

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, SEPTEMBER 5, 2018 ~ VOL. CCLXXII NO. 55

WSJ.com

★★★★ \$4.00

DJIA 25952.48 ▼ 12.34 0.05%

NASDAQ 8091.25 ▼ 0.2%

STOXX 600 379.83 ▼ 0.7%

10-YR. TREAS. ▼ 14/32, yield 2.902%

OIL \$69.87 ▲ \$0.07

GOLD \$1,192.70 ▼ \$7.60

EURO \$1.1583

YEN 111.45

What's News

Business & Finance

Amazon became the second U.S. company to reach \$1 trillion in market value as its shares rose in intraday trading, reflecting the online retailer's transformation into a disruptive force of commerce. **B1**

◆ **Nike's shares fell** after the firm ventured into charged political territory by putting NFL quarterback-turned activist Kaepernick at the center of its latest ad campaign. **A1**

◆ **Theranos will formally dissolve**, according to an email to shareholders, and will pay unsecured creditors its remaining cash in coming months. **B1**

◆ **U.S. stocks fell** ahead of a busy week of trade talks and economic data. The Dow shed 12.34 points to 25952.48. The S&P 500 declined 0.17%. **B13**

◆ **Carney signaled** he was willing to stay on as BOE chief beyond his planned 2019 departure date, offering some stability ahead of Brexit. **A8**

◆ **Most major auto makers reported** increases in U.S. sales in August, though vehicle demand was expected to cool for the rest of 2018. **B2**

◆ **Banking group ING has agreed** to pay a record European fine of \$899.8 million to settle a probe into money-laundering failings. **B12**

◆ **Citigroup Chief Financial Officer Gersbach will retire** next year, ending a nearly 10-year run in the job. **B12**

◆ **Transocean has agreed** to buy fellow offshore-drilling contractor Ocean Rig UDW in a transaction valued at about \$2.7 billion. **B5**

World-Wide

◆ **The Justice Department has launched a criminal probe** into the FBI's handling of sexual-abuse allegations against former U.S. gymnastics team doctor Nassar. **A1**

◆ **A hearing on Kavanaugh's nomination to the Supreme Court opened** with Democrats seeking to bring proceedings to a halt and police removing several protesters from the room. **A1**

◆ **The U.S. and Canada will resume efforts** on Wednesday to resolve issues holding up a renegotiation of Nafta. **A2**

◆ **American factory activity** in August expanded at the strongest pace in more than 14 years. **A2**

◆ **Federal disaster responders** were overwhelmed in 2017 by hurricanes in close succession and wildfires in California, a government report said. **A3**

◆ **Chicago Mayor Rahm Emanuel**, a Democrat, said he wouldn't seek a third term. **A3**

◆ **Arizona Gov. Ducey chose** former Sen. Jon Kyl to fill the Senate seat opened by McCain's death. **A4**

◆ **Russian warplanes struck** Syria's Idlib province ahead of an expected regime offensive that the U.S. has said could trigger a humanitarian disaster. **A6**

◆ **Trump and Moon agreed** to meet in New York over their goal of de-nuclearizing North Korea. **A7**

◆ **Japan's Kansai airport was closed indefinitely** by typhoon damage. **A7**

CONTENTS
Banking & Finance... B12
Business News B35,8
Crossword... A14
Heard on Street. B14
Life & Arts... A11-13
Markets... B13-14

Opinion... A15-17
Property Report B6-7
Sports... A14
Technology... B4
U.S. News... A2-4
Weather... A14
World News... A6-9

36333>
0 78908 63141 1

© 2018 Dow Jones & Company, Inc.
All Rights Reserved

Kavanaugh Hearing Has Testy Start



Brett Kavanaugh sat through hours of contentious debate by the Senate Judiciary Committee before he spoke about his nomination Tuesday.

Democrats seek to halt session until they see nominee's papers from White House days

By JESS BRAVIN AND BYRON TAU

WASHINGTON—Supreme Court nominee Brett Kavanaugh's weeklong confirmation hearings began raucously Tuesday, as Democrats sought to bring the proceedings to a halt and protesters shouting from the rear were removed by police, leading to 70 arrests.

Republicans, holding a one-vote majority on the Senate Judiciary Committee, brushed aside complaints about access to Judge Kavanaugh's records as an aide to former President George W. Bush and insinuations that his appointment could abet President Trump's grip on power.

Judge Kavanaugh, who spoke at day's end, made no reference to the seven hours of partisan debate. He touted his judicial impartiality at a session in which Democrats painted him as a servant of social conservatism.

Please turn to page A4

◆ Nominee sought minority judges..... A4

Anthem Backlash Strikes Nike, Hurting Share Price

By ANDREW BEATON
AND KHADEEJA SAFDAR

Nike Inc. ventured into charged political territory when it put National Football League quarterback-turned activist Colin Kaepernick at the center of its latest advertising campaign, risking backlash to align itself with a cause that has resonated with young consumers.

The Oregon-based shoe giant saw opposition to its decision in the aftermath of the announcement when many shoppers began calling for boycotts of its products. Images of people torching Nike shoes and cutting swooshes out of gear surfaced on Twitter and other social-media sites, countered by expressions of support for Nike and Mr. Kaepernick.

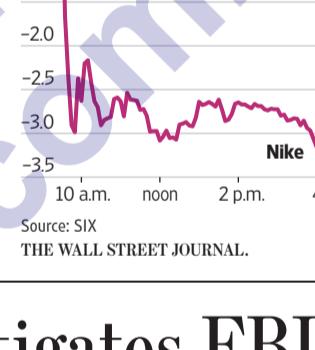
Shares of the company fell more than 3% Tuesday, though they are still up about 27% for the year.

The reaction laid bare the perils of Nike's decision to feature Mr. Kaepernick, who emerged as the face of pro-

tests in 2016 when he began kneeling on the field during the national anthem to call attention to racial injustice and social inequality. The player protests Mr. Kaepernick helped kick-start have been a contentious issue for the NFL,

Thrown for a Loss

Nike shares slipped Tuesday after the company unveiled an ad campaign featuring unsigned NFL quarterback Colin Kaepernick.



Source: SIX
THE WALL STREET JOURNAL.

with criticism coming from President Trump and fans who have labeled them unpatriotic.

Now Nike faces questions on two fronts: whether its reinvigorated partnership with one of the most controversial figures in sports will prove fruitful; and how this move will affect its relationship with the NFL. While Nike is one of the NFL's biggest partners with a reported billion-dollar deal that was extended in the spring, the league is engaged in a high-profile legal battle with Mr. Kaepernick, who has filed a grievance alleging that he has been effectively blackballed from signing with a team because of his political views.

"Although the company's stand may go down well on its native West Coast, it will be far less welcome in many other locations," Neil Saunders, managing director of GlobalData Retail, wrote in a research note, adding that the brand "cannot afford to make bad decisions" in a highly competitive environment.

Please turn to page A8

Sheryl Sandberg On the Hot Seat For Facebook Risks

Executive must fix mistakes on data privacy and election interference

Facebook Inc. Chief Operating Officer Sheryl Sandberg was the architect of a business strategy that built the social network from a fast-growing but wobbly startup into a global advertising juggernaut with a market value of more than half a trillion dollars.

By Betsy Morris,
Deepa Seetharaman
and Robert McMillan

But during five nightmarish days in March, she and her communications team couldn't figure out how to address the public's mounting outrage over allegations that political firm Cambridge Analytica had improperly accessed data on tens of millions of Facebook users. While anger grew, she and Chief Executive Mark Zuckerberg remained silent.

Ms. Sandberg has told people the delayed response was one of the company's biggest mistakes ever. But not the only one. While the technology platform designed and overseen by Mr. Zuckerberg is also to blame for

some of Facebook's challenges of late, units under Ms. Sandberg's control failed to respond to mounting signs of trouble, including evidence that Russia interfered in the 2016 presidential election and the growing use of fake news to stir violence and harm overseas, according to a number of current and former employees.

Now Ms. Sandberg must fix the mistakes. Urged by his board to be more proactive, Mr. Zuckerberg quietly asked her to lead the company's efforts to identify and prevent future blowups on the platform. The new job, insiders say, is at least as challenging as the company's transition to mobile several years ago, which was late and rocky.

Ms. Sandberg's role is likely

Please turn to page A10

Theranos To Shut Down

Blood-testing firm accused of defrauding investors will formally dissolve..... B1

U.S. Investigates FBI Response To Gymnasts' Sex-Abuse Claims

By REBECCA DAVIS O'BRIEN

The Justice Department is investigating how the FBI handled sexual-abuse allegations against former U.S. gymnastics national team doctor Larry Nassar, amid claims agents failed to respond to complaints from gymnasts in 2015, people familiar with the matter said.

The move by the department's Inspector General's office follows an internal Federal Bureau of Investigation

review opened earlier this year into the bureau's handling of the Nassar allegations. The gymnasts' complaints languished for at least nine months before an FBI office opened a formal investigation.

Nassar pleaded guilty last year to federal child-pornography charges and state sexual-abuse charges in Michigan, none of which stemmed from national-team gymnasts' 2015 allegations. In January, he was sentenced to a 60-year

sentence in federal prison. He hasn't faced charges on the gymnasts' allegations.

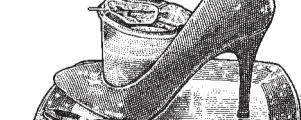
The Justice Department investigation, which hasn't been previously reported, comes as USA Gymnastics continues to reel from the Nassar scandal and from what critics have called its sluggish response to sexual-abuse allegations. The embattled organization said on Tuesday its chief executive, Kerry Perry, resigned after just nine months on the job.

Please turn to page A2

Your Dinner Is Served—in a Glass Shoe

* * *

Chefs plate food on anything but plates; breakfast in a shovel



Soup's on!

things that aren't plates.

Fried croquettes come in a glass shoe at Bazaar in the Simple Luxurious Stays Hotel in Beverly Hills, Calif. Another restaurant in the hotel serves caviar on wood shaped like a bowl.

It looked like landscaping," says Ms. Kennedy, a comedian in the city. When she asked why it wasn't on a plate, the waiter said "I dunno."

Some other diners are likewise befuddled as a fringe of restaurateurs plate food on

hand. "It's challenging the notion of what a dinner should be," says Anna Gaia, the hotel's marketing manager and spokeswoman for the restaurants.

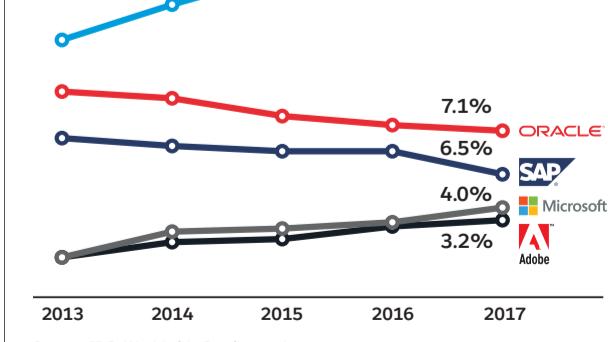
The Tickethall restaurant on England's Isle of Man serves its "fireman's breakfast" in a shovel. Chefs elsewhere have offered food on ashtrays, stumps and tea pots. The outlandish presentations make for social-media-friendly postings.

Restaurants see non-plate plating as a way to attract customers with a creative din-

Please turn to page A10

Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017 Market Share Revenue Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2018.

salesforce

salesforce.com/number1CRM

CRM Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications. © 2018 salesforce.com, Inc. All rights reserved. salesforce.com is a registered trademark of salesforce.com, Inc., as are other names and marks.

U.S. NEWS

U.S., Canada Set to Resume Nafta Talks

BY PAUL VIEIRA
AND WILLIAM MAULDIN

The U.S. and Canada will resume efforts on Wednesday to resolve issues holding up a renegotiation of the North American Free Trade Agreement.

Canadian Foreign Minister Chrystia Freeland is set to meet U.S. Trade Representative Robert Lighthizer in Washington after the U.S. and Mexico last week agreed to terms on their portion of the trilateral accord. The focus this week will be on Ottawa and Washington bridging differences to keep all three countries signatories to an update of the quarter-century-old treaty.

President Trump, who has long derided Nafta as a "disaster," reiterated over the Labor Day Weekend that if the U.S. and Canada fail to reach an agreement, his administration could move forward on a deal that excludes Canada. He also warned Congress not to interfere.

Canadian Prime Minister Justin Trudeau said Monday his negotiating team is ready to work on a deal that benefits all parties. "There are a number of things that we absolutely must see in a renegotiated Nafta," he said at a media event in a suburb of Vancouver, British Columbia. "No Nafta is better than a bad Nafta deal

for Canadians, and that's what we are going to stay with."

The White House has formally notified Congress of an intent to sign a new version of Nafta this autumn with Mexico—saying Canada was free to join, "if willing." The U.S. administration is widely expected to start the process of withdrawing from the old treaty while preparing for congressional ratification of the new one.

It is unclear what the new timetable is for reaching an accord allowing Canada to join. After the two sides failed to reach an agreement last week, people familiar with the process said the new deadline could extend to Sept. 30. That

is when, according to U.S. law, the Trump administration would need to make public final text for a trade pact that he could sign by Nov. 30, when Mexico's leader leaves office.

"We agreed to something we think the Canadians should sign up with, and so we're very confident that the talks are going to go well this week and that we're going to have Canada on board relatively soon," said Kevin Hassett, chairman of the White House Council of Economic Advisers, on Fox Business Network.

Many U.S. lawmakers, business groups and labor leaders have insisted that Canada remain part of a three-way deal,

which allows for duty-free trade that fuels the North American auto industry and other sectors. Mexico has also expressed a preference for Canada to remain but has signaled willingness to move forward without it.

The stakes are high, as the Trump administration has sought to bring maximum pressure to bear on its closest neighbors, even imposing steel and aluminum tariffs on Canada and Mexico on national-security grounds.

As talks with Canada resume, the biggest sticking point is Canada's insistence on retaining a dispute-resolution system that allows member

states to challenge trade penalties imposed by the others. Mr. Lighthizer has proposed eliminating the system, contained in Nafta's Chapter 19, and Mexico has agreed to that. But Canada remains unwilling to scrap the mechanism.

"We need a dispute-resolution mechanism like Chapter 19, and we will hold firm on that," Mr. Trudeau said.

Trump administration officials have complained the dispute process erodes U.S. sovereignty, saying the independent panels charged with adjudicating the cases have primarily been used to overturn tariffs imposed by the U.S. on Canadian and Mexican products.

Tropical Storm Gordon Makes Landfall on Gulf Coast



READY: A family in Long Beach, Miss., filled sandbags hours before Gordon came ashore late Tuesday near the border with Alabama.

Factories Roared Ahead in August

BY SHARON NUNN

WASHINGTON—American factory activity in August expanded at the strongest pace in more than 14 years, despite rising tensions with some of the U.S.'s largest trade partners.

The Institute for Supply Management said Tuesday that its manufacturing index rose to 61.3 in August, the highest level since May 2004, from 58.1 in July. Sales of factory-made products, or new orders, output and employment all grew at a faster pace in August.

Tuesday's data surprised analysts who had expected a slowdown in the industry in light of rising trade tensions and a typically weaker month for factory activity. Economists surveyed by The Wall Street Journal had expected a 57.5 reading for August.

"Despite concerns over U.S. protectionist policies, manufacturing sentiment remains on a solid footing, supported in large part by firm domestic demand," said Pooja Sriram, U.S. economist at Barclays.

The U.S. and Europe, China and other countries are in the midst of trade battles stemming from steel and aluminum tariffs the Trump administration enacted this year.

Mohamed A. El-Erian, chief economic adviser at Allianz, tweeted, "In addition to highlighting the strength of the U.S. #economy, this also points to the more general theme of divergence in advanced countries' economic performance and policies."

