pc	32	23	c
Denver	13	4	c	17	6	p
Detroit	31	19	s	31	19	s
Dubai	39	28	s	39	29	s
Dublin	17	9	r	18	10	pc
Edinburgh	17	9	pc	16	11	pc
Frankfurt	18	9	pc	18	9	sh

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	20	11	t	19	10	pc
Hanoi	31	27	t	32	26	pc
Havana	31	22	pc	32	22	pc
Hong Kong	32	28	t	33	27	s
Honolulu	31	23	s	31	24	pc
Houston	31	23	t	32	23	pc
Istanbul	25	20	c	25	19	t
Jakarta	32	23	t	32	25	t
Johannesburg	27	14	c	25	6	s
Kansas City	28	17	t	21	13	t
Las Vegas	27	16	s	28	18	s
Lima	20	15	c	20	15	pc
London	18	11	c	20	12	pc
Los Angeles	33	17	s	34	17	s
Milan	29	13	s	28	13	s
Manila	33	26	t	30	26	s
Melbourne	15	5	r	18	9	s
Mexico City	24	15	pc	24	16	pc
Miami	33	25	pc	33	25	pc
Milan	23	14	p	22	13	pc
Minneapolis	21	14	r	18	10	c
Monterrey	30	23	pc	31	22	pc
Montreal	31	19	s	30	18	pc
Moscow	14	6	p	11	2	c
Nashville	31	24	p	30	26	t
New Orleans	30	23	t	31	23	pc
New York City	30	21	s	26	22	s
Washington, D.C.	32	21	pc	28	23	pc
Zurich	20	8	pc	19	8	s

The WSJ Daily Crossword | Edited by Mike Shenk



BAND BOXES | By Melina Merchant

- Across**
- 1 Public square
 - 6 Untrustworthy sort
 - 10 Wearer of team colors
 - 13 President between Jimmy and George
 - 15 Dresden's river
 - 16 ___ Jima
 - 17 *It'll wave over Tokyo in 2020
 - 19 Slimy stuff
 - 20 Sidewalk section
 - 21 Fitting
 - 22 *Titan orbits it
 - 24 Capital on a fjord
 - 26 Butler of "300"
 - 27 Willing to consider
 - 30 Hub
 - 31 *Place you might go around
 - 33 Grasslike plant
 - 36 "Man, that's pretty!"
 - 37 Appears
 - 38 Deep fryer fill
 - 39 Cream of the crop
 - 40 Stump source
 - 41 Director John
 - 42 Letters before iota
 - 43 Thoreau book
 - 44 Trading Places" director John
 - 45 Join a rebellion
 - 46 Hurricane center
 - 47 Sinks below the horizon
 - 48 Sunflower support
 - 51 Show that's in tents
 - 52 Suffer
 - 53 Sometime in the past
 - 54 Wedding party members, and the starred answers
 - 55 Cockatoo or cockapoo
 - 56 Lake between Ontario and Ohio
 - 57 In the style of
 - 58 Wedding party members, and the starred answers
 - 59 Minor criticism
 - 60 Put on the radio

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

32 Reach its destination, as a train

34 Chelsea Peretti's "Brooklyn Nine-Nine" role

35 Fraternal order since 1868

38 Pioneering person

41 Soft mineral

42 Stands the test of time

44 Article ignored when alphabetizing

45 Deep regret

47 Yearning

49 Aviator Post who was first to fly solo around the world

50 Bro or sis, for short

51 Land cutting into the sea

52 Grows older

54 Must have

55 Caked filth

</

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, September 25, 2017 | B1

Euro vs. Dollar 1.1959 ▲ 0.15%

FTSE 100 7310.64 ▲ 0.64%

Gold 1293.30 ▲ 0.21%

WTI crude 50.66 ▲ 0.22%

German Bund yield 0.449%

10-Year Treasury yield 2.262%

In London, Uber Tries for Compromise

BY SAM SCHECHNER

After a stinging regulatory rebuke from the city of London, **Uber Technologies Inc.** is seeking to negotiate.

The ride-hailing company is pushing to meet with the London regulator that on Friday said it would refuse to reissue Uber's operating license there. At the same time, it is preparing a legal appeal and rallying its users in London to build support. It will be allowed to operate as usual during the appeal, a process that could take months.

Uber once had an approach to transport regulation that its former chief executive called "principled confrontation."



DANIEL LEAL-OLIVAS/AFP/GETTY IMAGES

Uber wants to meet with Transport for London on the decision.

More recently, it has softened its approach, particularly in Europe.

Still, it was blindsided by London's announcement Fri-

day that it was unfit to operate in the city. The agency, Transport for London, cited what it called a general lack of corporate responsibility, speci-

fying Uber's approach to reporting serious crime and driver background checks, among other issues. Uber has contested the authority's description of its shortcomings.

The company circulated an online petition asking users to call on London to back down. As of Sunday afternoon, the petition had garnered more than 640,000 supporters.

Given the high-profile nature of the standoff with London, and the importance of London's market size for Uber, the stakes are especially high. London accounts for about 5% of Uber's global base of customers who use the service at least once a month.

Any concessions to London

could set a precedent, potentially locking Uber into providing them to other municipalities around the world. That could add to costs at a time when Uber is trying to narrow its large losses.

Uber is likely to reach out to Transport for London as early as Monday to try to set up a meeting to help determine what the authority's specific complaints are, and how Uber could resolve them, according to a person close to the company. Uber hasn't had any direct contact with the transport authority or the London mayor's office since Friday's announcement, but is eager to talk, that person and another said.

The mayor's office oversees the transport authority, and Mayor Sadiq Khan has said he backs the decision to withhold the operating license.

"While we haven't been asked to make any changes, we'd like to know what we can do. But that requires a dialogue we sadly haven't been able to have recently," Tom Elvidge, Uber's general manager in London, said in a statement that Uber provided by email.

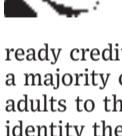
Uber said it hasn't had success in setting up a meeting with Mr. Khan since he was elected. The company said it has only met with senior staff at Transport for London one time this year, despite at-

Please see UBER page B2

KEYWORDS

By Christopher Mims

Should U.S. Require Breach Disclosure?



There are two things we can count on in the wake of the **Equifax** breach, already credited with exposing a majority of American adults to the possibility of identity theft. The first is that more and potentially worse breaches are in our future. The second is that companies will need to be prodded toward smarter cybersecurity practices and faster reporting of breaches.

Details of the breach—which Equifax said it discovered in late July—have only recently been revealed by the credit-reporting company and by **Mandiant**, the cyberforensics firm it hired. However, the enormous loss of data appears to have been the result of an unpatched vulnerability, which allowed hackers to roam freely inside Equifax's computer network for more than four months. (In a report, Equifax said it "took efforts" to fix the compromised system.)

The Federal Trade Commission and the Federal Bureau of Investigation are investigating, and the first of what is expected to be a wave of lawsuits by state attorneys general has already been filed. But punishing Equifax isn't the same as minimizing the impact of similar disasters. For that, we are going to need something anathema to the tech industry and especially companies that have been hacked: transparency.

It isn't coming voluntarily. There is already a patchwork of data-breach disclosure

Please see MIMS page B3



WOLFGANG RATTAY/REUTERS

Deutsche Telekom has detected 30,150 cyberattacks from China this month. CEO Timotheus Höttges, on screen, speaking in March.

Germany Combats Foreign Hackers

Government steps in to help small, midsized firms bolster defenses amid wave of attacks

BY WILLIAM WILKES

genc agency estimates that German companies lost €55 billion (\$66 billion) to espionage, sabotage and data theft last year, up from €51 billion in 2015.

Spooked by the losses, the German government is moving to shield companies from state-backed hackers and criminal gangs, offering to pay to harden the defenses of Germany's most vulnerable companies. Industry groups are also reaching out to members about the threat.

"The German economy is the focus of industrial espionage," Hans-Georg Maassen, head of Germany's domestic intelligence agency, said in July. "Attacks have increased over the last two years."

Two years ago, the U.S. and China signed an agreement not to support hacking aimed at industrial espionage. But despite high-level discussions, German officials have yet to secure a similar deal. The G-20, which includes China and Germany, announced a pact

Please see HACK page B2

Some 65% of German manufacturing and technology companies were hit by cyberattacks in 2016, compared with 62% in the U.S. and 50% in the U.K., according to insurer Hiscox Ltd. Germany's BfV domestic intelligence agency estimates that German companies lost €55 billion (\$66 billion) to espionage, sabotage and data theft last year, up from €51 billion in 2015.

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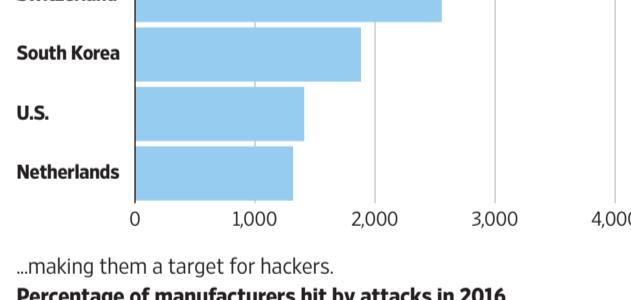
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Targeting Technology

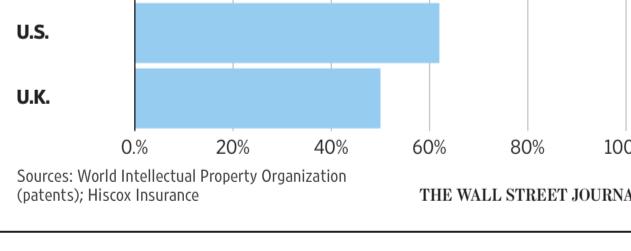
German firms lead the world in factory technology...

Factory patents filed, 2016



...making them a target for hackers.

Percentage of manufacturers hit by attacks in 2016



Sources: World Intellectual Property Organization (patents); Hiscox Insurance

THE WALL STREET JOURNAL.

INSIDE

Mashable Searches for Potential Buyer

BY LUKAS I. ALPERT AND SUZANNE VRANICA

The new-media company **Mashable** is about to test how much "pivoting to video" pays off.

The U.S. company, known for its mix of technology and pop-culture stories, has for months been looking to raise capital from a strategic investor but is now leaning toward an all-out sale, people familiar with the matter said. Mashable has had extensive discussions with German television broadcaster **ProSiebenSat.1**, the people said.

It is possible another suitor could emerge. U.S. media company **Viacom Inc.** also explored a deal but isn't currently engaged in talks, one of the people said.