Though many economists hailed Tuesday's report as a sign of robust growth continuing into the second half of

2018, some analysts said there were signs of overheating in the manufacturing industry.

"The last time we have seen something akin to the current run late in an expansion occurred in" the late 1980s, when the Federal Reserve had to raise the fed-funds target rate to almost 10% to tamp down inflation, according to Stephen Stanley, chief economist at Amherst Pierpont Securities. "If you want to conclude from this quick history lesson that the Fed is currently too easy and in the pro-

cess of making a policy mistake, I would not object."

Many private economists expect the Fed will raise interest rates two more times this year, once in September and again in December.

Despite the headline growth in factory activity, an underlying gauge of new export orders for primary metals, transportation equipment and machinery declined in August, with machinery last declining at the beginning of 2017.

"We're a significant exporter of railcars, airplanes, automobiles....Machinery is our number 6 industry sector," said Tim Fiore, who oversees the ISM survey of factory purchasing and supply managers. "If export markets are closed off to us, orders will go down, [then] exports and production."

January, couldn't be reached for comment on Tuesday. Earlier this year, he told the New York Times that the Nassar case was complicated because of the inherent sensitivity of child sexual-abuse allegations and because "there was a vigorous debate about whether" Nassar's techniques constituted "a legitimate medical procedure," as Nassar himself had claimed.

The Wall Street Journal in February 2017 first reported the FBI's delay in investigating the case and earlier this year reported that the FBI's internal inspection division was looking into its handling of the matter.

At the time, federal law-enforcement officials declined to provide an official explanation for the bureau's apparent inaction, telling the Journal that neither office ever obtained enough information to prove a federal crime.

But behind the scenes, several of the officials said at the time and since, the FBI was trying to determine why its own agents didn't investigate the allegations for so long.

In June 2015, the coach of national-team gymnast Maggie Nichols told USA Gymnastics' leadership that the gymnast had concerns about Nassar's medical care.

Five years later, after a hired investigator uncovered what she called likely criminal sexual abuse, Mr. Penny reported the matter to the FBI in Indianapolis, where USA Gymnastics is based.

—Rachel Bachman contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Regulators Seek to Speed 5G Networks

Federal regulators will vote in three weeks on a plan to accelerate next-generation 5G wireless networks around the U.S. by overriding some local siting rules that could hold up deployment, Federal Communications Commission head Brendan Carr said.

The plan is expected to win approval from the FCC at a meeting in late September.

The plan is aimed at boosting deployment of small cellular transmitters, backpack-sized devices that will be a key feature of 5G infrastructure. Siting of such devices can be subjected to

local delays and high fees under current rules.

—John D. McKinnon

Business Groups Seek To Block Trump Pick

Business groups are seeking to torpedo President Trump's latest nomination to the National Labor Relations Board, the body that referees union-management disputes.

Mr. Trump renominated Mark Gaston Pearce, a Democrat with close ties to labor unions, to the board last week, a day after the ex-chairman first tapped by President Obama saw his term expire.

Some business lobbyists are

seeking to block Mr. Pearce's return.

"It's no secret that Pearce was bad for American businesses and their employees," Matthew Haller, senior vice president for government relations for the International Franchise Association, said Tuesday.

Mr. Haller said he expects many Senate Republicans to oppose the nomination.

—Eric Morath

MONTANA

ACLU Sues U.S. Over Oil Pipeline Protests

Civil liberties advocates sued the U.S. government, alleging law enforcement agencies have been

maneuvering to crack down on anticipated protests over the Keystone XL oil pipeline.

Attorneys for the American Civil Liberties Union and its Montana affiliate filed the lawsuit in U.S. District Court in Missoula against the Defense, Homeland Security, Interior and Justice departments.

The attorneys asked the court to order the release of all documents about cooperation between federal, state and local law enforcement and private security firms over the disputed pipeline. They cited confrontations between law enforcement and protesters that turned violent during construction of the Dakota Access Pipeline.

—Associated Press

U.S. Looks At Gymnast Allegations

Continued from Page One



A gym at Karolyi Ranch in Texas, which was used for USA Gymnastics training. USA Gymnastics said Tuesday that its chief executive, Kerry Perry, below, resigned after nine months on the job.

FROM TOP: DAVID J. PHILLIPS/ASSOCIATED PRESS; ALEX WONG/GTY IMAGES

scrutinizing how multiple FBI field offices acted on—or failed to act on—gymnasts' claims against Nassar, starting in late July 2015, when USA Gymnastics leadership reported the athletes' concerns to the FBI's Indianapolis field office.

In their probe of the bureau's handling of the matter, Justice Department investigators have conducted interviews with several people, including athletes and gymnastics officials, two of the people said. The investigation could lead to disciplinary action and criminal charges.

A spokesman for the Inspector General's office declined to comment. The FBI has previously said it was "reviewing our role in the investigation" of Nassar and declined to comment further.

The Justice Department is

scrutinizing how multiple FBI field offices acted on—or failed to act on—gymnasts' claims against Nassar, starting in late July 2015, when USA Gymnastics leadership reported the athletes' concerns to the FBI's Indianapolis field office.

In particular, they have scrutinized Mr. Penny's communications with the former special agent in charge of the Indianapolis office, W. Jay Abbott, the people said.

Penny and officials at FBI field offices in Indianapolis and Los Angeles, the people familiar with the matter said.

In particular, they have scrutinized Mr. Penny's communications with the former special agent in charge of the Indianapolis office, W. Jay Abbott, the people said.

By the fall of 2015, the Indianapolis office had referred the matter to the FBI office in Detroit, where Nassar lived, but neither field office opened a formal investigation into Nassar, and no further investigative steps were taken. At least eight months later, FBI agents in Los Angeles opened an investigation.

Mr. Abbott, who retired in

the phone—rather than in person—to discuss her allegations of abuse by Nassar. That conversation didn't lead to an investigation.

Investigators are also looking into correspondence between former USA Gymnastics Chief Executive Steve

Perry and officials at FBI field offices in Indianapolis and Los Angeles, the people familiar with the matter said.

In particular, they have scrutinized Mr. Penny's communications with the former special agent in charge of the Indianapolis office, W. Jay Abbott, the people said.

By the fall of 2015, the Indianapolis office had referred the matter to the FBI office in Detroit, where Nassar lived, but neither field office opened a formal investigation into Nassar, and no further investigative steps were taken. At least eight months later, FBI agents in Los Angeles opened an investigation.

Mr. Abbott, who retired in

THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660) (Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036

Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster:

Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co., Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax 212-416-2891; email: wsjlttrs@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: customercenter.wsj.com;

By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625);

Or live chat at wsj.com/livechat

REPRINTS & LICENSING

By email: customerprints@wsj.com

By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS

Emanuel Won't Seek Re-Election

By DOUGLAS BELKIN
AND SHAYNDI RAICE

CHICAGO—Rahm Emanuel said he won't seek re-election as mayor of Chicago after two terms marked by downtown development but also a wave of gun violence that returned the city's murder rate to 1990s levels.

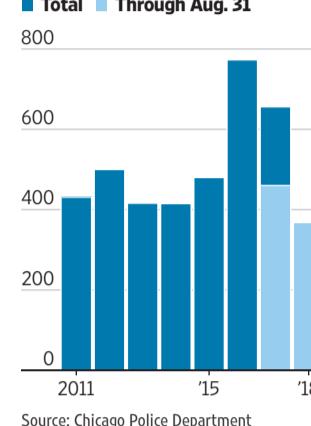
The announcement was an abrupt reversal for Mr. Emanuel, who raised a substantial campaign war chest and for months had been laying the groundwork to run for a third term. But slipping popularity left him facing headwinds for re-election early next year, with a crowded field of opponents.

"This has been the job of a lifetime, but it is not a job for a lifetime," Mr. Emanuel, 58 years old, said in a statement Tuesday.

Mr. Emanuel, a former White House chief of staff and Democratic congressman, took over in 2011 from a predecessor of more than two decades, Democrat Richard M. Daley, who had papered over the city's financial problems and left four of the main pensions underfunded by nearly \$30 billion. Mr. Emanuel addressed those problems by raising property taxes and extricating the city from a series of derivative deals linked to the city's bond debt. With some deft political and fiscal footwork he was also able to

Crime Story

Murders in Chicago have dropped after peaking in 2016



Source: Chicago Police Department

THE WALL STREET JOURNAL.

raise the money to rebuild the city's riverfront and two of its train lines.

Between 2011 and 2016, the city added 300,000 jobs and dozens of corporate headquarters including Conagra Brands, McDonald's and Archer Daniels Midland. Today, dozens of cranes dot the skyline as developers race to add more downtown office space and high-rise housing.

"He promoted an aura of economic growth that was really significant," said Laurence Msall, director of the Civic Federation, a business-sponsored government watchdog



Chicago Mayor Rahm Emanuel, appearing with his wife, Amy Rule, announced on Tuesday that he won't run for a third term.

group. "I think by most objective standards, the city is better off than when he took over."

But the building boom isn't evenly spread. Rather, it is concentrated in the city's downtown area known as the Loop and in its prosperous—and mostly white—North Side. That disparity has fueled political tensions as well as an out-migration from the largely black South and West Sides.

The population of African-American residents in Chicago decreased by nearly 80,000 between 2010 and 2016, according to Census Bureau data.

"The story of population change [in Chicago] is a story of black change, which tells you a lot about Chicago," said Rob Paral, a demographer at the Chicago Council on Global Affairs. "We have this healthy and wealthy central city, and then especially African-American neighborhoods have not joined in the party, have not joined in the prosperity."

In 2013, in an effort to balance a schools budget, Mr. Emanuel closed 50 under-enrolled schools, enraging neighborhoods whose residents joined teachers unions in protesting the closures.

Mr. Emanuel seemed poised to weather those divisions until 2015, when the city was forced by a court to release video of a Chicago police officer fatally shooting a black teenager 16 times. The video sparked outrage and allegations of a police coverup, which led to a federal civil-rights investigation of the police department.

Mr. Emanuel fired his police chief, Garry McCarthy, and instituted the use of body cameras on officers while also equipping them with Tasers.

In 2016, fueled by a surge in gang-related gun violence, Chi-

cago's number of murders surpassed 700 for the first time since the crack cocaine wars in the 1990s, even as most other big U.S. cities enjoy two-decade lows in violent crime. The murder rate has subsided in 2017 and 2018.

Despite more than \$10 million raised by Mr. Emanuel's campaign this year, the number of his opponents for next year's election grew to 12. One of the first to throw his hat into the ring was Mr. McCarthy, the ex-police chief.

—Heather Gillers and Joe Barrett contributed to this article.

Colleges Offer Price Matches on Tuition

By MELISSA KORN

Escalating the battle for students, some private colleges are offering to match public in-state tuition.

Oglethorpe University near Atlanta will match the tuition of any state flagship university for high-achieving students. Robert Morris University near Pittsburgh said last week it would charge Pennsylvania residents the same price as local public universities, and give them a \$3,000 scholarship to boot.

The discounts aren't limited to private schools. Public universities in Michigan, South Dakota and Nebraska now let students from other states pay as if they were locals. Public schools regularly charge out-of-state students two or three times as much as locals, or even more.

Some colleges, facing dwindling populations of local high-school graduates, are motivated to attract students from across the country. Others are battling the perception they aren't affordable or looking to boost their academic profiles. Schools are getting the word out via billboards and social-media campaigns.

The price-match guarantee, a sales tactic borrowed from retailers, illustrates how fiercely competitive higher education has become. It also adds to the confusion over how much college really costs, especially at private schools. Although the pricing campaigns suggest major savings, already generous financial-aid packages mean the net price for many students won't change by much.

Beginning in the fall of 2019, Oglethorpe will match



Oglethorpe University is matching the tuition of any state flagship university for high achievers.

in-state tuition at flagship public universities in the home states of students with a GPA of at least 3.5 and minimum 1250 SAT or 26 ACT score.

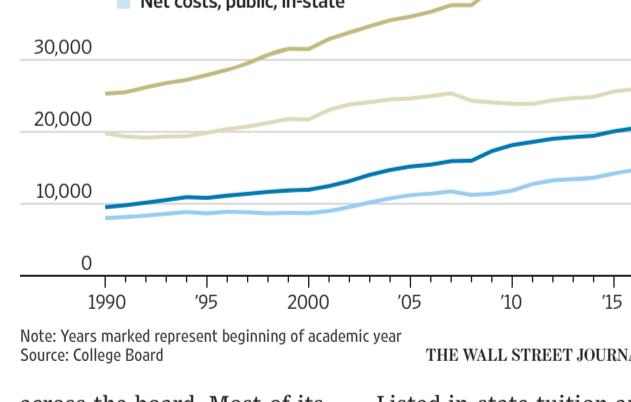
President Lawrence Schall said the aim was to dispel myths about the affordability of a private-school education and appeal to more high-achieving students. Oglethorpe's published tuition and fees are \$39,830 this year, but scholarship programs mean students generally pay far less. The average net price for tuition and fees is \$13,700.

"It is about growing the top of the class," Dr. Schall said. The school now enrolls about 25% of all students it admits, but its yield hovers between 10% and 15% for those in the top academic ranks.

Oglethorpe, whose overall tuition revenue already has been rising, is also trying to increase enrollment faster,

Deal or No Deal

Private colleges' list prices have soared, but net costs for tuition, fees, room and board aren't much higher than list prices for public schools.



Note: Years marked represent beginning of academic year

Source: College Board

across the board. Most of its students come from Georgia, Tennessee and Florida; the current first-year class hails from 17 states.

Listed in-state tuition and fees at the University of Georgia and University of Florida—\$11,830 and \$6,380, respectively—are below Ogle-

thorpe's net-price figure so if enrollment from those states continues to dominate, the school's budget could take a hit. If more new students come from New Hampshire, where flagship tuition and fees run \$18,499, it could be a boon.

Enrollment gains that follow big announcements aren't always sustained, said Nathan Mueller, a principal at EAB, a consulting firm that helps schools assess enrollment strategy. "The interest seems to cool" once schools see analyses about the programs' potential success, he said.

The University of Nebraska at Kearney started offering in-state tuition to students from Colorado and Kansas this year, trying to offset a steady 1% to 2% annual undergraduate enrollment decline since 2012.

As a high-school senior in Denver, Brandon Williams figured he would stay in state unless he got a scholarship. But when he heard about the Nebraska school's price-match program, he jumped at the opportunity.

The 18-year-old, familiar with the school through its basketball team, recently arrived in Kearney to start his freshman year.

"Being able to broaden my horizon without staying in-state caught my eye," he said.

Last year, Southern Illinois University Edwardsville, near St. Louis, extended in-state tuition to all domestic undergraduates. Since offering the rate to Missouri students in 2014, enrollment from that state nearly doubled, to 1,464 last fall; in the same period, enrollment by Illinois residents fell by 868.

Activist Defeats Incumbent Democrat

By REID J. EPSTEIN

In the latest upset among Democrats, Ayanna Pressley, a Boston city councilor who ran as a progressive activist, beat 10-term Democratic Rep. Michael Capuano on Tuesday in a Massachusetts House primary.

Ms. Pressley becomes the second Democrat to defeat an incumbent House member in a 2018 primary. She rode energy from the party's resistance to President Trump to topple Mr. Capuano, who Federal Election Commission records show raised about twice as much money as she did.

Ms. Pressley's victory instantly thrusts her into the ranks of the new Democratic



Ayanna Pressley beat Rep. Michael Capuano of Massachusetts in a primary on Tuesday.

stars of 2018, alongside New York's Alexandria Ocasio-Cortez, the only other Democrat to defeat an incumbent member of Congress this year, and Andrew Gillum, who last week won an upset victory to become the Democratic nominee for governor of Florida.

Like Ms. Ocasio-Cortez and Mr. Gillum, Ms. Pressley is a minority candidate who was lifted by the progressive energy powering the Democratic Party in the Trump era.

With no Republican or minor-party candidates on the district's general election ballot, she will enter Congress in January as the first African-American House member from Massachusetts.

Ms. Pressley, 44 years old, said the congressional district, where racial minorities make up 58% of residents, deserved a candidate who better reflected the population of the district.

Mr. Capuano, 66 years old, was an early target for progressive activists looking to defeat incumbent Democrats from safe congressional seats. He hadn't faced a serious Democratic or Republican challenger since he first won election in 1998.

By ERIN AILWORTH

The devastation of hurricanes Harvey, Irma and Maria, followed by catastrophic wildfires in California, overwhelmed federal disaster responders in 2017, according to a government report released Tuesday.

The unprecedented sequence of storms and fires forced Federal Emergency Management Agency staff to jump from one disaster to another and in some cases use uncertified workers to fill key roles.

"They were 30% under-

staffed when Harvey hit," said Chris Currie, director of emergency-management issues at the Government Accountability Office, which wrote Tuesday's report. "By the time Maria hit Puerto Rico, they were down to the bottom of the barrel."

Workers were most challenged in Puerto Rico. The U.S. territory's stock of emergency supplies had already been depleted in responding to Irma there and in the U.S. Virgin Islands when Maria hit, taking out cellphone towers and destroying the power grid.

Compounding the difficulty

was the island's lack of experience with storms as powerful as Maria, the strongest hurricane to make landfall there since a Category 5 recorded in 1928, the GAO report said. The island's distance from the U.S. mainland also didn't help.

Those factors created logistical issues for aid workers. As of April, FEMA had marked \$12 billion in disaster aid related to Maria. The report, a FEMA representative said, "captures the complexity of the disasters" while also noting "concerns about workforce, housing programs and

logistical complications in the support of, and response to, the island territories."

In a letter appended to the GAO report, the Department of Homeland Security acknowledged the challenges of responding to so many disasters in quick succession. "These events came at a time when FEMA was already supporting 692 federally declared disasters and tested the nation's ability to respond and recover from multiple concurrent disasters," an official wrote.

Mr. Currie said the GAO has audits pending that will analyze

issues such as the handling of disaster debris and the restoration of power in Puerto Rico.

Harvey inundated parts of the greater Houston area with as much as 51 inches of rain, causing record-setting floods in August 2017. Irma swept through the Caribbean and Florida next, followed by Maria, which hit Puerto Rico on Sept. 20.

The GAO report follows an academic study commissioned by Puerto Rico's governor and released last week that put the death toll on the island from Maria at nearly 3,000.

Hurricanes, Wildfires Taxed FEMA Response in 2017

U.S. NEWS

C

A

P

M

I

G

O

R

E

S

E

N

S

T

U

L

Y

W

E

X

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y

Z

A

B

C

D

E

F

G

H

I

J

K

L

M

N

O

P

Q

R

S

T

We want to help people — including young people — understand the risks of misusing prescription medications, including opioids.

Every day our nation faces tragic stories of struggles with opioid addiction and lives lost to prescription and illicit opioid overdose. We are deeply concerned about the toll the opioid crisis is having on individuals and communities across the nation. As a manufacturer of prescription opioid medications, Purdue Pharma is committed to supporting meaningful solutions to address this crisis.

We want to help people — including young people — understand the risks of misusing prescription medications, including opioids. The National Institute on Drug Abuse, part of the National Institutes of Health, states, “after alcohol, marijuana, and tobacco, prescription drugs (taken nonmedically) are among the most commonly used drugs by 12th graders.”¹

That’s why we support school-based prevention education efforts, including being a member of the Prescription Drug Safety Network, a public-private initiative created by EVERFI, a leading prevention education innovator. The potential benefits of high school prevention education are significant, with school-based programs shown to save an estimated \$18 in substance-abuse-related medical care, state and local government costs, and lost productivity over a lifetime for every \$1 spent.^{2,3} Founded in collaboration with educators and prevention experts, and launched with support from members of the healthcare industry, as well as community and state leaders, this national coalition brings an innovative digital experience into the classroom that is designed to empower students with knowledge, skills, and strategies to help prevent prescription drug misuse and abuse. Real-world scenarios drive home the lessons and provide students with tips on how to spot and help a friend in trouble.

More than 57,000 students at more than 800 high schools nationwide accessed the digital Prescription Drug Safety prevention curriculum in the 2017-2018 academic year and increased their knowledge on six different learning modules — including the science of addiction, safe use, refusal skills, and supporting a friend — by an average of 49 percent.⁴

Nearly 100,000 students have already participated in this course in schools across the country through the efforts of the Network. We look forward to seeing the Network’s impact grow and to helping more students learn these valuable skills in the coming school year, and beyond.

We hope that others will embrace the importance of prevention-focused education. We urge you to learn more about the national initiative and help broaden the reach of the Prescription Drug Safety Network.

While no one intervention alone will solve this crisis, partnerships, determination, and innovative approaches are steps in the right direction.



www.purduepharma.com

¹National Institute on Drug Abuse. Misuse of Prescription Drugs. January 2018. Retrieved from <https://www.drugabuse.gov/publications/research-reports/misuse-prescription-drugs/summary>. Accessed August 21, 2018.

²Substance Abuse and Mental Health Services Administration. Substance Abuse Prevention Dollars and Cents: A Cost-Benefit Analysis. Retrieved from <https://www.samhsa.gov/sites/default/files/cost-benefits-prevention.pdf>. Accessed August 21, 2018.

³Prescription Drug Safety Network. The Case for Prescription Drug Education. Retrieved from http://info.everfi.com/rs/410-YCZ-984/images/White%20Paper_Case%20for%20Rx%20Drug%20Education.pdf. Accessed August 21, 2018.

⁴Prescription Drug Safety Network. Prescription Drug Safety Course. K-12 Impact Report 2017-2018. Retrieved from <https://everfi.com/networks/prescription-drug-safety-network/impact/>. Accessed August 21, 2018.

WORLD NEWS

Russian Airstrikes Hit Syria Rebel Haven

Trump administration warns of consequences of looming regime effort to retake Idlib

Russian warplanes struck rebels in Syria's last major opposition stronghold on Tuesday, forcing the Trump administration to confront a looming regime offensive that is expected

By Sune Engel
Rasmussen in Beirut
and Dion Nissenbaum
in Washington

to deliver a fatal blow in the seven-year conflict and hand Moscow a diplomatic victory.

The Trump administration issued a coordinated call for Russia, Iran and Syria to avoid a military assault on Idlib. President Trump, Secretary of State Mike Pompeo, United Nations Ambassador Nikki Haley, and Gen. Joseph Dunford, chairman of the Joint Chiefs of Staff, all warned of a potential catastrophe if the battle goes forward.

Moscow has dismissed U.S. concerns that Syria again will use chemical weapons during the offensive, a move that has twice led Mr. Trump to order limited airstrikes targeting the Syrian regime. The Kremlin's response has fueled widespread skepticism in Washington about Moscow's intentions, and raised fears that Russia will give Syria a free hand to use chemical weapons on civilians as Syrian forces prepare for a battle that could deliver a crippling blow to rebels who have been fighting the regime.

"We will find out and learn the extent to which the U.S. has power short of deploying military force," said Nicholas Heras, a Syria expert at the Center for a New American Security. "The Trump administration has one more chance to carve a line in the sand."

U.S. officials have outlined no plans to intervene militarily in an assault, but the Trump administration has warned that it could again hit the Syrian regime if it uses



Smoke rose from buildings hit by Russian airstrikes, above, in rebel-held Muhambal, southwest of Idlib, on Tuesday, while firefighters battled blazes in nearby Jadraya.



OMAR HAJ KADOUR/AGENCE FRANCE PRESSE/GETTY IMAGES

chemical weapons.

"If they want to continue to go the route of taking over Syria, they can do that, but they cannot do it with chemical weapons," Ms. Haley told reporters at the United Nations.

Chief U.S. concerns in Syria are the presence of Islamic State fighters and Iranian-backed military units. The U.S. has around 2,000 troops in northeastern Syria to help

fight the extremist group.

The U.N. and other international bodies have warned that an all-out assault could lead to a humanitarian disaster akin to the fall of Aleppo. In contrast with Aleppo, Idlib's displaced will have few places to run, as Turkey has denied entry to Syrian refugees and the regime has gained ground.

"Civilians had been anxiously hoping for world pow-

ers to agree [on] a diplomatic solution that could avoid an assault that would put thousands of innocent lives at risk," said Lorraine Bramwell, the International Rescue Committee's Syria country director.

As the airstrikes intensified, Mr. Trump warned on Tuesday that an attack on Idlib "would be a reckless escalation of an already tragic conflict that would risk the lives of hun-

dreds of thousands of people."

Mr. Trump warned that the U.S. would "respond swiftly and appropriately" if Syrian President Bashar al-Assad used chemical weapons.

U.S. officials said they have picked up indications that Syria is preparing to use such weapons, as it did in Idlib province two years ago and last year in a Damascus suburb. In both cases, the U.S. launched limited airstrikes on Syrian regime targets.

The Assad regime is tightening its grip on the entire country, retaking in recent months the Damascus suburb of Eastern Ghouta and most of the southern provinces. It left the north for last as the battle there is complicated by diverging interests of several foreign powers and the largest presence of antigovernment fighters.

Leaders of Russia and Iran, Mr. Assad's main backers, along with Turkey's president are set to meet in Tehran on Friday for talks on what is expected to be the last chapter in the war. Northwestern Syria is under a trilateral cease-fire deal brokered last year among the three countries, but that hasn't prevented the regime and Russia from regularly launching strikes in the area.

Idlib is home to nearly three million people, according to some estimates, about half of whom have already been displaced from other parts of Syria. There is no exact information on rebels, but Western officials estimate the number to be at least 20,000.

The drumbeat for what will likely be the final major battle of Syria's conflict has been growing for weeks.

A commander for the Ahrar al-Sham militant group said last week that rebels in Idlib were making preparations to defend the province against an attack. "The battle for the north will be hell for the Russians, and not like other areas," the commander, Jaber Ali Bashar, said.

Tuesday's strikes—about 30 targeting an area 25 miles west of Idlib city—were the first large-scale raids in three weeks, according to the White Helmets civil-defense group.

The Russian Ministry of Defense wasn't available for comment. On Tuesday, Kremlin spokesman Dmitry Peskov warned that Syrian armed forces were readying to act in Idlib, where he said militants had congregated. The Syrian government didn't respond to a request for comment.

Uganda Generation Gap Echoes Across Africa

BY NICHOLAS BARIYO

KAMPALA, Uganda—In his songs, Bobi Wine, a Ugandan pop star turned parliamentarian, frequently taunts longtime President Yoweri Museveni, calling the 73-year-old an aging despot who has forgotten his country's youth.

Now, Mr. Museveni is slapping back. In August, Ugandan security forces arrested the 36-year-old, whose legal name is Robert Ssentamu Kyagulanyi. He was charged with treason for allegedly encouraging supporters to stone the motorcade of Mr. Museveni, who has ruled the East African nation since 1986.

In a Facebook post on Monday, the singer, who denies the charges and is now in the U.S. for medical treatment after being released on bail, gave details of torture he said he was subjected to by soldiers during his arrest, including beatings with a metal rod. A govern-

ment spokesman said torture claims are being investigated.

The standoff between the pop star and the president is the latest episode in a generational battle playing out in several African nations. The world's youngest continent, whose citizens have a median age of 19½ years, has the world's oldest leaders, according to the United Nation's development agency. Lacking jobs and opportunities, many young people are feeling little allegiance to governments led by former liberation movements.

"Assertive and rebellious youths have put Museveni and his club of the region's other old presidents on notice," said Nicholas Ssengoba, a Kampala-based independent analyst. "It's a shock challenge, which old leaders have to contend with in the foreseeable future."

With a median age of 16 years, Uganda has Africa's second-youngest population after Niger, but it is ruled by one of the continent's oldest and longest-serving presidents. Mr. Museveni has maintained a bigger public profile than some of his fellow longtime rulers.

Last year, Mr. Museveni removed term limits from the constitution and in July imposed a tax on social-media use, which he blames for spreading "fake news." He has closed critical media and pro-democracy groups and arrested dozens of journalists.

Government data, meanwhile, show that 3.4 million Ugandans slipped into poverty during the past five years, youth unemployment stands above 60%, and public hospitals routinely lack basic medicine.

In this context, Mr. Wine's music, which he calls "edutainment," resonates. "We know you fought a bush war," he sings about Mr. Museveni in his 2017 single "Freedom." "But imagine a child who wasn't born when you came [into power] has now become a parent."

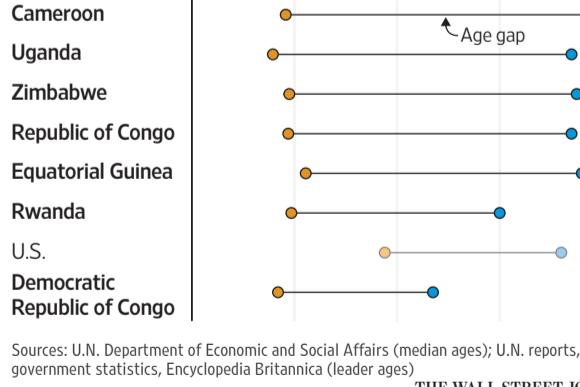
Critics point to Mr. Wine's lack of experience—he was elected as an independent member of Parliament only last year—as an impediment in a



Bobi Wine was released on bail in Gulu, Uganda, on Aug. 27.

Deep Divide

A number of Africa's longtime rulers lead countries where the median age is a quarter of their own.



Sources: U.N. Department of Economic and Social Affairs (median ages); U.N. reports, government statistics, Encyclopedia Britannica (leader ages)

THE WALL STREET JOURNAL.

country whose politics have been dominated by former guerrilla fighters. The country's opposition is fractured.

"Bobi Wine has not been tested as a leader. He does not even have a political party," said David Karungi, an academic at Uganda's Kyambogo University, who supports Mr. Museveni's National Resistance Movement.

The president has called Mr. Wine and other critical lawmakers "unprincipled politicians who mislead our youth into rioting," and intensified a crackdown on the singer and his supporters. In December, Mr. Wine was one of several lawmakers beaten by soldiers on the floor of Parliament when they tried to filibuster a

bill to extend Mr. Museveni's rule. Days later, a grenade was hurled at his home.

But Mr. Wine's fans haven't been deterred. In the wake of his arrest, Mr. Wine's recording studio in the slum of Kamwokya, outside the capital Kampala, has become a meeting point for jobless young men. Police have repeatedly fired tear gas to disperse them, but many keep returning.

"Bobi Wine understands our problems better than anyone else," said Daniela Lufafa, a 29-year-old unemployed butcher, who was outside the studio Thursday evening. "Those in power are scared of him because he speaks for the ordinary people like us. We love him."

President To Host U.N. Talks On Iran

BY FARNAZ FASSIHI

UNITED NATIONS—President Trump will chair a United Nations Security Council debate about Iran during the world body's annual gathering of international leaders this month, U.S. Ambassador Nikki Haley said.

Mr. Trump's Security Council appearance is scheduled for Sept. 26 when he will be in New York attending the U.N. General Assembly and meeting with world leaders.

Mr. Trump isn't seeking a Council resolution or statement, but rather an opportunity to openly discuss what the U.S. calls Iran's "violations of international law" and its regional policies, from Lebanon to Syria and Yemen, Ms. Haley said.

By choosing Iran as his marquee topic at the General Assembly over other international issues, Mr. Trump is seeking to focus attention on and gain support for one of his key foreign policies: pressuring and isolating Iran economically and politically.