Mashable laid off about 30 employees last year, curtailed the scope of its written-news reporting and shifted re-

sources into video. That preceded a wave of similar moves by media outlets seeking faster digital advertising growth as their business models come under stress. Many have used the phrase "pivot to video" to explain the shift.

By some measures, the change has paid off for Mash-

able: Its revenue increased 36% to \$42 million in 2016, while the site posted a net loss of \$10 million, people familiar with its financials said. It is targeting \$50 million this year and might break even. Video views have soared on YouTube and other platforms.

But the real test is how

much of a premium someone would pay for part—or all—of the company.

"We made big changes and it wasn't easy, but we are extremely happy where we are. We consider it success by any measure," Greg Gittrich, Mashable's chief content officer, said of the company's shift to

New-media firm faces a test of the decision to move resources toward video production.

ALL EYES TURN TO L'ORÉAL'S NESTLÉ TIES
BUSINESS & FINANCE, B2

FEARS ARISE OVER SEC'S NEW DATABASE
FINANCE & MARKETS, B5

multiple—the ratio of its valuation to its revenue—it's valuation now would top \$300 million, not factoring in any premium for acquiring control.

If the company fetched a disappointing price, it would be a signal of skepticism about the prospects of digital-media firms.

The industry—which features bigger competitors such as BuzzFeed, Vox Media and Vice Media and smaller, independent outfits such as Mic, Refinery 29, Bustle and Mashable—was flying high few years ago as the digital ad market looked promising and capital poured in. Traditional media companies were hungry to invest in these players, as they lost young audiences on the TV dial.

But the high valuations came with high expectations from investors: rapid revenue growth and the promise of lucrative exits one day via an initial public offering or sale.

"The rhetoric is about higher rates and tapering...but the reality is that government-bond yields and interest rates in Europe are extremely low and even negative in some places," said Mouhammed Choukeir, chief investment officer at Kleinwort Hambros.

"So you're going to see that continued search for yield overseas."

European government-bond yields haven't shifted significantly against their global peers since the ECB began changing its tone on tapering.

That is particularly so in the short-dated government bond market. German two-year bond yields are now 2.1 percentage points below U.S. two-year Treasury yields, a gap that has widened from 2 percentage points six months ago. That is partly because the Federal Reserve has already moved on tightening its own monetary policy. On Wednesday, Fed officials kept the door

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UBER

Continued from the prior page
tempts to set up meetings.

At the one meeting, officials told Uber they couldn't discuss the license renewal, Uber said. As a result, people close to Uber said the company is still in the dark about what it could do to address the authority's concerns.

A person close to London's mayor said Mr. Khan has consciously avoided meeting with any parties involved in the Uber case, including the company and black-cab unions, to stay out of what he considers a regulatory process.

Transport for London declined to comment beyond its statement on Friday. It cited the appeal process.

Uber's offer to negotiate is one of the strongest signals of a changing public stance from a company that is facing scandals, probes and board infighting—often brought on by allegations of an aggressive corporate culture.

Now the company is being forced to change its behavior in multiple arenas at once—its governance, how it treats its drivers, and its approach to-

ward local laws. "The truth is that there is a high cost to a bad reputation," said Chief Executive Dara Khosrowshahi in an email to staff about the London decision on Friday.

After a bad run of confrontations in Europe and Asia, the company in 2015 embarked on push to negotiate new deals with cities to create jobs in return for looser rules.

Later that year, after fierce opposition in France and other countries, the company reversed course in much of Europe to its service that uses drivers without professional licenses.

Since then, however, the company has continued to run into problems in multiple cities—including London—over questions of safety and the treatment of its drivers.

Like many car-hailing companies, Uber says its drivers are independent contractors, but some drivers say they should be entitled to some workers' rights, such as a minimum wage and sick pay. This week, Uber is expected to argue its appeal to a court ruling in London last fall that two of its drivers are entitled to workers' rights.

—Wiktor Szary contributed to this article.

BONDS

Continued from the prior page
open for a December interest-rate rise at the conclusion of their September meeting. Officials also said that they would begin shrinking the Fed's port-

folio of bonds in October.

"There is a good chance the ECB hasn't done any hikes by the end of 2018," said Mike Bell, global market strategist at J.P. Morgan Asset Management. "Whilst that gap between very low bond yields in the eurozone and somewhat higher global yields persists,

you could well see continued large foreign bond purchases."

All that could mean lower borrowing costs for Americans. In 2012, a Fed research paper estimated a \$100 billion rise in foreign official demand—from institutions such as central banks and sovereign-wealth funds—reduces

Bond Binge

European investors have stepped up their purchases of bonds issued outside the eurozone since the Continent began moving to negative interest rates three years ago.

€5 trillion



Since negative interest rates were introduced

the five-year Treasury yield by 0.4 to 0.6 percentage point in the short run.

Adding to the attraction of investing abroad for European investors: The cost of hedging their exposure to movements in foreign currencies has fallen this year.

A five-year cross-currency basis swap currently costs a European investor around 0.35 percentage point above interest rates—allowing them to borrow in dollars and hedge their risk—down from a peak of 0.56 percentage point last year.

Still, despite European investors buying their bonds abroad, the eurozone is now registering inflows in the equity market, a trend that some analysts don't see reversing soon.

Earnings have picked up in Europe, and compared with U.S. stocks, equities in the region are relatively cheap.

"Looking at the growth momentum and the economic reform story, we expect that to continue," said Jordan Rochester, strategist at Nomura.

HACK

Continued from the prior page
against commercial cyberespionage in 2015.

In June 2016, a delegation led by German Chancellor Angela Merkel flew to Beijing for talks on the matter. While Chinese officials led by Premier Li Keqiang told Ms. Merkel that Beijing would protect German companies' intellectual property in China, they didn't agree to stop hacking.

As Chinese attacks on U.S. companies have eased, Germany has become a bigger target, according to Nigel Inkster, senior adviser to the International Institute for Strategic Studies in London.

In a faxed statement, China's Ministry of Foreign Affairs said it was unaware of the German allegations but reiterated Beijing's official position that it "resolutely opposes" cyberhacking in every form.

"If the relevant parties have definitive evidence of hacking attacks, they can provide it to the Chinese side and we will handle it according to the law," the statement said. It added that, "baseless accusations and speculation are not only unprofessional, they also do nothing to solve the problem."

German companies lead the world in advanced-manufacturing patents, with 3,917 filed last year versus 1,410 by U.S. and 860 by Japanese companies, according to the World Intellectual Property Organization. The world's third-largest exporter spends 2.9% of gross domestic product on research and development, a higher percentage than the U.S. and the UK do, according to the most recent figures from the Organization for Economic Cooperation and Development.

Large multinationals can afford to protect their property. Not so the more than 3.5 million small and midsize businesses—known collectively as

the Mittelstand—that produce more than half of Germany's economic output and sell the tools, parts and components that power factories around the world, experts say.

"The ignorance at smaller firms is extreme," Alexander Dörsam, head of information-technology security at computer-security firm Antago GmbH said. "The founders of the company are often its leaders. They are older and don't understand the technology."

China has long fed its voracious appetite for German technology via Chinese regulations and directives that force foreign investors to share knowledge with local partners and by acquiring German businesses. But China's spy agencies have also joined the hunt, counterintelligence officials here say.

Deutsche Telekom AG, Germany's largest telecommunications company, said it detected 30,150 cyberattacks from China so far this month, with Russia the second-largest source at

7,661 attacks.

Chinese state-backed hacking of Western companies is conducted by the cyberwarfare units of the People's Liberation Army or China's Ministry of State Security intelligence agency, according to Western intelligence agencies and security companies.

Some 65% of German manufacturing and tech firms were hit by cyberattacks in 2016.

Chinese companies used to be able to direct the PLA or MSS to hack into Western competitors, according to James Lewis, director of the Strategic Technologies Program at the Center for Strategic and International Studies in Washington. In the wake of Beijing's crackdown on busi-

nesses using intelligence resources, companies can still put in a request for a target to be hacked but no longer can assign tasks to the teams directly, Mr. Lewis said.

Germany's domestic intelligence agency said in May it had evidence the APT-10 Chinese hacker group—also known as Menupass Team and Stone Panda—was behind a recent hacking campaign against German high-tech companies.

APT-10 has been active since 2009 when it started hacking U.S. military research institutions and companies, according to an April report by BAE Systems PLC and consulting firm PWC in collaboration with Britain's GCHQ intelligence agency. APT-10 has significant financial and human resources and was active during Chinese working hours, according to the report.

Intelligence officials in the South-German state of Baden-Württemberg in March said hackers likely controlled by

Chinese intelligence had penetrated in 2016 the systems of a Mittelstand manufacturer—a leading manufacturer in its field—injecting software to steal blueprints and other data.

Deepening economic ties between China and Germany make Berlin wary of confronting Beijing over the attacks, according to Nadège Rolland, a senior China analyst at the National Bureau of Asian Research in Washington. Exports to China, one of the fastest-growing markets for German goods, hit \$76 billion in 2016.

A spokesman for Germany's foreign ministry said Berlin often raises the issues of cyber-attacks and intellectual property with Beijing.

Berlin is offering to cover some of the cost of shielding Mittelstand firms from cyber-attacks. The economics ministry pays for consultants to visit smaller firms and plot countermeasures.

—Josh Chin contributed to this article.

BUSINESS WATCH



An employee inspected a rail car along the assembly line inside Alstom's train factory in Petite-Forêt, France, last year.

ALSTOM

Train Firm, Siemens Consider Rail Deal

German industrial giant Siemens AG and French train maker Alstom SA are in talks to create a European rail-transportation powerhouse to counter growing competition from China.

France's Alstom, which makes trains and buses, said Friday it was in talks to combine its operations with the mobility unit of Siemens. The German company confirmed the talks.

A combination would create a European transportation business with \$18 billion in annual sales. Alstom had sales of €7.3

billion (\$8.7 billion) in the financial year ended March 31. Siemens's mobility unit had €7.8 billion in revenue last year.

—Robert Wall and Ben Dummett

TELIA

Settlement Reached On Bribe Allegations

Telia Company AB agreed to pay nearly \$1 billion to U.S. and Dutch authorities to settle allegations that the Swedish telecommunications company and a subsidiary paid about \$331 million in bribes in Uzbekistan.

Telia, which is partly owned by the Swedish state, said the

resolution brings to an end all known corruption investigations into the company.

It remains part of a broader probe by U.S. authorities into corruption in Uzbekistan.

Telia agreed on Thursday to pay a total of \$965 million in penalties and fines, the criminal portion of which will be equally split between the U.S. and Dutch authorities.