The U.S. has tried repeatedly—and failed—to bring Iran to the center of the Security Council's monthly debates about the Middle East, as other Council members, including European allies, have given priority to other conflicts and to the Israeli-Palestinian peace process.

By hosting a debate on Iran, Mr. Trump will elevate a sidelined Council issue to a major event.

Council members have lined up against Mr. Trump's decision earlier this year to exit from the Iran nuclear deal, but most countries agree with the U.S. position that Iran is a destabilizing force in the region. They also share U.S. concerns about Iran's ballistic-missile program.

X-CHAIR
Stylish • Ergonomic • Comfortable

Dynamic Variable
Lumbar Support
(DVL) feels incredible!



Free Shipping & 30 Day Risk Free Trial

Save \$100 Now! And,
Use code **FreeFootrest**
For a Free Footrest
BuyXchair.com

BuyXchair.com | 844-4-XCHAIR | Corporate Discounts Available

This is Not Your
Grandfather's
Office Chair!

For personal, non-commercial use only. Do not edit, alter or reproduce. For commercial reproduction or distribution, contact Dow Jones Reprints & Licensing at (800) 843-0008 or www.djreprints.com

WORLD NEWS

Trump, Moon to Meet in New York

BY MICHAEL C. BENDER

WASHINGTON—President Trump and South Korean President Moon Jae-in agreed to meet this month in New York during the United Nations General Assembly as they seek to break an impasse over their shared goal of denuclearizing North Korea.

The two leaders spoke by phone about negotiations with Pyongyang and agreed to continue the conversation during U.N. meetings, the White House said on Tuesday.

Mr. Moon also briefed Mr. Trump on meetings scheduled for Wednesday between a team from South Korea and Kim Jong Un, the North Korean leader, in Pyongyang. Mr. Moon is scheduled to meet with Mr. Kim this month in North Korea.

Mr. Trump expressed frustration with the deadlocked peace process in a series of Twitter posts last week in which he lashed out at China and raised the prospect of resuming joint U.S. military exercises with South Korea and Japan that would be "far bigger than ever before."

Pyongyang has said the U.S. needs to reciprocate North Korea's gestures—among them, the dismantling of its underground nuclear test site and the return of U.S. war remains—with a statement declaring an official end to the Korean War.

Meanwhile, Chinese President Xi Jinping is sending a lieutenant to North Korea's 70th anniversary celebrations, instead of going himself, a decision some experts said reflects China's balancing act between Pyongyang and Washington.

Li Zhanshu, a member of China's seven-person Communist Party leadership, will travel to Pyongyang as Mr. Xi's envoy at weekend events commemorating North Korea's founding, the Chinese and North Korean official news services reported Tuesday.

The announcement quashes speculation that Mr. Xi would use the occasion to visit Pyongyang, after Mr. Kim's three trips to China this year.

—Chun Han Wong
contributed to this article.



A museum for China's Zhou Baohong in Yunnan, left; Zhou and Kim Il Sung, right, in 1948 with their wives and children—Zhou Wei and future dictator Kim Jong Il.



CHINA MINZU DAILY

Chinese Family Aids Kim Dynasty

From a 1930s wartime partnership, Kim dynasty's tie to the Zhous of China stretches 'like the Yalu River'

BY JAMES T. AREDDY

DANDONG, China—Eight decades ago, a Chinese commander named Zhou Baohong fought Japanese forces alongside the future founder of the North Korean dictatorship, Kim Il Sung.

The battlefield alliance became a relationship that has lasted three generations, a family story rich in propaganda value for the neighboring communist countries.

It was also the foundation for commerce, part of a Chinese trade and investment lifeline that long nourished North Korea and could do so again if international sanctions are eased.

Businesses connected to the Zhou family helped enrich North Korea as Pyongyang plowed much of its national income into weapons development, according to an investigation by The Wall Street Journal. Business records, official media reports and interviews connect the Chinese commander's family with North Korean industries including mining, trade and consumer goods.

Sanctions have curtailed Chinese trade with North Korea in the past year, and a member of the family told the Journal that the Zhous don't do business in North Korea.

But the relationship between the two families endures. In the past two years, family representatives have endorsed the military pursuits of North Korean leader

Kim Jong Un, attended a Pyongyang reception he arranged, prospected for gold in North Korea and, in April, paid a weeklong visit, according to people familiar with the matter and official reports.

All three North Korean dictators have welcomed visits by the Chinese commander's now 76-year-old daughter, Zhou Wei, celebrating her as a lasting reminder of the nations' shared "anti-Japanese revolutionary struggle."

North Korean media document Ms. Zhou's visits to Pyongyang, where she has set a wreath inscribed with "Zhou Wei Family Tribute, Everlasting Glory" at the Kim Il Sung Mausoleum and confirmed the citizenry had "rallied close around Marshal Kim Jong Un."

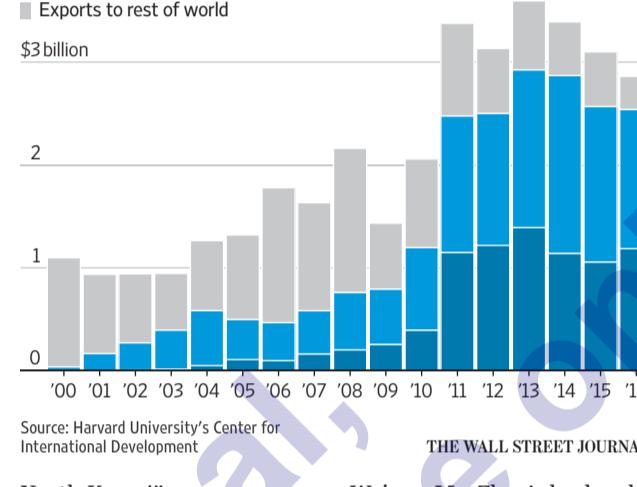
With family friendship has come commercial access. The Journal found official registration documents for three companies in China, including Ms. Zhou's flagship Dandong Weimin International Trade Co., that name Ms. Zhou, her husband and two daughters as shareholders or directors. North Korean and Chinese official media name those businesses and affiliates in reports about mining, trading and other commerce in North Korea.

In China, a Weimin business a few years ago advertised advisory services by boasting that with 20 years of experience it "can help solve any problem that arises when investing in

Lifeline

Exports to China, particularly coal, were an important revenue source for North Korea before sanctions got in the way in 2017.

Annual value of North Korean exports



Source: Harvard University's Center for International Development

THE WALL STREET JOURNAL.

North Korea!

Few specifics about the North Korea operations and financial performance of the companies could be learned. People answering Weimin's phones wouldn't answer questions from the Journal; its registered address in Dandong, near China's bridge across the Yalu River to North Korea, is a single-car garage.

Ms. Zhou is a retired People's Liberation Army doctor and lives in a Beijing compound for cadres near Tiananmen Square, according to records at the military hospital where she served. When a Journal reporter knocked on her green door in March, it was opened by Mao

Weiran, Ms. Zhou's husband.

"We do not do business," Mr. Mao said when asked about North Korea, referring questions to China's PLA because both are retired officers. The military didn't respond. The family didn't respond to written questions.

Before China joined the U.S. and other United Nations members last year in banning most trade and investment with North Korea to protest its nuclear pursuits, Chinese companies had spent over a decade modernizing the mines and factories that made its weapons program possible.

A declassified U.S. Central Intelligence Agency compendium lists 351 foreign joint

ventures, including a Weimin mine, formed during a burst of deal making in North Korea earlier this century; the ventures drew at least \$2.32 billion in investment and Chinese enterprises were partners in 75% of them.

The North Korean economy, hobbled by sanctions, shrank by 3.5% last year, its worst downturn since 1997, according to South Korea's central bank.

If the U.N. relaxes North Korea sanctions, Chinese entrepreneurs would pounce. "It's like they could turn a switch overnight," said Nicholas Eberstadt of the American Enterprise Institute in Washington.

When Mr. Kim visited Beijing in March, Chinese President Xi Jinping recalled how their forefathers shaped a "deep revolutionary friendship." None connects the regimes more than the Chinese commander's legendary camaraderie with Mr. Kim's grandfather.

Last summer, Zhou Wei's photo came in handy for Chinese mining engineer Fan Zhongli. Mr. Fan said Weimin sent him to North Korea to evaluate two gold deposits. Gasoline was almost impossible to find, he told the Journal, but his handlers secured a tank at a military depot by explaining "the chair of our company has a really good relationship with your great leaders."

—Chunying Zhang in Shanghai and Yun-hwan Chae in Seoul contributed to this article.

WORLD WATCH

CHINA

Xi, African Leaders Affirm Project Goals

Chinese President Xi Jinping and African leaders reaffirmed joint development goals at the conclusion of a Beijing summit shadowed by a debt crisis among some African nations and questions about China's role in it.

Following two days of meetings with top officials from more than 50 African nations, Mr. Xi said their interests align on strengthening developing nations and that Beijing is a defender of the continent's success.

Mr. Xi's drive to put a stamp on globalization has met with increasing challenge from foreign-aid experts, who say China's projects can leave nations drowning in debt, and from the Trump administration, which says Chinese export strategies eliminate jobs in its trade partners' economies.

—James T. Areddy

PHILIPPINES

Duterte Orders Arrest of a Rival

Philippine President Rodrigo Duterte ordered the arrest of his most vocal and prominent critic on Tuesday, revoking an amnesty granted to a senator by his predecessor as he intensifies a crackdown on his political opponents.

The move against Sen. Antonio Trillanes IV is the second time a serving senator and presidential critic has been targeted by law enforcement under Mr. Duterte, who also supported the ouster of a Supreme Court chief justice this year.

A presidential proclamation said Mr. Trillanes failed to comply with requirements for an amnesty, granted eight years ago, to cover his role as a leader of a failed military coup in 2003.

—Jake Maxwell Watts

GERMANY

Leftists Unveil New Political Movement

German leftists launched a cross-party political movement aimed at wooing back voters lost to right-wing populists, putting the political landscape under threat of further fragmentation.

The group—called Aufstehen, or Stand Up—is backed by prominent members of the Social Democrats, now a junior partner in the government, as well as the opposition Greens and the radical Left Party.

It has said it aims to target voters on the right with a mixture of socialist prescriptions and cautious criticism of immigration.

The movement is attempting to address a yearslong weakening among left-leaning parties, a trend seen across Europe.

—Bojan Pancevski

SOUTH AFRICA

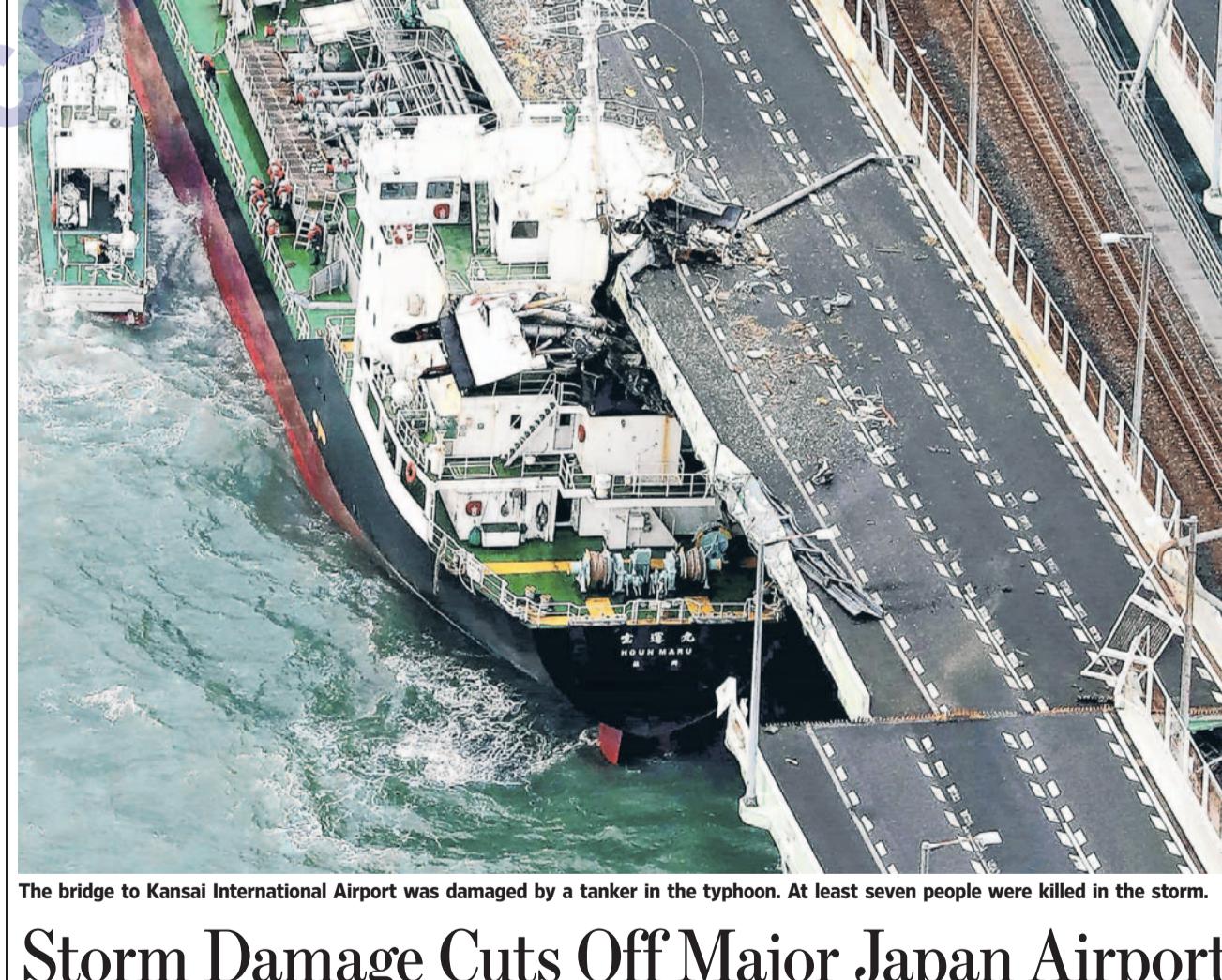
Economy Slips Into Recession Mode

The South African economy fell into a recession in the second quarter, the statistics office said, dealing a blow to President Cyril Ramaphosa less than a year before national elections.

The gross domestic product of Africa's most developed economy shrank by an annualized 0.7% between April and June—following a 2.6% contraction in the first quarter—on the back of bad performances in agriculture, transport and trade, among other sectors.

After the GDP data were released, the rand weakened 2.5% to 15.25 to the dollar, deepening a months-long selloff and piling pressure on Mr. Ramaphosa and his African National Congress party ahead of elections due by August 2019.

—Thandi Ntobela



The bridge to Kansai International Airport was damaged by a tanker in the typhoon. At least seven people were killed in the storm.

Storm Damage Cuts Off Major Japan Airport

BY MEGUMI FUJIKAWA

TOKYO—One of Japan's largest airports, Kansai International, was closed indefinitely by damage from the nation's most powerful typhoon in 25 years.

The bridge that links the island airport with the mainland was hit by a storm-driven tanker ship Tuesday, shearing off one chunk and dislodging a section of roadway from the rest of the bridge. At the airport itself, one runway was under water and one terminal

terminal's basement was flooded, an airport spokesman said.

The airport, near Osaka, serves as one of the nation's main gateways for Asian tourists. Japan Airlines said 150 passengers and 600 staff were still at the airport as of Tuesday night. All Nippon Airways said 65 customers and 290 employees were at the airport. An airport spokeswoman said a total of 3,000 customers and airport staff were stranded there Tuesday.

On Wednesday morning, the airport started evacuating passengers by ship to a port at Kobe Airport, which is about 1.5 hours away from Kansai International, the spokeswoman said. So far, three ships have evacuated about 300 people and ships will pick up customers every 15 minutes, she said.

A terminal for low-cost carriers escaped major damage, but its runway was closed. The spokeswoman said it was still too soon to say when the airport might reopen.

Japan had been preparing

for days for Typhoon Jebi, which carried peak winds of around 130 miles an hour and brought heavy rains to much of central Japan.

No trains or cars were on the bridge when it was struck, and NHK said all 11 crew members aboard the ship were evacuated without injury. Nationwide, NHK said, at least seven people were killed and more than 300 injured.

Japan Airlines and All Nippon Airways both canceled hundreds of flights.

KENTARO IKUSHIMA/MAINICHI NEWSPAPER/ASSOCIATED PRESS

WORLD NEWS

BOE Chief Willing to Stay Longer for Brexit Stability

BY JASON DOUGLAS
AND PAUL HANNON

LONDON—Bank of England Gov. Mark Carney signaled that he is willing to stay on as head of the U.K. central bank beyond his planned departure date next year, offering a measure of stability in British policy making as the country prepares to leave the European Union.

In testimony to lawmakers Tuesday, Mr. Carney said he had discussed the possibility of extending his tenure with Treasury chief Philip Hammond and a decision on his future should be made public soon.

The central-bank chief said "a measure of continuity" might help the Brexit process, which is mired in uncertainty

amid patchy progress in talks between London and Brussels and infighting in Parliament.

"I am willing to do whatever else I can in order to promote both a smooth Brexit and an effective transition at the Bank of England," Mr. Carney said in testimony to Parliament's Treasury Committee.

Mr. Carney's term had been due to end in June 2019, six years after he took up the post. He initially planned to serve only five years but agreed in late 2016 to stay on an extra 12 months to steer the economy past its expected March 2019 exit from the EU.

Since then, uncertainty about what will happen in March has intensified. Expectations for a smooth and or-

derly British exit from the EU have taken a hit as negotiations have dragged on without agreement. Prime Minister Theresa May's efforts to unite her ruling Conservative Party and lawmakers more broadly behind her Brexit vision are unraveling.

London and Brussels have stepped up preparations for the possibility of talks ending in March without an agreement on terms of Britain's withdrawal—an outcome that policy makers, executives and economists warn would cause widespread disruption to two-way trade.

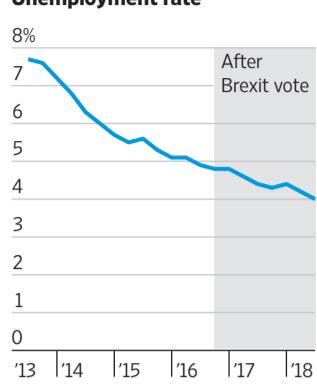
Mr. Carney's willingness to stay on provides a measure of reassurance, said David Owen, chief European economist at Jefferies in London. "The perception of international in-

Report Card

A look at Mark Carney's tenure at the Bank of England

Unemployment in the U.K. has almost halved...

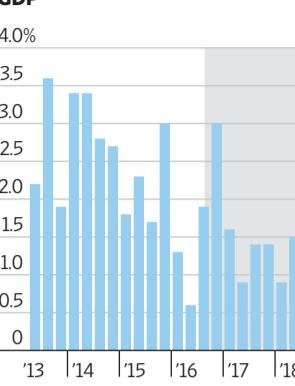
Unemployment rate*

^{*}Quarterly data; [†]Annualized quarterly change

Sources: U.K. Office for National Statistics (Unemployment, CPI); Eurostat (GDP)

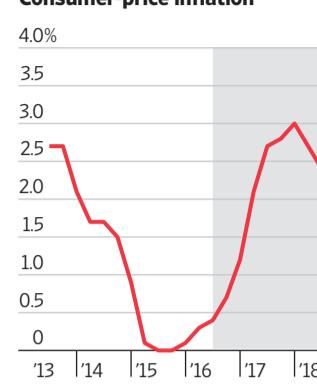
...and the economy has grown...

GDP†



...but inflation has been volatile.

Consumer-price inflation†



THE WALL STREET JOURNAL.

Treasury, which handles the appointment of BOE officials, said it would make an announcement "in due course."

Agreeing to an extension to Mr. Carney's term would also give the Treasury extra time to find a successor.

FROM PAGE ONE

Nike Faces Kaepernick Backlash

Continued from Page One

competitive sports market.

Mr. Kaepernick revealed his role in the campaign with a Monday tweet that said: "Believe in something, even if it means sacrificing everything. #JustDoIt." The tweet, which was shared by Nike on its official account, included a black-and-white picture of Mr. Kaepernick's face.

An NFL executive said the league had received a "modest heads-up" that Mr. Kaepernick was going to be used again by Nike, but the exact messaging attached to him and the extent of the revitalized commercial relationship with the player wasn't made clear.

Nike played down the signifi-

cance of Mr. Kaepernick's involvement in its marketing, saying he is one of many athletes featured as part of the brand's 30th anniversary of the "Just Do It" campaign. A spokeswoman pointed to ads featuring tennis star Serena Williams and NFL player Shaquem Griffin, who became the first one-handed player to be drafted in the Super Bowl era. "All of those athletes embody the Just Do It' spirit," she said.

The company declined to comment on whether it had expected any backlash from featuring Mr. Kaepernick.

In a statement, NFL spokeswoman Jocelyn Moore said the league embraces its responsibility to promote change. "The social justice issues that Colin and other professional athletes have raised deserve our attention and action," she said.

Mr. Kaepernick has been signed with Nike since his days as an emerging star with the 49ers. A person familiar with the negotiations said a



Former San Francisco 49ers player Colin Kaepernick

new deal was struck that will pay him a "top of the line," multiyear deal for football players that will include a shoe and apparel line. Mr. Kaepernick hadn't been featured in Nike campaigns recently and has gone unsigned by teams since March 2017, leading to his collusion grievance against the league.

Mr. Kaepernick's discussions on a new deal with Nike have taken place since around the start of this year, the person said, which was also in the months before Nike and the NFL completed their new apparel deal. Around March, Mr. Kaepernick also received interest from other apparel companies including Puma SE and Adidas AG. The person said Mr. Kaepernick's previous deal with Nike went through mid-2019, all leading to the new pact.

Representatives of Adidas and Puma didn't respond to requests to comment. During a question-and-answer session at a sports-industry conference in April, Adidas executive Mark King said the company would "definitely want to sign" Mr. Kaepernick if he signed with a team. Recent data from a Wall Street Journal/NBC News shed light on the divisiveness of the player protests during the national anthem. In total, 54% of respondents said they found

the protests to be not appropriate, versus 43% who did.

But those numbers sharply diverge by demographic. People between ages 18 and 34, a key target audience for any apparel brand, view the demonstrations more favorably—56% said they found the protests appropriate. Older fans overwhelmingly deemed them to be not appropriate, as did Republicans—only 10% said they were appropriate.

Some on social media, including prominent athletes and other celebrities, have praised Mr. Kaepernick, saying he has drawn attention to issues such as police brutality and criminal-justice reform. Basketball star LeBron James, who is sponsored by Nike, shared the image of the new ad campaign on his Instagram page. Actress Jamie Lee Curtis tweeted: "The swish got it right!"

Sentiment expressed about Nike on social media, blogs and other websites turned negative after news of Mr. Kaepernick's involvement in the campaign was released, according to data from Brandwatch, a social-media monitoring company. Not including neutral references, more than 90% of Nike-related mentions were positive in the days leading up to the news, the data show. Positive sentiment dropped to about 50% on Monday and 40% on Tuesday.

Doug Hamburger, 62, who lives in Knoxville, Tenn., said he and his wife are Gold Star parents and take issue with Nike describing Mr. Kaepernick's actions as "sacrificing everything." "We said forget it, we can walk away from Nike," the retired district manager said.

Miranda Lang, 23, who lives in Washington and works at a nonprofit, said she intends to buy more Nike products as a result of the campaign. "In the last year or so, I have made a conscious effort to spend on brands that support the things I support," she said.



THE SHOES THAT PUT THEMSELVES ON.

STEP-IN HANDSFREE SHOES.

BUY THEM NOW AT KIZIK.COM

WORLD NEWS

Pope's Accuser Sparks Church Divisions

Doubts, support follow
Vatican ex-diplomat's
claim that Francis
covered up sex abuse

BY FRANCIS X. ROCCA

ROME—The Vatican hasn't issued a response more than a week after a former Vatican diplomat accused Pope Francis of covering up sexual misconduct, but former officials are disputing some his claims—while other churchmen have vouched for his integrity.

On Sunday, two former papal spokesmen challenged the account of Archbishop Carlo Maria Viganò, former Vatican ambassador to the U.S., about a 2015 meeting he had with Pope Francis.

Archbishop Viganò's claim that the pope rehabilitated a favorite U.S. cardinal who the archbishop said had been punished for sexual activity with seminarians has shocked the Catholic Church, deepening divisions between the pope's progressive supporters and conservative critics such as the archbishop.

The archbishop's indictment, published Aug. 25, landed amid an escalating crisis over the church's handling of sexual abuse of minors by priests in the U.S., Australia and Latin America.

The accusations threaten to damage Pope Francis's moral authority, and undermine his agenda of increasing the church's focus on social-justice issues such as immigration, poverty and the environment.

The pope has stayed silent on the archbishop's main accusation against him: that he disregarded sanctions that his predecessor, Pope Benedict XVI, had placed on then-Cardinal Theodore McCarrick, a former archbishop of Washington.

"The truth is meek, the truth is silent," Pope Francis said in a homily on Monday, in a possible allusion to the con-



Pope Francis celebrating Mass on Tuesday at Santa Marta, the boarding house where he resides at the Vatican.

roversy and his response. "With persons lacking good will, with persons who seek only scandal, who seek only division," the proper response is "silence and prayer," he said.

According to Archbishop Viganò, Pope Benedict ordered the American cardinal to move out of the seminary where he had been living and banned him from publicly celebrating Mass, among other restrictions.

Pope Francis learned about the cardinal's behavior and his punishment from Archbishop Viganò, but didn't enforce the sanctions and instead made Cardinal

McCarrick a powerful adviser on Vatican foreign policy and the appointment of U.S. bishops, the archbishop says. He has called for the pope to resign.

Now-Archbishop McCarrick became the first man to resign as a cardinal in nearly a century, after a church investigation found credible a charge that he had sexually abused a teenager in the early 1970s. He has said he can't recall the incident with the teenager. His lawyer has said he deserves due process with regard to Archbishop Viganò's allegations.

In the absence of any response by the Vatican, ques-

tions remain open about the extent of sanctions imposed on then-Cardinal McCarrick. Witnesses confirm he moved out of his apartment at a Washington seminary in early 2009.

But the cardinal continued to celebrate Mass in public, even at the Vatican, and appeared at events with Pope Benedict—suggesting that, if the former pope had restricted him to a life of private "prayer and penance," it wasn't enforced. Retired Pope Benedict hasn't commented on the affair.

Some observers have questioned why Pope Benedict would have kept sanctions on

Cardinal McCarrick secret. But doing so is common practice in the case of bishops, present and past Vatican officials say.

Others have questioned why Archbishop Viganò warmly praised Cardinal McCarrick as an ambassador "very much loved from us all" at a gala dinner in 2012 if he viewed the cardinal as a pariah. The archbishop has suggested he was just being diplomatic.

Several U.S. bishops have released statements praising Archbishop Viganò as a man of honesty, while others have accused him of ill will toward the pope.

Cardinal Consults Priests on Next Step

Cardinal Donald Wuerl, the beleaguered archbishop of Washington, D.C., faced a mixture of calls to resign and to stay in his post from priests in his diocese at a meeting Monday, according to people who were present.

At an annual Labor Day gathering, Cardinal Wuerl told more than 100 clergy that he had met in Rome the previous week with Pope Francis, who instructed him to confer with his priests over what step to take next. The cardinal has faced growing pressure to resign in recent weeks, following criticism that he mishandled allegations of sexual abuse.

Following an opening prayer and brief remarks by Cardinal Wuerl, more than a dozen priests spoke for more than an hour in total, the people present said. Though the tone was cordial, some suggested that it might be time for the cardinal to step aside; others encouraged him to stay and be part of the church's healing process.

The cardinal said little in response to the comments. He received two standing ovations during the event at a Maryland church and grew visibly emotional at the end, the people who were present said.

Ed McFadden, a spokesman for the Archdiocese of Washington, said the reception from priests was mostly positive.

A report released last month by the attorney general of Pennsylvania detailed decades of sexual abuse by more than 300 priests in the state. Cardinal Wuerl, who served as the archbishop of Pittsburgh from 1988 to 2006, has been criticized for not doing enough to keep priests accused of abuse from returning to ministry.

—Ian Lovett

This is Not How You Make a Decision



2019 COLLEGE RANKINGS

WSJ THE

Make a smart decision with The Wall Street Journal's college rankings report. Use our in-depth analysis and interactive tools to compare schools, investigate the factors that matter most to you, and create your own personal rankings.

Read our full rankings and special report tomorrow.

THE WALL STREET JOURNAL.

Read ambitiously

FROM PAGE ONE

Chefs Serve On Rocks, In Stilettos

Continued from Page One

ing experience. At the Sugar Club, executive chef Josh Barlow says the rock plating offers guests a surprise and gets them excited. "The first thing you have to do is tell them not to eat the rocks," says Mr. Barlow. He also serves deep-fried pig head on tree bark.

El Ideas, a Michelin-starred Chicago restaurant, serves a coconut-and-lime powder on a mirror with razors-blades for a 1980s "Miami Vice" feel. Diners suck up the powder with straws. "It makes people

laugh and gets people on the edge of their seats," says owner Phillip Foss. "I'll take the lumps from all the naysayers."

Naysayers of odd plating include Ross McGinnes, a digital-content consultant living in Hebden Bridge, England, who started www.wantplates.com, a site curating user-submitted photos of plate substitutes they've found at restaurants: axes, clipboards, tennis rackets, hubcaps, flower pots.

Among detractors in the culinary world are Jacques Pepin, a dean at the International Culinary Center in New York City and former chef to French heads of state, who calls the trend "ridiculous," saying "it hides the lack of technique."

Joseph Fattorini, a London wine merchant, says "the smart dining world in London sees it as gimmicky." On a ski trip in Switzerland several years ago,

he says, he was "utterly flabbergasted" when soup arrived in a glass nestled in a stiletto.

Food in footwear featured in international diplomacy when Israeli Prime Minister Benjamin Netanyahu had Japanese Prime Minister Shinzo Abe over for dinner in May. The chef served chocolate pralines in mock metal shoes, posting an Instagram photo that sparked online criticism calling the shoe-tabling "tone deaf."

The Israeli Ministry of Foreign Affairs confirmed the dinner but didn't comment on the shoes. The Japanese Embassy in Israel says then-Ambassador Koji Tomita visited the chef's restaurant several weeks later and ordered the same dessert in a shoe.

The chef, Moshe Segev, says he also serves sweet-cream mushroom linguine on a wood stump, cheesecakes on a

painter's palette and a potato-and-goat-cheese gnocchi on top of a tea pot. "This is not only food, this is art," he says. "Real art is never 100% for everyone."

Some unconventional plating may stem from the tradition of chefs gathering outside work to experiment, says Russell Jackson, a veteran New York City chef and once a contestant on the "Iron Chef America" show. He says he first got wind of such experimentation around 2010. Others date it earlier: Mr. McGinnes, who runs the odd-plating website, says he was served cake on a ping-pong paddle around 2008 in Barcelona, and "it still gives me sleepless nights."