—Samuel Rubenfeld

GENERAL MOTORS

Hundreds Face Layoffs at SUV Plant

General Motors Co. will lay off several hundred workers at a

Tennessee plant that makes sport-utility vehicles, a sign that the slowdown in the broader car market is spreading to SUVs.

GM notified employees at its Spring Hill, Tenn., assembly plant Friday that the company will lay off the overnight shift because of "moderating" sales of the two crossover SUV models built there. About 1,000 people work on that shift, though some might be able to transfer to other parts of the operation, which also makes engines and other components, a spokesman for GM said.

The factory makes the GMC Acadia and Cadillac XT5 crossover sport-utility vehicles.

—Mike Colias

TECHNOLOGY

WSJ.com/Tech



A Hindu holy man used the Paytm mobile-payment app to buy a book during a religious festival in Allahabad, India, in January.

Chinese Propel Mobile Pay

By NEWLEY PURNELL

NEW DELHI—Silicon Valley is home to the world's most influential consumer-tech companies, but China's online corporate titans are way ahead in the race to build mobile-payment services in many of the world's fastest-growing consumer markets.

China's digital-payments market, by far the world's largest, is dominated by e-commerce company **Alibaba Group Holding Ltd.** and social-media champ **Tencent Holdings Ltd.** Now the two are imparting money and know-how to mobile-money startups in other Asian markets.

As people across Asia increasingly move from cash to smartphone apps for buying goods and transferring money between individuals, U.S. companies are "still very focused on their home market," trying to increase usage there, said Shiv Putcha, an analyst at research firm IDC in Mumbai.

QR codes are used widely by smartphone owners in China to pay bills and make purchases in shops and at vending machines, contributing to a \$9 trillion mobile-payment market last year, according to iResearch. That is almost 90 times the size of the U.S. mobile-payment market of

No Contest

When it comes to mobile payments, China dwarfs the U.S.

U.S.
2016
\$112 billion

2011
\$8.3 billion

China
2016
\$9 trillion

2011
\$15 billion

Sources: iResearch (China); Forrester (U.S.)
THE WALL STREET JOURNAL.

\$112 billion, according to data from research firm Forrester.

Two payment platforms—Alibaba-backed Alipay and Tencent's Tenpay—handle some 90% of China's online payments by transaction value, iResearch says. As China's market matures, Alibaba and Tencent are chasing growth overseas, helping local startups in emerging markets run mobile-money systems that don't require plastic.

Chinese investors supplied the bulk of \$2.7 billion in funding to Asian financial-technology startups in the second quarter of 2017, according to research firm CB Insights. Their experience in China and technical savvy might prove even more valuable.

As in China, merchants in

many emerging markets lack point-of-sale machines needed to process payments via Apple Inc.'s Apple Pay and Alphabet Inc.'s Android Pay. Meanwhile, few consumers in these markets have credit or debit cards to make payments.

Executives at India's largest mobile-payment app, Paytm, drew inspiration from Alibaba, one of its main funders. Paytm's chief financial officer, Madhur Deora, said his company benefits from frequent meetings with senior Alibaba executives. Paytm staff travel to Alibaba's offices in China and vice versa.

"We exchange thoughts on design and product," Mr. Deora said, referring to the way apps appear on smartphone screens and how services can

increase user engagement.

Mr. Deora and his colleagues had noted Alibaba was offering users of its app access to online money-market funds, so the Indian company decided to riff on that product.

The result is a savings product that Paytm's more than 225 million users in India can use to purchase portions of gold bars through the platform—an idea designed to appeal to consumers accustomed to storing wealth in the precious metal.

When India's government last year suddenly canceled 86% of currency in circulation to clamp down on corruption and tax evasion, Paytm swooped in.

It bombarded India's merchants—the vast majority of which don't accept credit cards because they lack swiping machines—with stickers bearing the Paytm logo and QR codes. The service's user numbers skyrocketed.

Now, Paytm is used in India to pay for items from roadside hawkers, rides from auto rickshaws and more. Sellers don't need special gadgets beyond the QR code, which transfers money from a buyer's mobile account into the vendor's.

Paytm added to its heft in May, raising \$1.4 billion from Japan's **SoftBank Group Corp.**

Facebook Drops Plan to Change Share Structure

By DEEPA SEETHARAMAN
AND SARAH E. NEEDLEMAN

Facebook Inc. on Friday abruptly abandoned a plan to change its stock structure that would have given Chief Executive Mark Zuckerberg more control, the latest in a string of reversals by the social-media giant as it fends off controversies on several fronts.

The about-face heads off a public trial for a lawsuit filed against Facebook by shareholders who claimed that conflicts of interest and other behind-the-scenes discussions tainted a board decision to approve the creation of a new class of shares.

The share restructuring was aimed at ensuring Mr. Zuckerberg's continued control of Facebook even as he planned to give away 99% of his family's wealth over his lifetime.

Mr. Zuckerberg had been scheduled to take the stand in that trial at Delaware's Chancery Court on Tuesday, in a hearing that was due to open to the public.

A lawyer for the plaintiffs, Stuart Grant, said he expects the case to now be dismissed. Facebook's decision is "all the relief we asked for," Mr. Grant said. "It's a complete win."

The reversal fits an increasingly common pattern for Facebook, which has repeatedly had to alter its position in the wake of public criticism over how it manages its powerful global platform.

On Thursday, Mr. Zuckerberg said Facebook would provide congressional investigators with details of 3,000 ads bought by Russians during the U.S. presidential election, responding to pressure from lawmakers and others that it wasn't forthcoming enough about how foreign entities used its platform to influence political discourse during the election.

That came after Facebook Chief Operating Officer Sheryl Sandberg said last week that the company is adding more human reviewers to oversee its ad-targeting system after a report showed it was possible for advertisers to target ads to users interested in anti-Semitic and other hateful topics.

And Mr. Zuckerberg was initially dismissive of concerns

about the proliferation of false and misleading news spread on Facebook during the U.S. presidential campaign last year—only to reverse himself and announce measures to try to curb such misinformation.

Mr. Zuckerberg, whose fortune is estimated at \$71 billion, said he doesn't need the change in shareholding structure because Facebook's stock has risen so much that he can fund his for-profit philanthropic organization, the Chan Zuckerberg Initiative, for at least 20 years by selling his existing stock without losing control.

Facebook shares have risen more than 50% since April 2016, when the plan was first announced.

Mr. Zuckerberg acknowledged that his plan to change from a two-class to a three-



CEO Mark Zuckerberg

class share structure "was going to be complicated and it wasn't a perfect solution. Today I think we have a better one."

In a blog post, Mr. Zuckerberg said he plans to accelerate the sale of shares to fund the Chan Zuckerberg Initiative, an entity that allows him to donate to charitable causes and invest in companies that further a global mission.

Limiting Mr. Zuckerberg's ability to gain more control over Facebook goes against the tightening grip other tech founders have exerted on their companies. Google, now **Alphabet Inc.**, started issuing a third class of nonvoting shares in 2014. Google was sued over the decision, ultimately settling with investors.

iPhone Shoppers Consider Options

When new iPhones hit the market, they usually fly off the shelves. But with the two models that began selling Friday, there are signs demand is

By Tripp Mickle
in San Francisco
and Yoko Kubota
in Beijing

tepid—and some analysts say that could be a good thing for **Apple Inc.**

The paradox arises from Apple's unusual lineup this year. It includes the iPhone 8 and 8 Plus that arrived Friday, plus the far pricier and advanced iPhone X scheduled to arrive six weeks later, which many Apple investors expect to be this year's blockbuster.

Any sluggishness in iPhone 8 sales could signal more appetite for the iPhone X, said Katy Huberty, an analyst with Morgan Stanley. "From a financial standpoint, that's the best outcome" for Apple, she said, because the more expensive, higher-margin model would boost revenue and profits.

The trio of phones has created confusion for some long-time customers. Jeremy Kirkland, a 32-year-old marketer from Brooklyn, N.Y., woke at 2:45 a.m. on Sept. 15—when Apple started allowing preorders—to buy an iPhone 8 Plus. But he canceled his order on Tuesday after reading a critical review of the device. He now plans to wait for the iPhone X.

In Beijing, lines were short at the Apple Store in the city's Sanlitun district, where the new iPhone 8s went on sale Friday morning.

Several of those picking up the new handset said they

didn't think the iPhone X would be worth the wait.

"The new features of the iPhone X are fresh, but not attractive enough for me to feel that I have to own it no matter what," said Yang Zheng, a 30-year-old working in the education industry who paid \$1,200 for his iPhone 8 Plus. (The phone starts at \$799 in the U.S. but costs more in China because of a value-added tax.)

Much of Apple's performance over the next year will be determined by iPhone demand in China. Sales there have slumped over the past six quarters as local, low-price manufacturers have cut into Apple's market share.

Still, Apple has its Chinese fans. Some of the customers in Beijing on Friday took photos and videos of the new phones going on sale.

In France, Florian Burnat said he buys a new iPhone every year. The 33-year-old lawyer opted for the iPhone 8, picking it up at the Apple store next to the Louvre museum in Paris. "I didn't go for the iPhone X because it is just too expensive," he said. "I'd rather just wait for the new features to appear in other models."

Strong sales of all three new iPhone models would be the best scenario for Apple. And there are risks in banking too much on the iPhone X. The phone, which features facial-recognition technology and a larger, edge-to-edge display, was beset by production problems this summer. It is unclear how many will be available when the iPhone X ships on Nov. 3.

—Yang Jie in Beijing
and Sam Schechner in Paris
contributed to this article.

MIMS

Continued from page B1
laws passed by 48 different states, yet none have been strong enough to get companies—wary of increased costs and hits to their reputations—in line. Newly proposed federal regulations could be, if they can get bipartisan support.

"Equifax has had a very poor response and I'm disappointed in them," says Rep. Jim Langevin (D., R.I.), one of the members of Congress behind the new regulatory push. "As good corporate citizens I believe Equifax owes much more transparency to consumers."

Equifax didn't respond to requests for comment.

Many firms share information with each other through cybersecurity back-channels, but participation is entirely voluntary. That is one reason the European Union passed the General Data Protection Regulation, going into effect in May 2018, which will force companies that do business in the EU and the U.K. to promptly disclose when personal data is breached.

Lawmakers in the U.S. are urging Congress to follow suit. Rep. Langevin reintroduced the Personal Data Notification and Protection Act, first proposed by President Obama in 2015. Co-sponsors include Rep. Ted Lieu (D., Calif.) and Rep. Carol Shea-Porter (D., N.H.). All three are members of the bipartisan Congressional Cybersecurity Caucus.