In the trend's early days, Mr. Jackson says, chefs put careful thought into "syncing the creative arc," between food and what it was on. Plating material, construction and color

were considered important elements. "There's a fine line," he says. "I can't imagine walking up to a table with a shovel."

An ashtray didn't cross the line for diner Mimi Dendias. One appeared under her dessert featuring chocolate and bacon flakes during a dinner-and-performance show in May at the Vaults, a London venue. "I think it's really interesting and different," says Ms. Dendias, a photographer in the city. "Generally, definitely in favor."

Not too successful were the baby bottles filled with foie gras steeped truffle milk that Mr. Foss, the Chicago chef, once served. He took them off the menu because "it was creepy," he says. "Grown men and women were sucking on baby bottles together."

James Dragan, who manages Los Angeles County food inspectors, says he hasn't seen

any plating violations issued. California code states whatever restaurants use as plates must have "a smooth, easily cleanable surface" that doesn't allow the "migration of deleterious substances or impart colors, odors, or tastes to food."

"A shoe wouldn't fit that," Mr. Dragan says.

The Birmingham Magistrates' Court in England fined a steakhouse this year for a plating-related offense, says a Birmingham city-council media manager. It had served on wood boards with cracks, after inspectors had warned that the boards couldn't be properly cleaned.

Mr. Jackson, the New York chef, thinks the next experimentation will forgo plating altogether, with food consumed directly off the table.

"At that point, we have nothing better to say, creatively."

golf," says Mr. Grant. "Her work is Facebook. Her book was squeezed in as a hobby."

By then, an important issue had bubbled up in a business under Ms. Sandberg that wasn't initially elevated to Mr. Zuckerberg's attention.

Mr. Stamos, the security chief, began raising alarms in the summer of 2016 about Russian interference, according to a person familiar with the situation.

His team had identified Russian state-sponsored activity on Facebook's platform, although it had yet to link it to fake-news accounts that were already active on Facebook.

Internally, however, Facebook staffers were aware of fake news operations run out of Macedonia looking to make money from advertising. But the issue got bogged down between the policy team, which had no rules for fighting and disabling fake news accounts, and Facebook lawyers who were reluctant to do anything that smacked of trying to influence the election, the person said.

After the 2016 election, when Mr. Zuckerberg remarked that it was "pretty crazy" to think that the outcome might have been influenced by fake news, the security team realized its warnings hadn't gotten to the engineering side of the company and that the CEO hadn't been briefed. It couldn't be learned if Ms. Sandberg herself had been notified of the concerns.

In December 2016, Mr. Stamos circumvented the bureaucracy by sending a report to a wider group of Facebook executives, including Mr. Zuckerberg.

The team began getting the resources it needed to solve the problem, the person familiar with the situation said, and Mr. Zuckerberg later said he regretted his initial remarks about fake news.

Security team

In early 2018, almost all of the 127-member security team were shifted over to Mr. Zuckerberg's side of the house, a move that reflected Facebook's maturing approach to security, Mr. Stamos said. "The product organization is taking responsibility for the negative consequences of the product decisions they make," he said.

The Russia findings sparked congressional hearings and user backlash—and forced Facebook to start investing more heavily in securing its platform. The uproar over Cambridge Analytica in March kicked that process into high gear, according to people close to the company.

Now, Ms. Sandberg's mandate is to spend a majority of her time on safety and security vulnerabilities. She formed a SWAT team to do what she and other Facebookers had struggled with when faced with a crisis: bridge the gap between the technical and business sides of the company to act decisively. The shift "from reactive to proactive detection is a big change," Mr. Zuckerberg said in August.

Many of the changes that are being put in place to clean up the Facebook platform will be expensive and could have an impact on growth, putting a brake on the ad-revenue machine that Ms. Sandberg built.

In July, when Facebook reported that a surprise slowdown in revenue growth for the second quarter was likely to continue along with an unexpected increase in costs for security and privacy, investors shaved almost \$120 billion in value from the company's valuation—the biggest one-day loss ever for a U.S.-listed company.

Sandberg Monitors Risk Issues

Continued from Page One

to be complex, expensive and thankless, people close to the company say, with any failures very public.

Ms. Sandberg will face her first extended questioning about many of the issues surrounding Facebook on Wednesday, when she is scheduled to testify on Capitol Hill about matters regarding foreign interference.

Many former and current executives believe Ms. Sandberg's internal standing was hurt by the company's lack of preparedness for its cascading crises over the past two years, including the proliferation of misinformation and hate speech on the platform and a number of flubs around data privacy. So does David Kirkpatrick, founder of New York-based Techonomy Media and author of a 2010 book, "The Facebook Effect," who says that by all appearances Ms. Sandberg's role has weakened in the past several years.

A new No. 2?

"Mark has found himself forced to step up to deal with things he wouldn't otherwise want to pay attention to," Mr. Kirkpatrick said. He called the firm's public-relations efforts "a rolling multiyear disaster."

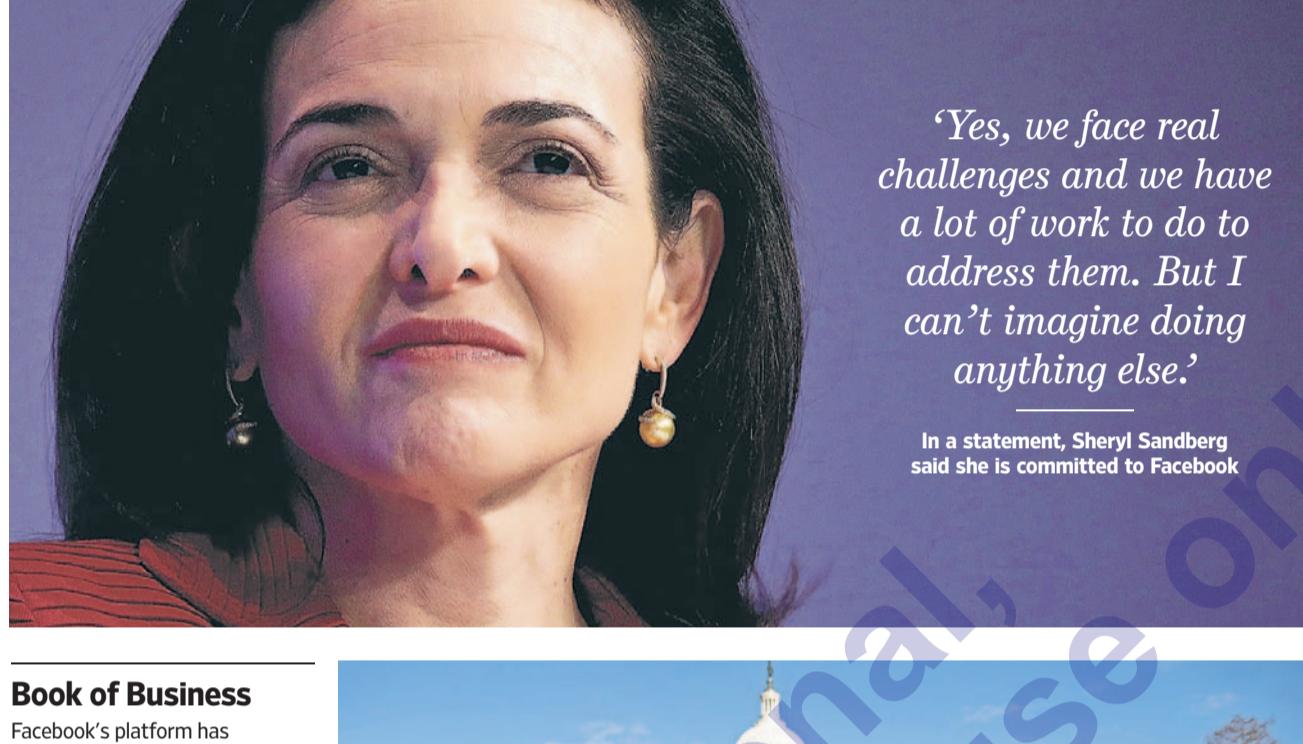
When Ms. Sandberg went unmentioned in a major reshuffling of Mr. Zuckerberg's top product executives in May, the moves caused former employees and executives to speculate that she had been displaced as the second-most-powerful figure by Chris Cox, a close friend of Mr. Zuckerberg, who had been elevated to a new role in charge of all the company's apps, including Facebook, WhatsApp and Instagram.

A spokesperson for Facebook said Mr. Cox strongly disagrees with this perception and noted the two have worked closely together for years.

Meanwhile, at a company where departures are uncommon, five senior executives on Ms. Sandberg's leadership team have said in recent months they are leaving. Those include general counsel Colin Stretch, policy chief Eliot Schrage and security head Alex Stamos.

People close to Facebook say the perception that her influence has lessened isn't true. "Sheryl is key to building Facebook," Mr. Zuckerberg said in a statement. "We're making steady progress preventing abuse on our platform, including during elections—but we always have more work to do. This is a priority for both of us."

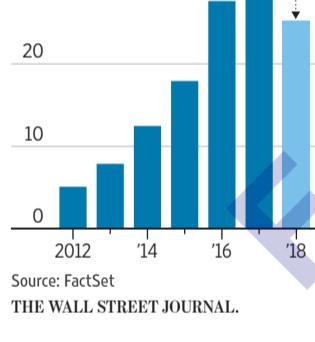
Ms. Sandberg's new role, which she takes on in addition to her other duties, makes her of critical importance to Mr. Zuckerberg, these people say. Few others at Facebook are positioned to figure out how to get on top of its problems, let alone pre-empt them.



Book of Business

Facebook's platform has remained popular with advertisers, despite recent controversies.

Annual revenue



Source: FactSet

THE WALL STREET JOURNAL.



Facebook Chief Executive Mark Zuckerberg has drawn protests over privacy and data protection.

power to solve the problems that were surfacing at the company, she adds.

"Even though it is a great partnership, I will say there's a material difference between being CEO and being COO," says Dr. Desmond-Hellmann, former president of the biotech firm Genentech Inc.

"While they both discuss priorities, ultimately Mark makes the calls on personnel allocation—not just how much to spend but what percent of the engineering staff works on things as well."

Ms. Sandberg became a feminist icon by encouraging women to "lean in" and not shy away from daunting workplace challenges. As she steered Facebook's torrid growth—its 2017 net income was more than \$15 billion—she raised two children, wrote two best-selling books, gave commencement speeches and TED Talks, and was a regular at Davos and Allen & Co.'s Sun Valley Conference.

A compulsive organizer, Ms. Sandberg manages her packed schedule of Facebook, family and book-writing in part by making "to-do-lists of to-do-lists of to-do-lists," says psychologist Adam Grant, who co-wrote a book, called "Option B," with her.

Over 20 years of working together, "she has gone through I don't know how many thousands of these little notebooks that fit nicely in the palm of your hand," says David Fischer, Facebook's vice president for business and marketing partnerships. "She has lists for each person as well as herself.

One critic called the firm's P.R. efforts 'a rolling multiyear disaster.'

self so when I go in and have my one-on-one with her later today, she will flip to my name and there will be a set of issues. It's effective."

During the Cambridge Analytica crisis, Ms. Sandberg worked through the weekends and school functions. During the depths of the crisis, her daughter starred in a school musical, according to people familiar with her schedule.

Ms. Sandberg was seen pacing the courtyard during intermission on conference calls as the company struggled to contain the growing controversy.

Some current and former

executives say that as Facebook's reach and influence expanded, her deliberate management style made it difficult to resolve issues and bring them to a close and at times obscured the big picture.

"Bad actors, pornography, racist content, sexist content and concerns about new ad products and privacy. None of this stuff is new," recalls one former employee who was in the meetings.

Some current and former employees have asked whether Ms. Sandberg's outside activities proved a distraction when Facebook's challenges hit. Her first best-seller "Lean In," which in 2013 Oprah Winfrey called "a manifesto for women in the workplace," spawned a foundation and a thriving speaking career.

After the sudden death of her husband in 2015, SurveyMonkey CEO Dave Goldberg, she turned her journals about the death into "Option B," which was published in April 2017.

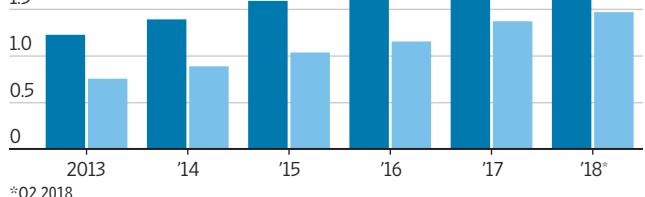
The book got a big publicity push through much of 2017, adding trips to places like Houston, Cleveland, and Durham, N.C. She recorded interviews with Oprah, Stephen Colbert and Ellen DeGeneres. Mr. Zuckerberg was away a lot that year, fulfilling the personal goal he'd set to visit 30 U.S. states he'd never seen before.

This was a time when Facebook's problems were intensifying. Among other things, Facebook's security team was uncovering more evidence of additional Russian interference on the platform; legislators were increasingly frustrated with the social media giant and hate speech was fueling more violence overseas.

People close to Ms. Sandberg strongly dispute the suggestion that she was distracted and say she scheduled her book tour around her work obligations. "A lot of CEOs play

Friend Zone

Facebook's user growth slowed in the second quarter, after years of steady gains.



Source: FactSet

THE WALL STREET JOURNAL.

GREATER NEW YORK

City Making Progress on Housing Repairs

Mayor de Blasio says there were some 'crossed wires,' but rehab is moving along

BY KATIE HONAN

Mayor Bill de Blasio defended the New York City Housing Authority on Tuesday after Manhattan federal prosecutors accused the city of failing to comply with orders to fix the agency's deteriorating public-housing developments.

Prosecutors in the U.S. Attorney's Office for the Southern District of New York said in a court filing on Friday that NYCHA has been violating federal safety protocol by continuing to expose its residents to toxic lead dust during building renovations.

Under a consent decree reached with prosecutors in June, the city agreed to ad-



NYCHA has been working to fix dilapidated apartments.

Southern District...these are all things that are works in progress," the mayor said at an unrelated news conference. "Everything's moving, we're taking it all very seriously."

New York City agreed to the consent decree after federal prosecutors found health and safety hazards at NYCHA developments following a two-year investigation into the authority. Under the decree, the city will spend \$1 billion during the first four years of the federal monitoring, and then \$200 million each year during the next decade to make repairs. The rehabilitation costs have continued to rise, and the authority acknowledged in July that it would need \$31.8 billion to make necessary repairs, which was an increase of nearly \$7 billion from previous estimates.

In the Friday filing, prosecutors said the violations showed the need for an inde-

pendent monitor to improve NYCHA. A judge would have to approve such a move.

"Absent oversight from a monitor charged with policing NYCHA and directing it to achieve compliance, NYCHA will continue to violate the law and put residents at risk," prosecutors wrote in the court document.

NYCHA had a "dysfunctional approach" to serious health issues and didn't move to address the hazards until federal prosecutors pressured the authority, according to the filing.

The court document also said that NYCHA officials ignored requests by federal prosecutors to meet and discuss immediate compliance, and waited more than three weeks before saying they found a way to become compliant sooner.

Mr. de Blasio said on Tuesday that there may have been

some "crossed wires" in communications between the city and the federal government but that conversations about the settlement were productive.

"I would say during discussions around the settlement, which were very, very extensive, everyone ultimately got to a cooperative place and a productive place," he said. "Where this is leading is something more formal, which is when there's a monitor in place."

A spokeswoman for NYCHA, Jasmine Blake, said the authority has new management that is changing its culture and training more than 1,400 staffers to make repairs.

"Large-scale transformation will not happen overnight—and the consent decree reflects that," she said in a statement. "We're taking aggressive steps to implement reforms and are making steady progress for our residents."