Meanwhile, Republican lawmakers are gearing up for hearings that will surely include grilling Equifax executives, but have yet to call for regulations. House Energy and Commerce Committee

Chairman Greg Walden (R., Ore.) has said that until those fact-finding hearings are complete, he doesn't want to pre-emptively put forward legislation.

Many companies and analysts object to proposed legislation, in part because they believe that should it come to pass, companies would prioritize compliance—following the letter of the law and appearing to do the right thing—rather than actually dealing with the fast-moving problem of cybersecurity, says Andrea O'Sullivan, program manager

tee Chairman Greg Walden (R., Ore.) has said that until those fact-finding hearings are complete, he doesn't want to pre-emptively put forward legislation.

Companies don't want to

be embarrassed or face the increased costs of having to disclose when people's data is leaked, and there is also a concern that should companies be forced to report every breach, it could lead to "data breach fatigue," where regulators are overwhelmed and the public throws up its hands at a problem that feels too pervasive to fix. (One could argue we're already past that point.)

Transparency could actually give companies herd immunity

Existing voluntary breach reporting systems allow companies to share data on the nature of cyberattacks as soon as they occur. If reporting were mandatory, more companies could be quicker to defend against new attack vectors and new bad actors.

And, needless to say, strong cybersecurity is quickly becoming a selling point for savvy financial businesses.

Even regulation-averse politicians have cause to support a data-breach disclosure law at the federal level, says Rep. Langevin. It would simplify the issue for businesses by pre-



empting the patchwork of 48 state laws, dating to 2003, that currently govern what companies have to do in the event of a breach of personal data.

Rep. Langevin argues that had it been in place already, the Personal Data Notification and Protection Act would have had a direct impact in the case of the Equifax hack, and in previous hacks that inspired the bill.

Under this proposed legislation, Equifax would have had to disclose its breach within 30 days—not the six weeks it took—to the FTC and the Department of Homeland Security, which would become

central clearinghouses for breach information.

Companies that fail to meet the requirements would face a raft of penalties, including fines of as much as \$1 million per violation. They would be liable for civil penalties in lawsuits from states' attorneys general, with no limit on the damages that could be recovered if a company is found to have acted willfully or intentionally.

Even absent such efforts at the federal level, the coming EU regulations will force many large U.S. companies to get better at cybersecurity and, more important, improve their data collection and storage policies, says Charlie Wedin, a partner at international law firm Osborne Clarke. "What compulsory breach notification is doing is putting this on the board agenda, and they're focusing on this like never before," he says.

What we really need to do is start treating data safety with the same seriousness we apply to airplane and automobile safety.

This could happen with a one-two punch of regulatory and market-based solutions. Forced to buy car insurance, we make certain economic decisions about how, what and when we drive. Meanwhile, seat-belt laws have saved millions of lives. Along these same lines, mandatory disclosure would force companies to think more about their security in the first place—and even consider buying cyber insurance. And damage done by irresponsible companies could be minimized.

When Equifax was breached, hackers got birth dates, Social Security numbers and other hard facts about most of us. These data have the power to ruin our financial lives, so it is time we all took interest in its protection.

Brexit Uncertainty Crimps Investment Plans

Looming split from EU leads some companies to change or postpone U.K. projects

BY NINA TRENTMANN

JOHN NEILL IS FACING some tough decisions.

The chairman of **Unipart Group** Ltd., a closely held logistics, manufacturing and consulting firm in Oxford, England, with annual revenue of \$1 billion, is about to decide on his capital-spending plans for the next five to 10 years.

But Britain's planned exit from the European Union is making that task more challenging. "We haven't made that decision yet, and it has been made more difficult by the uncertainty," Mr. Neill says.

Fifteen months after the June 2016 Brexit vote, many British and international companies say they lack crucial information about the future relationship between the U.K. and the EU, one of its most important trading partners. As a result, some have delayed spending decisions or changed their U.K. investment plans.

According to the Office of National Statistics, business investment by British companies and local subsidiaries of multinationals was broadly unchanged in the second quarter from a year earlier, at £43.8 billion, or approximately \$59.2 billion.

Lower forecast

But Mark Carney, governor of the Bank of England, warned last month that uncertainty about the country's relationship with the EU is weighing on business investment. The central bank says it now expects investment in the U.K. economy to be 20% lower in 2020 than what it had been forecasting before the referendum.

The British Chambers of Commerce, which represents more than 75,000 businesses in the U.K., says investment by some of its member companies has declined, especially in the service sector, the backbone of the British economy.

"We see subdued business investment, across the board," says Suren Thiru, head of economics at the BCC.

In the car industry, production investment declined to £1.6 billion in 2016 after averaging around £2.5 billion annually in previous years, according to the Society of Motor Manufacturers and Traders, an industry body. In the first six months of this year, less than £500 million has been committed.

"Companies are waiting for the outcome of the [Brexit] negotiations," says Terry Scuoler, head of the EEF, a British manufacturers' association.

Some businesses, however, are taking a more proactive approach.

Greg McDonald, founder of **Goodfish Group** Ltd., which makes machines and injection-molded parts for the car industry, is setting up a plant in Slovakia that he expects to be operational in 2019. His three U.K. factories might soon be outside the EU's single market and customs union, Mr. McDonald says, so he decided to follow some of his customers to Eastern Europe.

"I have invested too much money to wait and see what is happening," Mr. McDonald says. He plans to invest around £2 million in the new site—money that without Brexit he says he likely would have spent in the U.K.

For some companies, looking outside the U.K. isn't an option. "Our brand stands for Britishness," says Andy Palmer, chief executive of **Aston Martin Lagonda** Ltd., an auto maker based in Gaydon, England. "Making the car somewhere else could alienate some of our customers."

Yet Brexit may affect the car maker's investment decisions in other ways, he says. Two months before the referendum, Aston Martin announced plans to spend £500



MATTHEW LLOYD/BLOOMBERG NEWS

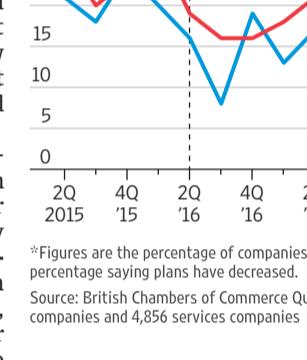
A Siemens unit put off plans to expand output of wind-turbine blades in Hull, England, for export to Europe and other countries.

Brexit Effect?

The net percentage* of surveyed British companies saying their investment plans for plant and machinery or training have increased

■ Plant & machinery ■ Training

Manufacturing companies



*Figures are the percentage of companies saying investment plans have increased minus the percentage saying plans have decreased.

Source: British Chambers of Commerce Quarterly Economic Survey, 1,878 manufacturing companies and 4,856 services companies

Services companies



THE WALL STREET JOURNAL.

England to export to Europe and other countries. That plan has been postponed until there is more clarity on Brexit, a spokeswoman says.

Of course, not all companies are willing to speak openly about their investment plans in the wake of Brexit, says Ulrich Hoppe, director general of the German-British Chamber of Industry & Commerce in London. "Many firms keep a low profile," he says. "Brexit plays a role, but companies don't necessarily want to talk about it."

Too soon to tell

Other firms simply state the obvious: that it is just too early to tell how Brexit will affect them. "We simply don't know what the impact of Brexit will be," says Richard John Carter, managing director for the U.K. and Ireland at German chemical company **BASF SE**, though he concedes the referendum hasn't helped him in discussions with the board in Germany.

The U.K. government recently asked big companies to sign an open letter in support of its Brexit strategy—the let-

ter was leaked to the press after some businesses refused to sign it—and says a decision by **BMW AG** to manufacture a new electric Mini at an existing plant in Oxford is proof that investing in the U.K. remains attractive.

And indeed, in a few instances, the Brexit vote has led to U.K. investments that might not have happened otherwise. Ciaran Murtagh, managing director of Irish firm **Shay Murtagh Precast Ltd.**, a maker of precast concrete products, bought a factory near Derby, England, for £4.5 million after the Brexit vote. Mr. Murtagh says he plans to invest an additional £2 million in the coming 18 months.

Because the U.K. is his most important market, he didn't want to risk losing out in case of potential trade barriers between Ireland and the U.K., he says. "We bought the factory because of Brexit," he says.

Ms. Trentmann is a news editor for **CFO Journal** in London. Email her at nina.trentmann@wsj.com.

Gap in China's Economy: Consumer Credit Ratings

Lack of recognized single standard limits growth of borrowing among nation's rising middle class

BY CHUIN-WEI YAP

SAUL FINE, a Tel Aviv-based psychologist, used to help Israel's military develop personality and integrity tests for its soldiers. Now, he's helping a small Chinese financial-technology company conduct tests of consumers' fitness as borrowers.

Mr. Fine's work with Beijing-based **Finup Credit** Co. is part of a scramble to plug a gap in China: The world's sec-

global standards, at about 44% of gross domestic product, and the absence of a widely used standard of creditworthiness is keeping consumer borrowing from growing even faster, hampering access to credit for some 500 million potential borrowers.

That's not good for China's economy, as the government looks to consumer spending to provide more of the fuel for growth. And, as a rash of online lenders mushroom to fill the void left by state banks that won't lend to most consumers, regulators say a viable credit-scoring system is increasingly critical as a safeguard against the risk of widespread defaults.

No lack of trying

China's central bank has sought for nearly three years to put in place an answer to the FICO credit-scoring system predominant in the U.S., created in 1989 by data firm Fair Isaac Corp. A viable system still eludes Chinese officials.

Technology giants **Ant Financial Services Group** and **Tencent Holdings Ltd.**, along with several smaller companies, are developing competing credit-rating systems. Tencent began testing its system in August, two years after Ant, an affiliate of e-commerce giant **Alibaba Group Holding Ltd.**, launched its Sesame Credit personal scores.

But none of these projects has emerged as a single standard that's widely used and trusted by lenders nationwide. And detractors say some don't genuinely gauge creditworthiness but rather are designed mainly as lures to get consumers to use e-commerce sites where higher scores earn shoppers discounts and other perks.

"These firms have great

scope to mine data on consumer behavior, but they don't answer a basic question: Is this person creditworthy and to what degree?" says Zane Wang, chief executive officer of online lending platform **China Rapid Finance Ltd.**

"What you get with FICO is the legitimacy of a company that's been doing this for 50-odd years," says Tony Lythgoe, a financial-infrastructure consultant previously with the World Bank Group. "The trust it gets is what sets it apart. That's what the Chinese businesses don't have."

Mr. Lythgoe says he isn't particularly fazed by the recent massive data breach at Equifax, one of the big U.S. credit-reporting companies. "To my mind the data breaches are inevitable when you have such a high profile," he says. "I think what sets the established players apart is, ironically, their transparency. I am not so sure that if something similar was to happen in China we would find out about it quite so quickly."

Chinese regulators in January 2015 invited eight companies, including Ant and Tencent, to design the commercial component of a "social credit" system the Communist Party has said it wants to put in place nationwide by 2020. The system would assign scores to people—based on both financial and social activity, from loan repayment to shopping habits and volunteer activity—that would affect their access to credit and to various government services.

But so far, no company has been licensed to develop the commercial portion of the system.

"A license can't be issued as none of the eight so far has met the standards for the per-

sonal-credit preparatory work," Wan Cunzhi, head of credit regulation at the People's Bank of China, said in April. The central bank didn't respond to requests for comment for this article.

Regulators in March set up a new clearinghouse, Wanlian, to centralize the processing of online payments. Analysts say the government-controlled agency, by making payment platforms share transaction information, could pave the way for a national credit-scoring system.

Meanwhile, Ant's Sesame Credit has a head start on its competition. Launched in 2015, Sesame derives a person's credit score—which the individual can view on Ant's popular Alipay payment platform—by mining data on the consumer's e-commerce activity and other online behavior. Higher ratings confer perks such as waived deposits at some hotels and faster security screening at Beijing's airport.

Tencent completed tests on its system in early August, though the company is taking a more cautious approach, a person familiar with the matter says. There's no certainty

internally if its scores, which are based more on users' social-media interaction than on e-commerce activity, would be more reliable than other systems, the person says.

There are small credit bureaus in major cities including Beijing and Shanghai, but they have never gained traction and often lack access to borrowers' financial data. Such bureaus reach only a third of Chinese borrowers, compared with 90% of borrowers in the U.S. reached by credit bureaus there, according to consulting firm Oliver Wyman.

Accuracy concerns

Some experts are concerned about the accuracy and privacy of the data used to generate credit scores in China, as well as the lack of a clear process to challenge scores and have them redressed.

"Without independent validation of the models or the right to challenge and address the underlying data, Chinese citizens are at risk of inappropriate discrimination," Mr. Lythgoe says.

But lenders, borrowers and credit-scoring developers are all pressing ahead.

In November last year, Liu Qi, Finup Credit's chief executive officer, struck up a friendship with Mr. Fine at an industry conference in New York. Mr. Liu saw in him a key to Chinese markets.

In May, Finup launched tests designed by Mr. Fine, giving its customers a means to estimate the likelihood of default among borrowers. "We've taken note of the work done by various payment platforms, but we're also developing our own way," Mr. Liu says.

When Cai Kaining, a 52-year-old Shanghai state employee, wanted a home-renovation loan earlier this year, he turned to his smartphone. It took him one meeting with a Finup representative and a 10-minute questionnaire—designed by Mr. Fine—to get a 110,000 yuan (\$16,500) loan.

"I wasn't even sure I wanted to borrow," Mr. Cai says. "But it was so convenient that I did."

Mr. Yap is a Wall Street Journal reporter in Hong Kong. He can be reached at chuin-wei.yap@wsj.com. Alyssa Abkowitz in Beijing contributed to this article.



China is looking to consumer spending for growth, but household debt is low by global standards.

LIU JIN/AFP/GETTY IMAGES

ond-largest economy doesn't have a widely accepted system to gauge creditworthiness among a fast-expanding middle class with growing paychecks, a hunger for consumer products and little or no credit history.

Chinese household debt is growing rapidly, outpacing broad credit growth every year since 2013 and reaching 38 trillion yuan (\$5.7 trillion) by the end of the second quarter of this year. But household debt remains relatively low by

FINANCE & MARKETS

SEC Breach Stirs Fears on New Database

Some say the audit system would contain sensitive and lucrative information for hackers

The breach of the Securities and Exchange Commission is stoking doubts about a vast database of trades that the agency has touted as a defense

By Alexander Osipovich,
Dave Michaels
and Kate Fazzini

against episodes like the 2010 "Flash Crash" but is coming under fire as a hacking risk.

The Consolidated Audit Trail, or CAT, would keep track of every trade and order in U.S. stock and option markets, and is designed to help the SEC analyze complex market events and detect manipulation. The CAT will begin receiving data from stock exchanges in November

following a multiyear push by the SEC, which approved the plan last year.

Critics have argued that if the detailed information reported to the database falls into the wrong hands, it could be used to reconstruct the most lucrative and closely guarded trades of hedge funds and other big investors.

The program is an ambitious, expensive and not universally popular undertaking that is coming under renewed scrutiny after the agency was caught off guard by the breach of its corporate filings system, known as Edgar.

"This data can be used to reverse-engineer highly profitable trading strategies," Michael Friedman, general counsel of **Trillium Management** LLC, a New York-based electronic trading firm. "It is worth tens of millions to the quant firms and other proprietary trading firms who create it, and they keep it under lock



SEC Chairman Jay Clayton has acknowledged concerns of hacking.

and key."

The New York Stock Exchange recently lobbied Capitol Hill to delay the CAT's launch, say people familiar with the matter. The exchange says it still supports the project but thinks the SEC should consider scaling back the

amount of customer data kept in the repository.

"The existence of such a vast collection of [personal information] of individual customers of U.S. brokerage firms creates a risk to those customers that, we believe, has not been sufficiently considered,"

the NYSE wrote in a letter shared with Capitol Hill staff that was reviewed by The Wall Street Journal.

SEC Chairman Jay Clayton has acknowledged that the CAT raises hacking concerns. In the same statement on Wednesday in which he disclosed the breach of the agency's filings system, he wrote that the CAT would give the SEC "access to significant, nonpublic, market sensitive data and personally identifiable information."

"Cybersecurity has been and will remain a key element in the development of CAT systems," he added.

An SEC spokeswoman declined to comment.

Executives of the company that was picked to build the CAT say they have designed robust cybersecurity defenses. The data is encrypted both while it is sitting in the repository and when it is being sent between different parties.

The CAT will receive data on roughly 58 billion daily transactions submitted to exchanges and private trading venues operated by brokerage firms. "One of the reasons we won the CAT is because of the deep expertise of our management team in data security," said Shane Swanson, chief compliance officer of Thesys CAT LLC, a subsidiary of **TheSys Technologies** LLC.

Lobbying groups representing financial firms have criticized the plan to create the giant database, which they say would bring additional costs.

"There's going to be heightened attention to the question of securing financial information from cyberrisk," said Kirsten Wegner, chief executive of Modern Markets Initiative, a group that lobbies on behalf of high-frequency trading firms. "I don't think this should be a reason to stop the CAT, but it's a question that's going to be raised."

THE INTELLIGENT INVESTOR | By Jason Zweig

Bonds or Stocks? Picking the Less-Expensive Evil

Bonds have been in a bull market for most of the past 35 years or so. Many investors are still buying, but they aren't chasing past performance.

In August, more than 90% of the \$30 billion that flowed into all mutual funds and exchange-traded funds went into taxable-bond funds.

Yet the bond market has squeezed out only a 3% return this year, according to one gauge, while the S&P 500 is up more than 13%, including dividends.

Look at the money pouring into such funds as the iShares 20+ Year Treasury Bond ETF, which holds government debt maturing between 2036 and 2047.

Through Sept. 20, this fund has had the strongest monthly, quarterly and year-to-date influx of money in its 15-year history. Investors have added \$4.4 billion this year and \$2.7 billion in September alone; the fund has nearly doubled in size, to \$9.9 billion, since the end of February.

Fund investors are notorious for buying whatever has recently had hot returns, often right before it goes cold. If you map the performance of bonds against the money going into and out of bond funds over the past couple of decades, you can see the public chronically—almost addictively—buying after bond prices have shot up and selling after a drop.

What is happening now is the opposite. Investors seem to be moving from stocks, the hot asset, to bonds, the cold one.

Over the past year, long-term Treasury bonds have lost more than 4%, and the overall bond market has delivered a gain of less than 1%, counting interest payments.

What's more, at this past week's Federal Reserve pol-



CHRISTOPHE VORLET

icy meeting, officials left open the possibility of another interest-rate rise by year-end and lowered their forecast of rates over the longer run from 3% to 2.75%.

So why are investors buying bond funds hand over fist?

The figures commonly cited to show how much money the public puts into or takes out of mutual funds don't include any income from such funds that investors plow back into their accounts. Through July, according to the Investment Company Institute, those reinvested dividends totaled nearly \$51 billion.

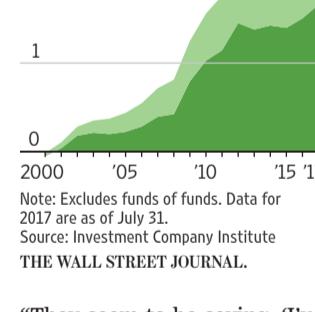
Instead of sporadically spending that income, investors are automatically putting it back in. Over time, that raises their stake in bonds, providing more balance if the stock market becomes turbulent.

A "healthy mix of institutional and retail investors" have been buying the iShares long-term Treasury fund, says Karen Schenone, fixed-income strategist at the firm.

Bonding

Counting the income they've plowed back in, investors have put trillions of dollars into bond funds.

Cumulative flows to bond mutual funds



Note: Excludes funds of funds. Data for 2017 are as of July 31.

Source: Investment Company Institute

THE WALL STREET JOURNAL

says Van Hoisington, lead manager for the \$363 million Wasatch-Hoisington U.S. Treasury Fund. "Maybe the average, supposedly unsophisticated investor is right."

Fran Kinniry, an investment strategist at **Vanguard Group**, points out that U.S. stocks have more than tripled since the financial crisis. So an investor who had 60% in stocks and 40% in bonds then would have more than 75% in stocks now.

Stocks have done so well that bond funds are only about 25% of investors' total portfolios, down from 31% in 2012, according to the ICI.

Getting those ratios back into balance requires buying a lot more bonds.

"Back in the late 1990s, investors were very momentum-based, buying stocks and selling bonds," says Mr. Kinniry. "But now, here we are in the midst of this giant bull market for stocks, and I love seeing that investors are buying bonds instead."

Yes, many long-term bond funds will fall in price by 15% or more on a rise in interest

rates of just 1 percentage point. For the most part, though, investors aren't buying riskier vehicles like emerging-market bond funds or high-yield corporate funds.

Instead, hordes of retirees and near-retirees are moving into more-conservative investment-grade and government funds with lower risk of default and moderate sensitivity to rising interest rates.

And with the S&P 500 brushing highs and interest rates too low for bond funds to provide generous income, neither stocks nor bonds look particularly attractive.