Soaking Up a Win at the U.S. Open



SWEET SUCCESS: Anastasija Sevastova of Latvia reveled in her win Tuesday after defeating defending U.S. Open tennis champion Sloane Stephens of the U.S. 6-2, 6-3 in the quarterfinals at the USTA Billie Jean King National Tennis Center in Queens.

Moody's: Tax Cap Hurts Tri-State

BY JOSEPH DE AVILA

The Treasury Department's recent proposal barring New York, New Jersey and Connecticut from letting taxpayers avoid a new cap on state and local tax deductions is a "credit negative" for the states, according to Moody's Investors Service.

Blocking workarounds to the new \$10,000 cap on state and local tax deductions would increase the burden on people in high-tax jurisdictions, the credit-ratings firm said in a report released Tuesday. The cap is part of President Trump's new tax law enacted in late 2017.

A "credit negative" means Moody's believes the Treasury proposal, if finalized, would hurt the credit of the three states. But that is only one of many credit factors the firm takes into consideration, and it doesn't mean Moody's is weighing a rating or outlook change for any of the states.

"Voters in some municipalities will be more likely to reject tax increases because they will not be partially offset by a federal tax benefit," the report said.

New York, New Jersey, Connecticut and California all

passed legislation this year allowing taxpayers to make payments to charitable organizations controlled by local governments in exchange for credits against their state or local taxes. The workaround aimed to allow taxpayers to deduct these payments as charitable contributions for federal income-tax purposes, while using the same payments to satisfy local tax liabilities.

The \$10,000 annual cap on state and local tax deductions has big implications for the tri-state region. In New Jersey and Connecticut, four out of 10 tax filers claimed more than \$10,000 in state and local tax deductions in 2015, according to the Moody's report. In New York, it was more than one-third of tax filers.

Most tri-state residents, however, will pay less in taxes overall this year, according to the Tax Policy Center, a research group run by a former Obama administration official. About 8.3% of New York households will pay more in 2018 than they would have under the old law, compared with 6.3% nationally. In New Jersey it is 10.2%, and in Connecticut, 8.4%.

New Jersey Governor Calls on Trump to Fund Key Rail Link

BY PAUL BERGER

New Jersey Gov. Phil Murphy rallied with federal elected officials Tuesday to highlight a stalled effort to modernize and double rail links between New Jersey and New York.

Standing on the shore of the Hackensack River near Newark, Mr. Murphy, a Democrat, said he had heeded the Trump administration's demand that New Jersey and New York find alternative sources of funding to qualify for federal support for the sprawling program known as Gateway.

He called on the administration to start moving on the project. That would require releasing about \$800 million in federal grant funding to allow construction of the first part of Gateway, a new rail bridge over the river.

The current century-old span, known as the Portal Bridge, stands less than 25 feet above the water and must swing open to accommodate boats. It fails to close properly at least several

times a year, causing delays to ripple along the busiest passenger rail line in the country.

Last October, Mr. Murphy's Republican predecessor, Gov. Chris Christie, stood on the same spot with the bridge in the background to celebrate the start of \$20 million worth of early construction work, including relocating utilities and building a new pier to support work on the replacement bridge, which will rise more than 50 feet over the river and won't need to open.

But the real work can only begin once the federal share of funding for the roughly \$1.7 billion bridge is in place. "This ought to be a no-brainer for him," Mr. Murphy said of Republican President Trump.

A spokeswoman for the U.S. Transportation Department said the bridge project remains under review, pending further information regarding its financing. The department didn't respond to statements made Tuesday by U.S. Sen. Bob Menendez, a New Jersey Dem-



Standing by the Hackensack River, Gov. Phil Murphy highlighted the need to replace the Portal Bridge.

ocrat, who accused Mr. Trump of holding up Gateway because of a "political vendetta."

Sen. Chuck Schumer of New York, the Senate's Democratic leader and a frequent critic of the president's, is one of Gate-

way's most prominent boosters.

The Trump administration has rejected claims by New York and New Jersey officials that it must honor an Obama administration pledge to pay for half of Gateway's costs. Trans-

portation Secretary Elaine Chao told a House committee earlier this year that the states would need to put more "skin in the game" to pay for the program.

Gateway is a series of massive infrastructure projects expected

to be built during the next two decades between Newark and New York City. They include new rail bridges, new tracks and a tunnel under the Hudson River.

The program would vastly improve rail service along Amtrak's Northeast Corridor line. It also would improve service for about 100,000 daily commuters who travel between New Jersey and New York. Its total cost is estimated at about \$30 billion.

The Trump administration has held up the bridge project, citing technical reasons including the fact that New York and New Jersey intended to fund part of their share of construction costs using a federal loan, which the government said counted as federal, not local, funding.

In June, Mr. Murphy replaced that loan as he announced \$600 million of funds from New Jersey. Gateway's leaders, made up of a coalition of state officials as well as representatives from Amtrak, are still awaiting a response from the administration.



VACHERON CONSTANTIN
GENÈVE

ONE OF
NOT MANY.

WEMPE
EXQUISITE TIMEPIECES & JEWELRY
ESTABLISHED 1878
NEW YORK - 212 397 9000

GREATER NEW YORK

GREATER NEW YORK WATCH

MILITARY

Korean War Soldier's Remains Identified

The remains of a missing New York soldier who died during the Korean War more than 60 years ago have been identified, U.S. military officials say.

The Pentagon's Defense POW/MIA Accounting Agency announced Tuesday that First Lt. Herman L. Falk's remains were identified last month using DNA analysis, dental records and material evidence.

The 22-year-old from Manhattan was serving in the Army's Second Infantry Division when he and other members of his platoon were reported missing during fighting in South Korea in February 1951, DPAA says.

After the war returning American POWs reported Lt. Falk had died that spring at a POW camp in North Korea, officials say.

Lt. Falk's remains were among those of at least 400 U.S. servicemen handed over by the North Koreans from 1990-94.

—Associated Press

NEW JERSEY

Man Hit and Killed By Commuter Train

A man was struck and killed by a train in northern New Jersey on Tuesday, NJ Transit said.

A Main Line train hit the man at about 12:30 p.m. just west of the train station in Ramsey, the agency said. His name hasn't been released, and it wasn't immediately clear why he was on the tracks.

It didn't appear that any of the 10 passengers aboard the train were injured.

The train had departed from Hoboken earlier Tuesday and was bound for Suffern, N.Y. The accident caused rail service between Suffern and Waldwick, N.J., to be suspended for about 90 minutes, and residual delays were reported after the service resumed.

—Associated Press

METRO MONEY | By Anne Kadet

Wanted: Workers With Autism



Alexis Prendingast, a 25-year-old Brooklyn woman who has autism spectrum disorder,

is the first to admit there are skills she hasn't mastered. "Mostly it's social stuff. I miss some cues," she says. Her wiring also lends unusual strengths, like an ability to focus for long stretches on tasks requiring great attention to detail. Happily, she found an employer looking for someone just like her.

Daivergent, a Manhattan tech startup, provides autistic contractors to clients seeking high accuracy and speed on tasks including data entry and online research. Most people find these jobs tedious and tiring; they get sloppy after an hour, says co-founder and chief executive officer Byran Dai. But Daivergent's autistic workers "can do it for the day, can do it for the week, can do it month after month," he says.

Mr. Dai, who launched his company in February with \$50,000 in savings and \$100,000 in funding from the Entrepreneurs Roundtable Accelerator, manages a team of four autistic employees at his headquarters and a pool of some 200 contractors around the country who work from home.

In a project Mr. Dai describes as typical, workers digitally labeled items such as doors and windows in blueprints for a company making construction cost-estimate software. The tagged images are used to train an artificial-intelligence system to recognize such objects on its own.

Daivergent's remote workers are paid by the project. They might earn a set amount for tagging a certain number of images, for example. Pay typically works out to \$12 to \$20 an hour, Mr.



Worker Leon Campbell, left, with Daivergent CEO Byran Dai, says he appreciates the structure that the company provides.

Dai says. Employees and contractors can choose their own schedules, and most work between five and 30 hours a week. Daivergent offers no benefits but plans to do so in the future.

For Mr. Dai, who is 28 and grew up in New York City before studying data science and epidemiology at Harvard University and Johns Hopkins Bloomberg School of Public Health, the motivation to start Daivergent was personal. His 19-year-old brother, Brandon, is on the autism spectrum. Four years ago, before their mother died of cancer-related complications, she asked Mr. Dai to look after him.

People on the spectrum often struggle with job interviews and navigating the so-

cial aspects of work. An estimated 50% to 75% of people on the autism spectrum experience long-term periods of unemployment. "I want him to have a meaningful life," Mr. Dai says of his brother.

Autistic workers can face other challenges in the workforce once employed. Many people with autism think very literally and may struggle with ambiguity. So Mr. Dai developed his own digital work platform to accommodate Daivergent's workers. It breaks projects into small chunks so workers can easily track their own progress, and the system relies heavily on video instruction.

Employees such as Leon Campbell, a Bronx 23-year-old who recently graduated

from Hunter College, say they appreciate this structure. "I was afraid my first job would be overwhelming and give me more stress than even school did," he says. "But this is simpler."

Mr. Dai consulted with employment-services experts at the Arc New York, an advocacy group, while developing the work platform. To refine it further, Daivergent is also consulting with a licensed clinical social worker specializing in young adults on the autism spectrum.

Because the spectrum includes such a range of conditions, Mr. Dai says he doesn't require any specific diagnosis to hire. He typically recruits from organizations that provide support services

to people on the spectrum.

Some small outfits already employ workers on the spectrum for remote work, says Dave Kearon, director of adult services for advocacy organization Autism Speaks, but Daivergent stands out for the training it provides. "He's offering not just technical skills but social and communication skills-training."

The Points Guy, a website for consumers aiming to maximize their travel rewards, retained Daivergent to help build the database behind its new app. "It's super complicated, and it's tedious work," says director of product management Alon Hartuv. "But they provided the goods."

AnneKadet@wsj.com

THE WALL STREET JOURNAL

CFO Network

World-Class CFOs Driving the Future of the Global Economy.

Upcoming Member Events

Annual Meeting

June 10-11, 2019 | Washington, D.C.

WSJ editors, business leaders, policy makers and CFOs from around the globe convene to identify and debate the latest business issues.

Editor's Dinner Series

September 26, 2018 | New York, NY

October 16, 2018 | San Francisco, CA

December 11, 2018 | New York, NY

February 26, 2019 | San Francisco, CA

Moderated by senior WSJ editors, these engagements bring together top executives for dinner and discussions on issues facing global business.

D.LIVE

November 12-14, 2018 | Laguna Beach, CA

June 13-14, 2019 | Hong Kong

Complimentary access to The Wall Street Journal's premier technology events. D.LIVE brings together an unmatched group of CEOs, founders, investors and luminaries from around the world to set the global tech agenda.

WSJ Pro Cybersecurity Executive Forum

December 11, 2018 | New York, NY

May 2019 | London, UK

Join fellow senior executives and industry leaders to discover how you can prepare for increasing cybersecurity threats.



The Wall Street Journal CFO Network is an exclusive membership for Chief Financial Officers from the world's largest and most influential companies collaborating on the most pressing issues in global financial leadership.

Membership is by invitation.

For more information, please email CFONetwork@wsj.com.

Proudly Sponsored By:

Deloitte.

THE WALL STREET JOURNAL.
Read ambitiously

LIFE & ARTS

MUSIC

Behind Hip-Hop's Bidding Wars

BY NEIL SHAH

PLASTERED WITH FACE and neck tattoos, 21-year-old Lil Xan has been in the music business only a year—but he's already a breakout star.

The Redlands, Calif., rapper, whose real name is Diego Leanans, sparked a bidding war last fall after his anti-Xanax song "Betrayed" went viral. He signed with Columbia Records in November for a three-album deal worth north of \$1 million, according to a person familiar with the matter. In April, his debut album hit the Top Ten on the Billboard charts and last month he walked the red carpet at the MTV Video Music Awards. "It's f—ing phenomenal," says Lil Xan's booking agent, Joshua Rittenhouse. "He's still in his infant stages of even rapping."

It's the era of the million-dollar hip-hop deal.

Over the past 12 to 18 months, competitive pressure has pushed the cost of signing a new rapper up threefold, music-industry insiders say. The biggest contracts for debut artists, once capped at \$1 million, can hit the double-digit millions.

"In 2017, some of the first guys getting signed were [receiving] less than a \$200,000 advance" for their first album, says Tariq Cherif, co-founder of Rolling Loud, one of hip-hop's biggest festivals. "Now you've got guys that nobody's ever heard of—they've got one music video that goes viral—and they're getting deals for multiple millions of dollars."

Hip-hop dethroned rock as America's most popular genre last year, putting pressure on labels to expand their rap rosters to build market share. Feeling flush from an industry rebound fueled by music-streaming, executives are scrambling to sign buzzy rappers before competitors do.

Artists increasingly have leverage in negotiations, music-industry insiders say, thanks to streaming successes and powerful attorneys and managers. They're demanding heftier advances, shorter contracts and lucrative profit splits. Often, they're rejecting traditional deals where labels own the recordings and receive the lion's share of royalties and instead seeking temporary licensing agreements where they retain ownership.

The hip-hop bidding wars are a new chapter in the until-recently moribund U.S. record industry, even if overall revenues remain 40% lower than their 1999 peak.

Just as music executives once chased "hair-metal" bands ('80s), grunge groups ('90s) and anything

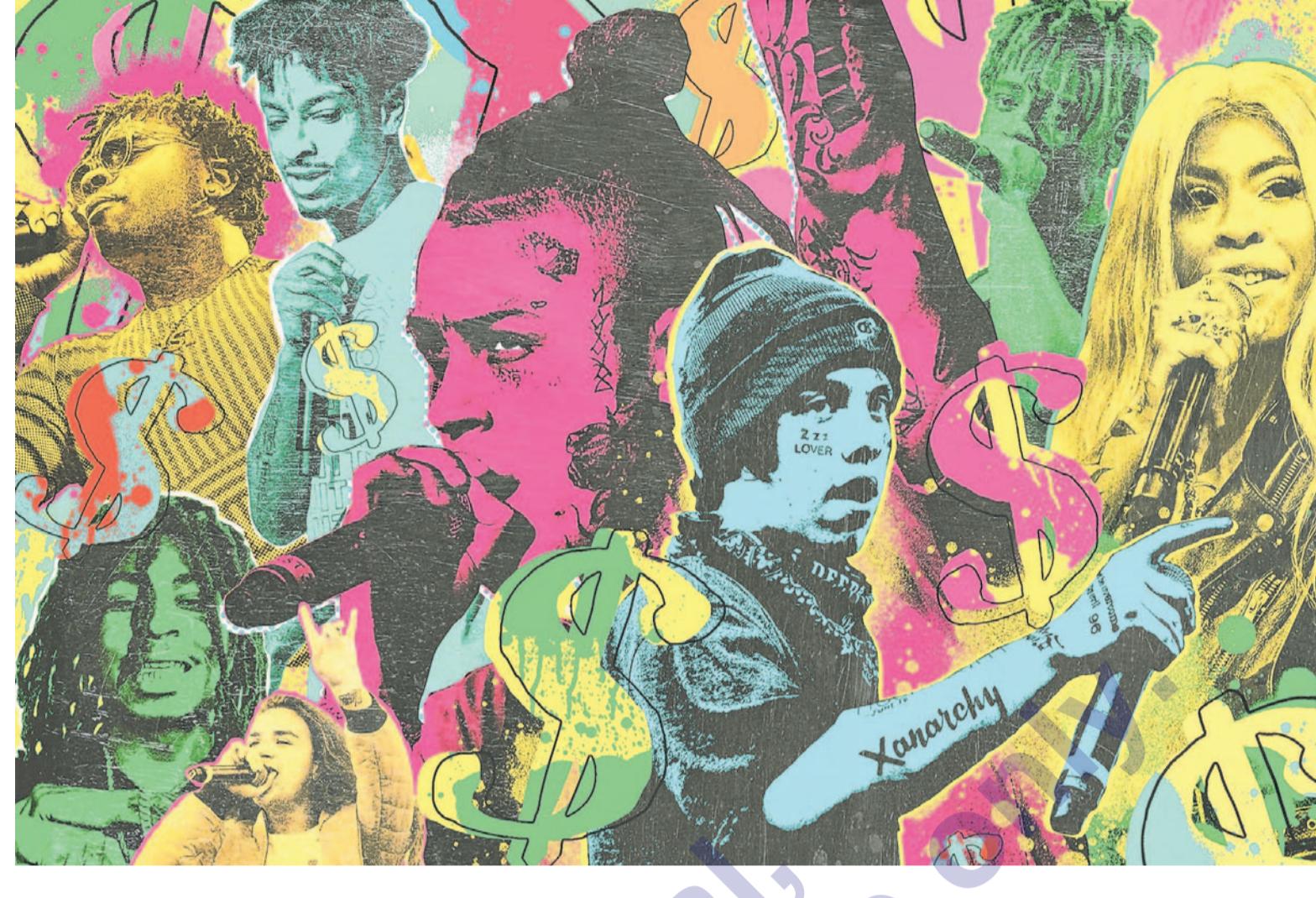


PHOTO ILLUSTRATION BY IAN KELTIE; GETTY IMAGES (7); ABC

resembling the Strokes (early 2000s), they're now grabbing rappers with social-media fame and a lo-fi, melodic sound associated with the streaming service SoundCloud. If you're in a music video with a famously morose rapper, it could land you a deal.