During the financial crisis, however, high-quality bonds like Treasurys were one of the few assets that did well when stocks got trashed.

Government bonds "have continued to be the strongest flight-to-quality asset," says Mr. Kinniry, and remain likely to do well in future stock-market crashes unless interest rates unexpectedly rise at the same time. For many investors, bonds feel like the lesser of two evils.

Win for BlackRock Is Setback for ETF Investors

BY SARAH KROUSE

Investors could have a harder time suing exchange-traded-fund managers for misrepresenting risks following a California court decision in favor of **BlackRock Inc.**

A group of investors who lost money during a wild day of ETF trading in 2015 accused BlackRock's iShares unit of leaving out certain warnings about what could go wrong in fund documents. BlackRock said in court documents that its warnings were adequate.

Because of the way ETF shares are created and sold, those investors were unable to link their holdings to a specific registration statement that they said misrepresented certain risks and therefore couldn't sue, according to San Francisco Superior Court Judge Curtis E.A. Karnow.

In his ruling Sept. 18, the judge said investors who purchase securities after they are

first issued are unable to sue under a specific section of securities law.

The case showcases the evolving legal infrastructure surrounding the ETF market, according to fund lawyers. Globally, ETFs hold \$4.2 trillion in assets, up from less than a trillion a decade ago.

California court ruling favoring fund firm highlights legal landscape for ETFs.

If the decision stands, "no retail investor will ever be able to sue for a false registration statement or prospectus" for ETFs, said Reed Kathrein, an attorney for the investors at Hagens Berman Sobol Shapiro LLP.

While ETFs share similari-

ties with mutual funds, their mechanics are subject to different rules. ETFs trade on exchanges like stocks and typically track the performance of indexes. They have some tax and trading advantages over mutual funds and have pulled in hundreds of billions of dollars in cash in recent years.

But the same structure that has made ETFs popular also makes it impossible for individual investors to track when the shares they own were issued and for fund providers to see who owns them in real time, industry experts and lawyers say. Shares of mutual funds are purchased from fund managers themselves.

ETF providers first create and redeem shares in their funds in large blocks with so-called authorized participants in exchange for baskets of securities. Shares are then sold to individual investors.

The investors who sued BlackRock lost money on Aug.

24, 2015, when large share-price declines triggered trading halts and dozens of ETFs traded at sharp discounts to the sum of their holdings.

Those investors alleged in part that BlackRock failed to clearly state the risks of buying and selling ETFs using particular order types, even though the firm had known for years that such risks existed.

BlackRock successfully argued that retail investors bringing the case must be able

to link their shares to registration statements that were misleading when shares were first issued to authorized participants. That, however, isn't possible, BlackRock said.

ETF shares are "fungible and cannot be traced by plaintiffs to any other particular registration statement or amendment thereto, much less one that was materially false and misleading when the shares were first sold in the primary market," it said.

During the financial crisis, however, high-quality bonds like Treasurys were one of the few assets that did well when stocks got trashed.

Government bonds "have continued to be the strongest flight-to-quality asset," says Mr. Kinniry, and remain likely to do well in future stock-market crashes unless interest rates unexpectedly rise at the same time. For many investors, bonds feel like the lesser of two evils.

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MARKETS DIGEST

Data as of Friday, September 22, 2017

Nikkei 225 Index

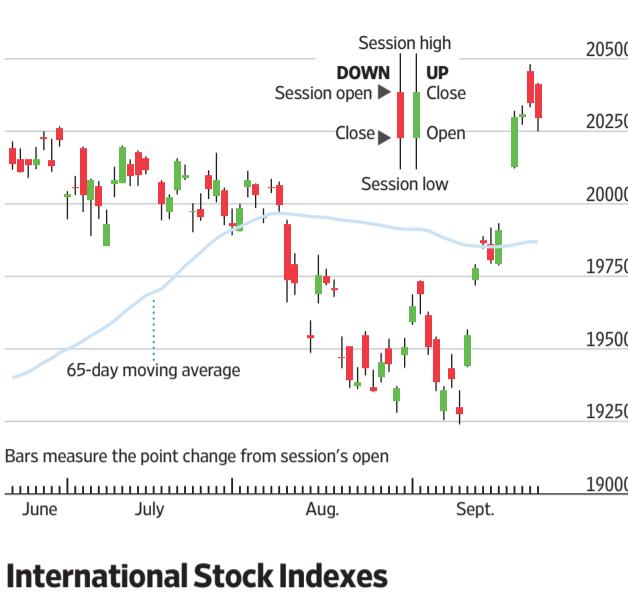
20294.65 ▼ 51.03, or 0.25%

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

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

20347.48
16251.54
38915.87 12/29/89

▲ 6.18%



Bars measure the point change from session's open

June July Aug. Sept.

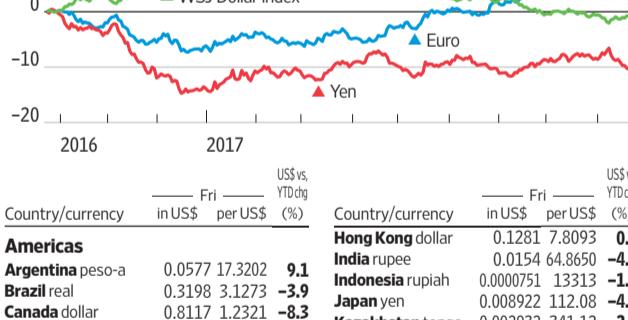
International Stock Indexes

Region/Country	Index	Data as of 4 p.m. New York time					
		Close	Net Chg	% chg	52-Week Range	YTD High	% chg
World	The Global Dow	2909.74	5.01	▲ 0.17	2390.11	2914.34	14.9
	MSCI EAFE	1977.61	8.35	▲ 0.42	1614.17	1981.49	17.4
	MSCI EM USD	1102.25	-5.94	-0.54	838.96	1112.92	27.8
Americas	DJ Americas	604.74	0.66	▲ 0.11	503.67	605.95	11.9
Brazil	Sao Paulo Bovespa	75389.75	-214.59	-0.28	57110.99	76004.15	25.2
Canada	S&P/TSX Comp	15454.23	-0.69	-0.004	14509.25	15922.37	1.1
Mexico	IPC All-Share	50313.51	-232.24	-0.46	44364.17	51713.38	10.2
Chile	Santiago IPSA	4015.83	0.51	▲ 0.01	3127.54	4015.83	24.6
U.S.	DJIA	22349.59	-9.64	-0.04	17888.28	22412.59	13.1
	Nasdaq Composite	6426.92	4.23	▲ 0.07	5046.37	6461.32	19.4
	S&P 500	2502.22	1.62	▲ 0.06	2085.18	2508.24	11.8
	CBOE Volatility	9.59	-0.08	-0.83	9.36	22.51	-31.7
EMEA	Stoxx Europe 600	383.22	0.34	▲ 0.09	328.80	396.45	6.0
	Stoxx Europe 50	3126.02	3.47	▲ 0.11	2730.05	3276.11	3.8
Austria	ATX	3305.97	9.11	▲ 0.28	2371.66	3305.97	26.3
Belgium	Bel-20	3957.96	-10.71	-0.27	3426.21	4041.03	9.7
France	CAC 40	5281.29	14.00	▲ 0.27	4377.46	5432.40	8.6
Germany	DAX	12592.35	-7.68	-0.06	10259.13	12888.95	9.7
Greece	ATG	773.94	7.95	▲ 1.04	562.40	858.08	20.2
Hungary	BUX	38178.63	69.42	▲ 0.18	27476.40	38387.22	19.3
Israel	Tel Aviv	1419.90	...	Closed	1363.50	1478.96	-3.5
Italy	FTSE MIB	22530.83	39.10	▲ 0.17	16134.71	22503.83	17.1
Netherlands	AEX	528.03	-0.44	-0.08	440.51	536.26	9.3
Poland	WIG	64397.32	188.13	▲ 0.29	46910.91	65208.48	24.4
Russia	RTS Index	1123.24	3.11	▲ 0.28	960.32	1195.61	-2.5
Spain	IBEX 35	10305.00	8.00	▲ 0.08	8607.10	11135.40	10.2
Sweden	SX All Share	573.73	1.52	▲ 0.27	496.66	596.72	7.3
Switzerland	Swiss Market	9136.72	2.59	▲ 0.03	7593.20	9176.99	11.2
South Africa	Johannesburg All Share	55839.73	-27.61	-0.05	48935.90	56655.88	10.2
Turkey	BIST 100	104122.85	121.65	▲ 0.12	72519.85	110423.11	33.3
U.K.	FTSE 100	7310.64	46.74	▲ 0.64	6693.26	7547.63	2.3
Asia-Pacific	S&P/ASX 200	5682.10	26.70	▲ 0.47	5156.60	5956.50	0.3
China	Shanghai Composite	3352.53	-5.28	-0.16	2980.43	3385.39	8.0
Hong Kong	Hang Seng	27880.53	-229.80	-0.82	21574.76	28159.77	26.7
India	S&P BSE Sensex	31922.44	-447.60	-1.38	25765.14	32575.17	19.9
Japan	Nikkei Stock Avg	20296.45	-51.03	-0.25	16251.54	20347.48	6.2
Singapore	Straits Times	3220.25	6.43	▲ 0.20	2787.27	3354.71	11.8
South Korea	Kospi	2388.71	-17.79	-0.74	1958.38	2451.53	17.9
Taiwan	Weighted	10449.68	-128.76	-1.22	8931.03	10631.57	12.9

Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



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

Country/currency

Fri in US\$ per US\$ (%)

Country/currency

FINANCE & MARKETS

OPEC Aims to Recalibrate

Meeting focuses on output from Libya and Nigeria, the cartel's 'problem children'

BY BOENOT FAUCON AND SUMMER SAID

VIENNA—The Organization of the Petroleum Exporting Countries is scrambling to contain output from strife-torn members Libya and Nigeria, where surging production could threaten to derail the group's efforts to withhold supplies and raise the price of crude oil.

Libya and Nigeria were exempt from OPEC's agreement last year to join with Russia and other producers to cut about 2% of the world's oil production. The countries' oil industries at the time were crippled by civil unrest and weren't expected to recover soon.

Both have since struck deals with militants, allowing the spigots to be turned on again.

Libya and Nigeria have added 550,000 barrels a day of crude-oil production since October, the month OPEC uses as a benchmark for its cuts, according to figures from the International Energy Agency.

That new output wipes out almost half of the cuts achieved by OPEC's other members, about 1.2 million barrels a day. OPEC asked Nigerian Oil Minister Emmanuel Ibe Kachikwu and Libyan oil chief Mustafa Sanallah to explain their production plans at a meeting Friday.

"If these countries stabilize around certain levels and hold them around a period of time, then this would be the time for them to join this initiative," said Russian Energy Minister Alexander Novak, whose country isn't an OPEC member but who has taken on a leading role this year in regulating output.

OPEC, and allies such as Russia, didn't make a recommendation Friday on whether

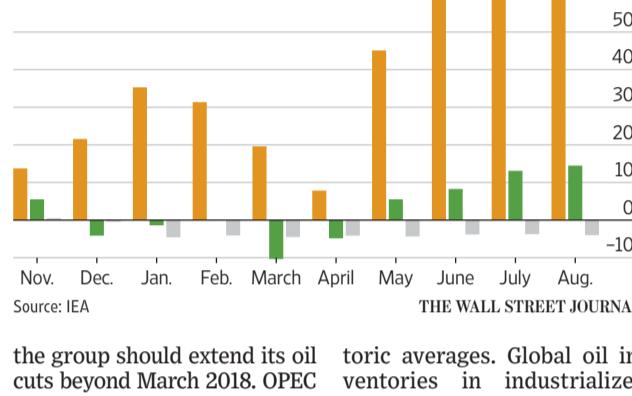


A refinery in Nigeria. A deal with militants has lifted oil output.

Opening the Spigots

New output from Libya and Nigeria is complicating OPEC's attempts to withhold crude-oil supply and raise prices.

Monthly crude-oil production, percentage above or below October 2016 levels



Source: IEA

THE WALL STREET JOURNAL

the group should extend its oil cuts beyond March 2018. OPEC will have a meeting on Nov. 30 to decide on production.

Oil prices have risen 10% in the past three weeks on optimism that OPEC's production cuts, announced last year and put into effect this year, were finally working.

OPEC members' national oil ministers on Friday praised the effect of their production cuts. Kuwaiti Oil Minister Es-sam al-Marzouq said the developed world's oil inventories had fallen by 170 million barrels from January to August.

OPEC is trying to bring oil inventories down closer to historic averages. Global oil inventories in industrialized nations are 170 million barrels above their five-year average.

"While we are on the right track and there is more light at the end of the tunnel, this is not the time to take our foot off the accelerator," he said.

However, Libya and Nigeria are pumping out so much new oil that, combined with robust output from the U.S., they are keeping the world well supplied with crude and weighing down prices, said Ian Taylor, chief executive of Vitol Group, a large independent oil trader.

OPEC has no legal mechanism to force Libya and Nige-

ria to join its output cuts. The group can also put public pressure on countries to get in line.

For their part, Nigeria and Libya say they have no immediate plans to pull back.

In Nigeria, oil production rose to 1.69 million barrels a day in August, its highest level since February 2016.

The increase follows a cease-fire that Vice President Oluyemi Osinbajo sealed with militants in the country's Niger Delta. The militants had cut off pipelines to export hubs in a standoff with the government over money and services. Mr. Kachikwu said he is supportive of OPEC's policy and would cap his country's production at 1.8 million barrels a day but wants to wait another six months.

Libyan production has shot up even faster, reaching one million barrels a day in July for the first time in four years. As recently as August 2016, Libya's output was below 300,000 barrels a day.

A top official at Libya's National Oil Corp. said his country had no intention to cap its output for now. "Our production is too unstable," he said.

Libya remains divided between a United Nations-backed government in Tripoli and militias in the east aligned with Egypt and Russia. Islamic State is regrouping in the vacuum. The Wall Street Journal has reported, plotting attacks both in Libya and elsewhere.

Saudi Arabia Oil Minister Khalid Falih didn't attend the meeting but called in. He has lobbied Nigeria and Libya to join in cuts but also served as a buffer between the countries and members who want to take a harder line against them.

The meeting "put OPEC's problem children under the microscope," said Helima Croft, chief commodities strategist at RBC Capital Markets.

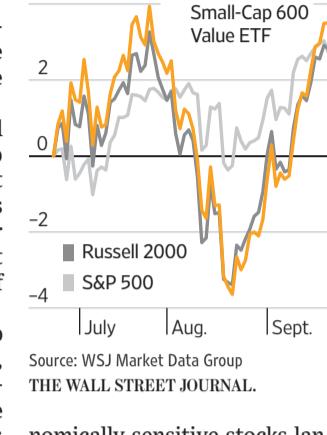
—Sarah McFarlane in London and Sarah Kent in Abuja, Nigeria, contributed to this article.

Small-Cap Value Stocks Are Back In Swing in U.S.

BY CHRIS DIETERICH

Pop Goes the ETF

The iShares S&P Small-Cap 600 Value ETF is beating rivals over the past three months after a dismal 2017.



Source: WSJ Market Data Group

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nominally sensitive stocks languished, and the Russell 2000 Value Index was the only major benchmark to end last week with a year-to-date decline.

That makes small-value stocks a screaming buy to some, including Vincent Deluard, head of global macro strategy at broker-dealer INTL FCStone.

Fed officials last week affirmed their view that the U.S. economy is strong enough to support higher interest rates, a plus for small, cheap U.S. stocks that benefit from sustained growth.

Of equal importance, Mr. Deluard sees this group rising in part as investors sell to take profits in large-cap technology shares, which have dominated the market all year, and rotate to cheaper segments of the market.

That already seems to be happening.

The iShares small value ETF is up 7.1% over the past month,

more than tripling the S&P 500's return and topping small-cap benchmarks.

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ILT M: Luxury Travel's Leaders with Substance

Philippe Garnier

Being fluent in 10 languages isn't essential when working for Hilton but it helps. A French national, Philippe joined Hilton in 2003 and has been instrumental in developing its brands, including Conrad and Waldorf Astoria, throughout Asia Pacific and the world. Prior to joining Hilton, Philippe held a number of senior consulting roles with companies such as Price Waterhouse Coopers and KPMG Consulting. Currently VP Global Luxury Sales based in the US, Philippe is married with three children.

As recently as 2007 there was only one Waldorf Astoria in the world, in New York, and now we have more than 28, and more than 29 Conrads, so we really cover the globe from Europe to the Middle East to Americas to Asia Pacific.

10% of world GDP is travel. Among the wealthiest citizens of the world, there has been a huge shift over the last few years from buying 'stuff' towards experiencing and creating memories with families and loved ones - and this is where travel has an amazing part to play.

Ignorance breeds conflict and, by contrast, travelling to a certain part of the world gives you a better understanding of what's going on. Having a more personal connection at our hotels with the people who work there will give you a bit of an insight as to what is going on in a particular country. You will soon make your own judgement about that country's politics, but you will have a connection at a human level and that is going to make you a world citizen.

The next big thing in travel is about personalisation.

It's not about gimmicks, it's really about getting to the core of the reason the guest is staying at the luxury hotel and what they want to get out of it. The more the hotel knows about the guest and the reason for their stay, the more they are able to tailor the guest's experience in a way that is really unobtrusive.

The travel sector is one of the largest employers and we do a lot to generate these vocations. We have a very successful programme in the US to hire veterans from the army. Maybe hospitality was not their first career choice, but, once someone starts, it's very compelling. The typical tenure that you have at one of our properties shows that there is something about this industry that is very attractive.

Travellers are extremely resilient. In my home country of France, despite recent terror attacks, 2017 has been a record year for tourism. There is a tremendous appetite for creating memories and experiences and for enriching one's culture by having encounters with people from different cultures and different backgrounds. In actual fact, back in the 1960's one of our founders' underlying ideas was to open a Hilton in all of the world capitals for precisely that reason.

The emerging trends for the luxury travel industry will be debated at International Luxury Travel Market – ILTM, and ILTM Asia Pacific, the annual global events where the movers and shakers of today's high-end travel industry gather to explore what's new on the luxury scene. Luxury Travel businesses wishing to be considered for accreditation to ILTM Asia Pacific 2018 (21st – 24th May in Singapore) should visit www.iltm.com for further information.

"There is a tremendous appetite for creating memories and experiences"

"Ignorance breeds conflict and, by contrast, travelling to a certain part of the world gives you a better understanding of what's going on."

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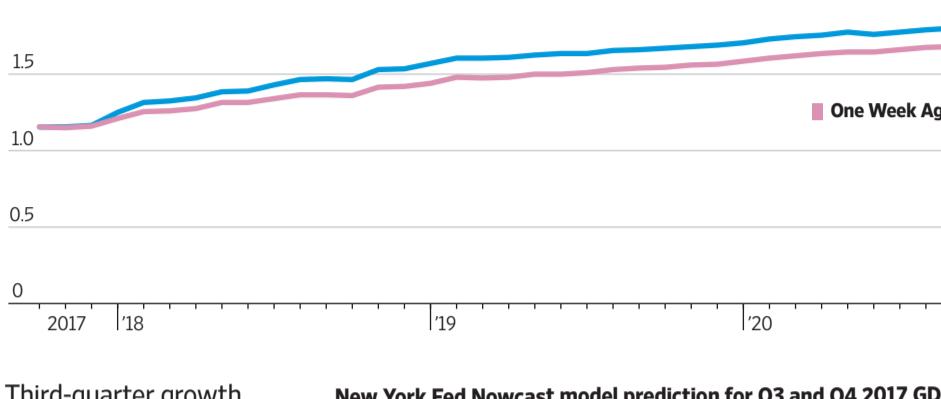
MARKETS

THE DAILY SHOT | By Lev Borodovsky and Akane Otani

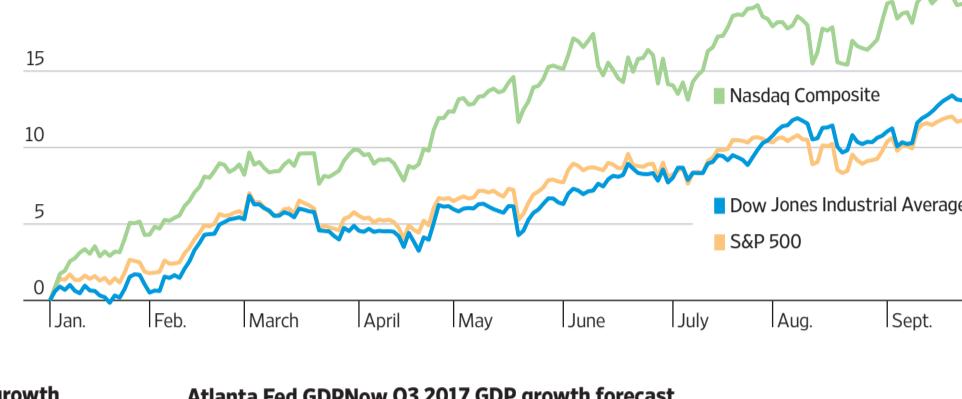
Sunny Views, Cloudy Skies

Economic commentary has lately taken on a bullish tone, what with Europe and even Japan showing signs of strengthening. Eight years in, the U.S. expansion is broadly perceived as robust. Traders are betting the Federal Reserve will raise interest rates again in December. Yet beneath the surface, it's far from clear that the economy has as much momentum as might be implied by the Dow's run this month of nine straight gains, including its 42nd record of 2017.

Rate implied by Fed funds futures



Index performance, year to date

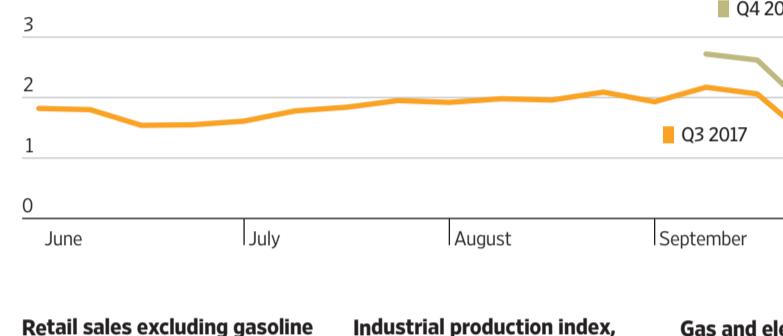


Third-quarter growth estimates provided by the Federal Reserve banks in New York and Atlanta have tailed off sharply following strong starts.

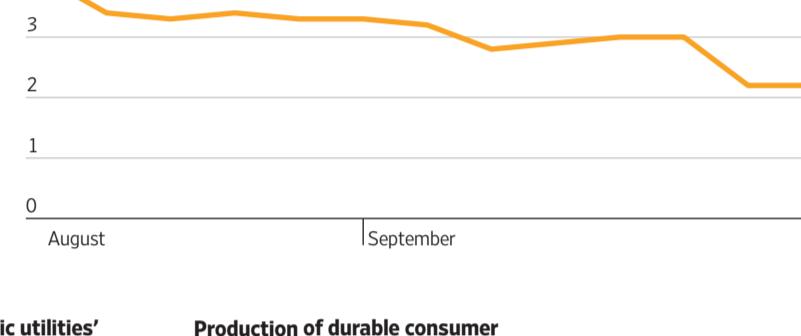
Retail sales and industrial production have been weak as well. In general, 'soft' data such as sentiment continues to paint a ruddier picture than 'hard' data using numbers.

Adding to the uncertainty, a string of hurricanes—most prominently Harvey, which battered the Gulf Coast energy industry—is making economic forecasting even less precise. October, historically the meanest month for stocks, could be a doozy.

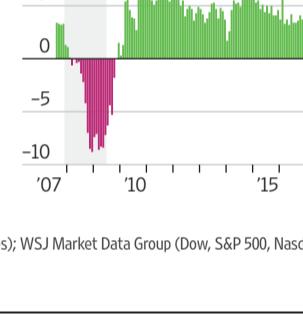
New York Fed Nowcast model prediction for Q3 and Q4 2017 GDP growth



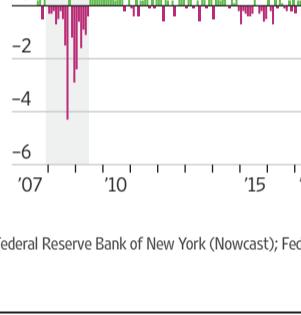
Atlanta Fed GDPNow Q3 2017 GDP growth forecast



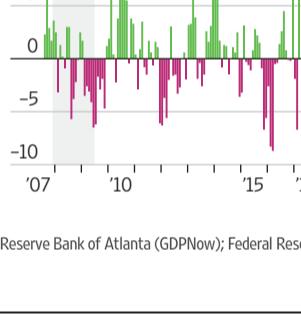
Retail sales excluding gasoline stations, percentage change from a year earlier*



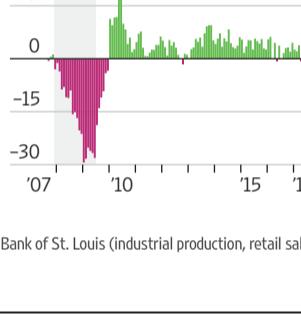
Industrial production index, monthly change*



Gas and electric utilities' output, percentage change from a year earlier



Production of durable consumer goods, percentage change from a year earlier



WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at wsj.com/newsletters

*Seasonally adjusted

Sources: Chicago Board of Trade (Fed funds futures); WSJ Market Data Group (Dow, S&P 500, Nasdaq); Federal Reserve Bank of New York (Nowcast); Federal Reserve Bank of Atlanta (GDPNow); Federal Reserve Bank of St. Louis (industrial production, retail sales, utilities)

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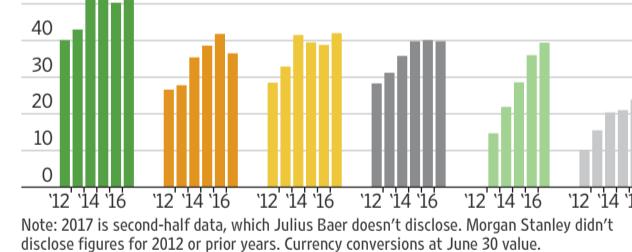
FINANCIAL ANALYSIS & COMMENTARY

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Hidden Juice for Global Equities

Margin Makers

Loans secured against marketable securities



Note: 2017 is second-half data, which Julius Baer doesn't disclose. Morgan Stanley didn't disclose figures for 2012 or prior years. Currency conversions at June 30 value.

Source: the companies

America-Merrill Lynch and UBS's American wealth arm.

Rich clients' desire to borrow against stocks has been stoked by low interest rates and rising stock markets. It is attractive for banks, too. Lending against shares is seen as less risky than mortgages because stocks can be sold more quickly than a house. Also, if the borrowed money is invested with the bank, that boosts assets under management.

The banks each say that while lending looks high, their own approach is conservative and the competition for clients is less aggressive than in the past. But neither the banks nor their investors have a full view of leverage across the system and the risk that may pose.

Equities have to fall 20% to 30% before margin loans are underwater. That protects the banks, but doesn't stop a wave of selling to repay debt when a downturn comes. That could spell real pain for everyone else.

—Paul J. Davies

seen strong growth.

While overall growth appears to have slowed, that is partly due to a decline among Asian investors in 2015 and 2016, which is masking strength elsewhere.

The Chinese market crash in 2015 shattered investor confidence across Asia, according to bankers. But while Asian lending went backward, U.S. loans continued to grow, including at Morgan Stanley, Bank of

OVERHEARD

The stock market has fallen in love again with China's beleaguered state-owned steel titans, which are up roughly 60% since the dark days of early 2016 due to higher steel prices. But China's banks don't share investors' enthusiasm.

Maybe that is because state banks are being asked to convert loans they made to the steelmakers into their now inflated stocks. Only two of the 10 agreements signed so far have moved forward.

The banks each say that while lending looks high, their own approach is conservative and the competition for clients is less aggressive than in the past. But neither the banks nor their investors have a full view of leverage across the system and the risk that may pose.

Equities have to fall 20% to 30% before margin loans are underwater. That protects the banks, but doesn't stop a wave of selling to repay debt when a downturn comes. That could spell real pain for everyone else.

—Paul J. Davies

Nintendo Switches on The Growth

Nintendo keeps hitting high scores. Getting to the next level will take some hard work.

Shares of the Japanese game maker have risen nearly 70% this year, reaching their highest level since 2008. The main driver is the unexpected success of the Switch, which works both as a hand-held and home console. Since its launch in March, Nintendo has sold 1.5 million units in Japan, more than twice the sales of Sony's PlayStation 4 in the country in its first six months, according to Jefferies. It also has been the best-selling console in the U.S. for four out of the past six months.

Analysts are now raising their forecasts. Credit Suisse expects Nintendo to sell 130 million units of the console by 2022, an 86% increase from its previous forecast.

And the Switch has attracted more third-party game makers—crucial for the console to grow beyond its core fan base. Those that signed up this month include Rockstar, which developed the all-time best-selling game "Grand Theft Auto V," and China's Tencent, the world's biggest game maker.

When Nintendo's share price was at this level nine years ago, its operating profit was around 10 times higher. To fulfill the expectations, Nintendo needs to avoid execution mistakes. It needs to fight with the likes of Apple to secure cheap and steady supply of components. Most crucially, it needs to improve its online services—an increasingly important and durable revenue source in other consoles.

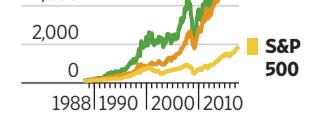
Investing in Nintendo now may offer some upside, but the game isn't for the faint-hearted.

—Jacky Wong

Death of World's Richest Woman Begins Stock Scramble

Looking Good

Value of \$100 invested in January 1988



Source: FactSet

seen state takeovers.

The memorandum, struck in 2004, bars either side from lifting its stake and binds them to act as one party. A clause barring them from selling shares expired in 2009. Nestlé sold a 6% slug back to L'Oréal in 2014, but reaffirmed most elements of the memorandum and confirmed that its remaining 23% stake was "strategic."

But now Nestlé has a new chief executive, Ulf Mark Schneider, who is under pressure from investors to shake up the company. Activist Daniel Loeb of Third Point has been particularly vocal since announcing a \$3.5 bil-

lion investment in June. He wants the L'Oréal stake sold.

The most likely outcome is that Nestlé sells its remaining €27.3 billion stake back to L'Oréal, following the pattern trialed in 2014. L'Oréal can afford it comfortably as long as it sells its €11.8 billion stake in pharmaceutical giant Sanofi.

The buybacks would boost L'Oréal's earnings per share by 15.5% at the current share price, assuming a 1.5% cost of new debt, calculates Morgan Stanley. L'Oréal shares rose 3% as investors digested the news of Ms. Bettencourt's death Friday morning. Nestlé would probably also plow the proceeds into

its buyback program, but its huge size is such that the impact would be less dramatic:

Morgan Stanley figures Nestlé's earnings per share would rise by 5%, all else being equal.

This underlines the challenge facing Mr. Loeb's investment: At 23 times earnings, the share price is baking in a lot of reform at a company so large that even €27.3 billion of buybacks barely move the needle.

Ms. Bettencourt's death marks the end of an era—and opens the door to shareholder-friendly maneuvers at some of Europe's most storied companies.

—Stephen Wilmot