Acts like rap collective Brockhampton and the recently murdered Florida rapper XXXTentacion command huge money because they're seen as safe bets.

But there's "a lot of froth," says Peter Edge, chief executive of RCA Records, which signed Brockhampton and Childish Gambino. "The music business has always been known to get a little overexcited."

The swiftness of star-making in the social-media age and widespread reliance among labels on data from YouTube, SoundCloud and Spotify mean executives quickly swarm over the same acts and overpay to win bidding wars, insiders say.

In March, Young Nudy, a cousin of Atlanta rap star 21 Savage, signed with labels RCA Records and SamePlate for a four-album, multimillion-dollar deal, according

to his manager, Trevor Patterson.

The same month, in one of the industry's most touted deals, 19-year-old Chicago rapper Juice WRLD signed a multimillion-dollar partnership with labels Interscope Records and Grade A Productions, according to a person familiar with the situation. "Lucid Dreams,"

Music executives are scrambling to sign new, buzzy rappers before their competitors do.

Juice WRLD's biggest single, has been a smash hit, reaching No. 3 on the Billboard singles chart.

Other rappers that have fueled bidding wars include California's Yung Pinch and Florida's Dominic Fike, music-industry executives say.

One of the most aggressive labels to sign new acts has been Atlantic Records, part of Warner Music Group, the record industry's third-biggest company. Atlantic

has signed hitmakers Cardi B and Lil Uzi Vert and emerging acts Lil Skies, Shoreline Mafia and Rico Nasty, according to people familiar with the matter. Independent distributor and label Empire has made waves by offering acts artist-friendly deals.

Some labels are proceeding cautiously. Executives at Mass Appeal Records, co-founded by veteran rapper Nas, are launching a new imprint, Street Dreams, in partnership with Nas's younger brother, Jabari "Jungle" Jones, to sign a broader array of acts. "We're not going to put out a bunch of guys that look the same," Jungle says.

It's still tough to get a record deal. And some artists, like 21 Savage, who has a joint venture with Epic Records, have rejected offers in favor of partnerships, says his manager, Kei Henderson.

Industry executives are already speculating about how long the bidding frenzy can last. "At some point, is this a bubble?" says John Ingram, a music-industry lawyer. "And if so, when will it burst?"

The industry has changed considerably over the past decade and la-

bels may be justified in ramping up their investments, some executives say. Global distribution of music today is cheap compared with the days of physical CDs and records, making profit margins better. Rap doesn't require large studio budgets, and radio promotion—a significant label expense—is no longer essential. In some cases, deals can pay off quickly.

With the record industry's rebound driven almost entirely by the rise of streaming services, labels need to invest in the relatively new music popular on Spotify and other platforms, some executives say. Hip-hop represents 38% of U.S. on-demand audio streams, Nielsen Music says, more than rock (20%) or pop (16%).

But critics have begun complaining that the rap frenzy is creating a glut of gimmicky, relatively interchangeable artists. "A lot of it sounds the same," says Empire A&R executive Tina Davis.

Labels "sign five of the same thing, to see which of them will work," she says. "They're grabbing them and throwing them at the wall like spaghetti."

PARENTING

THE NEW WAVE OF SUPERCHARGED SWIM CLASSES

BY HILARY POTKEWITZ

SUMMER MAY BE ENDING, but Anastasia Smirnova will still be swimming every week with her 6-month-old daughter, Maya. The pair started taking baby swim lessons at the British Swim School in Secaucus, N.J., about two months ago and Maya can now float on her back independently—without the help of a flotation device.

"I wanted my baby to learn to love the water and not be scared of it," says the 26-year-old Ms. Smirnova, an avid swimmer. "She's a water baby now. When she's crying, if you put her in the water, she stops."

The Florida-based British Swim School, with 200 franchise locations, is part of a wave of private swim school chains across the country aiming to transform how children learn to swim.

Demand for dedicated children's swim schools offering parents a more personalized experience than what's on offer at the YMCA has created a marked shift over the past decade. Schools with a just handful of locations years ago are now expanding rapidly.

"Parents are a lot more active with their kids now. When I learned how to swim, my father just cracked me in a lake," says Paul Preston, co-founder of Arizona-based Aqua-Tots Swim School, which has more than 90 franchise locations and favors instructors with backgrounds in childhood education. "This is not a coach with a clipboard



Aqua-Tots Swim School in Ahwatukee, Ariz.

and a whistle. Parents want their kids to have a great experience that's also developmental."

Nearly all the private swim schools promise a maximum class size of four children per instructor and pools heated to 88 or 90 degrees. (Lap pools typically range from 78 to 82 degrees.)

Because swimming is their only focus, they tend to offer more classes at more times and more locations. They may require instructors to have anywhere from 40 to 50 hours of training in their school's proprietary swim-teaching techniques in addition to a lifeguard certification. All charge a premium over their local YMCA. And if the chains' expansion is any

indication, it's a premium that plenty of parents are willing to pay.

Traditionally the YMCA was the first place parents turned when looking for swim lessons. With about 2,000 pools offering aquatics programs for 1.3 million children, it remains the country's largest network of swim instruction.

The YMCA's goal is to teach as many children as it can to swim, regardless of background, says Linda Mondick, senior manager of aquatics for YMCA-USA. "Our mission is to support communities."

The organization revamped its swimming curriculum in 2016 with a primary focus on water safety. Drowning is the leading cause of death among healthy children un-

der 5, and the second-leading cause of death for those under 15, according to the Centers for Disease Control and Prevention.

The YMCA isn't competing with private swim schools for students, Ms. Mondick says—they're competing for instructors: "Our biggest challenge is recruiting and retaining talented staff."

One competitor is Goldfish Swim School, which originated in Michigan. It has over 70 franchise locations, with an additional 25 scheduled to open in the next year.

Founders Chris and Jenny McCuiston created a curriculum based on the idea of guided play, like games that teach safety skills, that all franchisees must follow.

Pricing varies by location, ranging from about \$85 a month for weekly lessons in parts of the Midwest to \$120 a month in the Northeast. Mr. McCuiston encourages his owners to charge slightly above the local market rate—even by just a few dollars.

"We want to be the premium learn-to-swim product out there, and we'll charge a bit of a premium for that," he says.

Imagine Swimming has 14 loca-

tions in New York City. Its co-founders swam for the national teams of their home countries, Germany and Canada. They draw their staff from the ranks of internationally competitive swimmers.

"When you have a competitive swimmer who loves the sport and has dedicated so much of their life to swimming, it shows up in the quality of their teaching and lessons," says Imagine COO Kate Pelatti, a former collegiate swimmer.

Four years ago, when New Yorker Lauren Higgins started looking for swim lessons for her then-6-month-old daughter Lucy, she was primarily concerned with water safety. Her in-laws had a backyard pool.

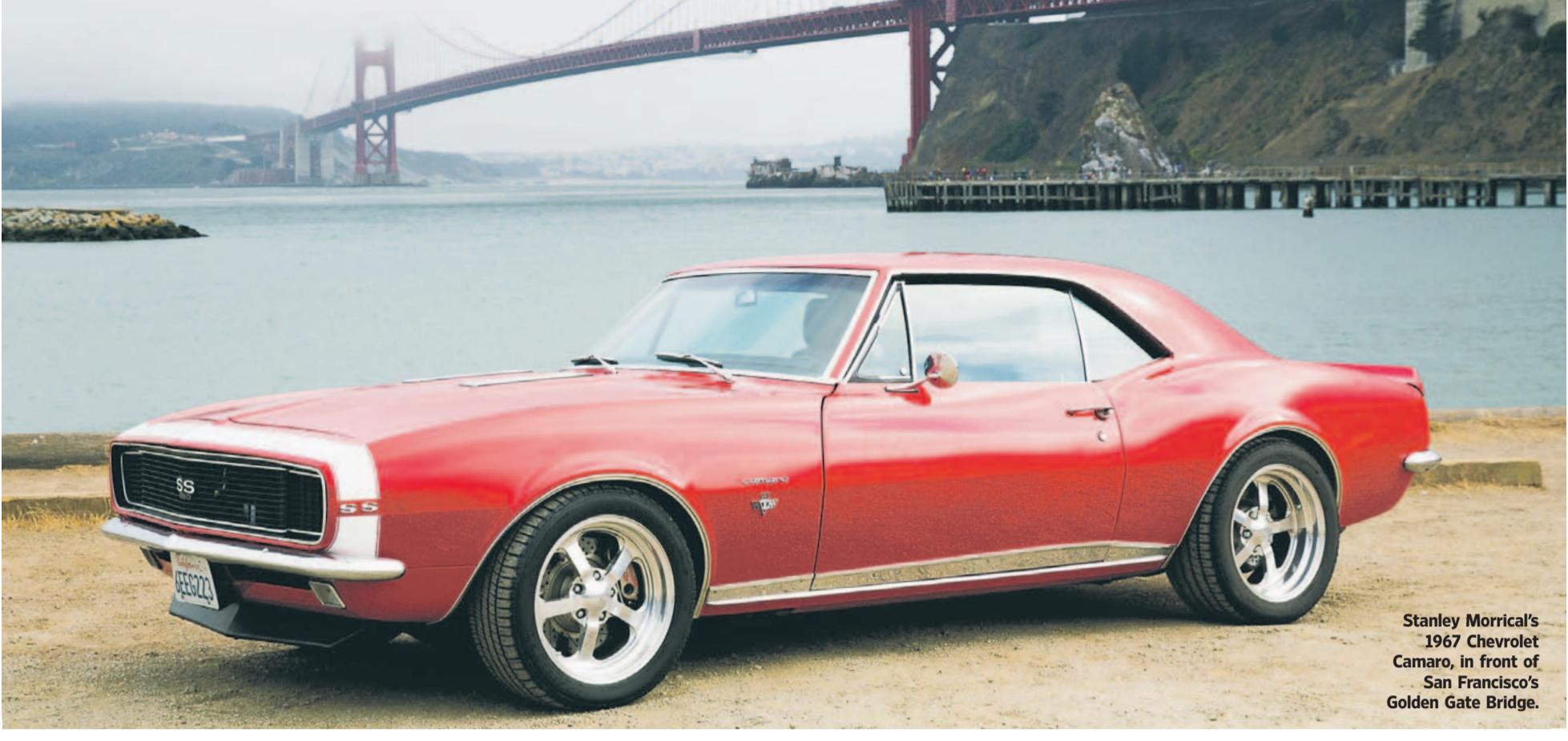
She first checked her neighborhood YMCA in Long Island City, but found baby swim classes to be oversubscribed.

That drove her to Imagine Swimming. Every Saturday morning for the past four years, the family has been getting up at 7 a.m. to drive to Manhattan for swim class for Lucy, now 5, and Claire, 2. "If we take a few weeks off, they start asking when can they go back," Ms. Higgins says.

Imagine's rate of \$47 a class is at the high end. (It and some other schools offer scholarships for low-income children.) But both girls could swim unassisted before age 3.

"When we go on vacation, people see a kid in swim-diapers diving for rings in the pool, and total strangers will approach us and say, 'Holy mackerel, how can your kids swim like that?'" Ms. Higgins says.

LIFE & ARTS



Stanley Morrical's
1967 Chevrolet
Camaro, in front of
San Francisco's
Golden Gate Bridge.

ANGELA DECENZO FOR THE WALL STREET JOURNAL

MY RIDE | A.J. Baime

Living the High-School Dream With a '67 Camaro

Stanley Morrical, 58, an employee-benefits broker in San Francisco, on his 1967 Chevrolet Camaro, as told to A.J. Baime.

My dad bought the Camaro you see here in 1977. I had just gotten my driver's license, and I would stand in our garage in Fort Wayne, Ind., drooling. This was a dream

car for a long-haired kid in the late '70s, but my father was not enthusiastic about me driving it. He thought I would get in trouble. He was probably right. I went off to college and, in 1982, my father died of a heart attack. He was only 45.

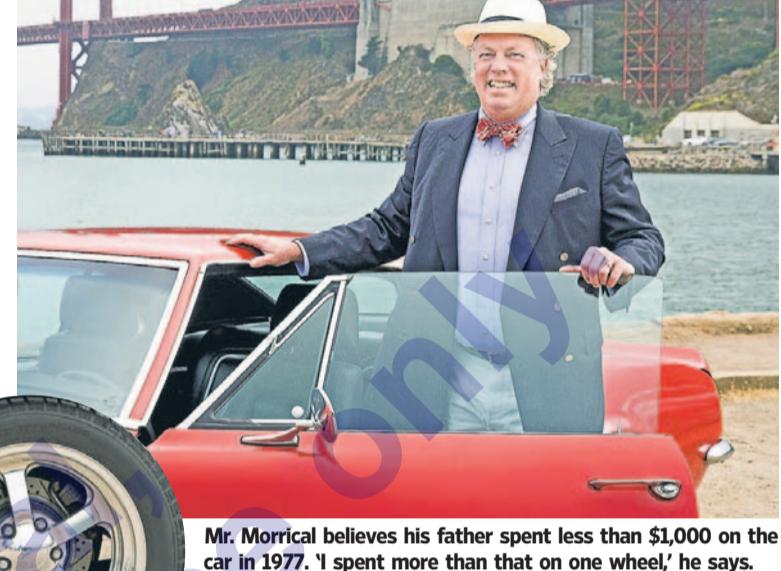
For 13 years, the Camaro sat in my mother's garage, but I never

forgot about it. The model year 1967 was the very first year of the Camaro, which Chevrolet launched to battle Ford's Mustang. This specific Camaro came with the Super Sport package—high performance.

In the mid-1990s, my business in San Francisco was doing well, and I finally had some money. Through my work I met a guy named Jack Nilson [who has since died]. He was a drag racer and he owned a garage near the Sears Point racetrack in Sonoma [now known as Sonoma Raceway].

He convinced me to take my dad's old Camaro to his shop. Over 10 years, together, we built out the Camaro as I would have done if I had had money back when I was a teenager.

The process was like redoing an old house. You do one thing and



Mr. Morrical believes his father spent less than \$1,000 on the car in 1977. 'I spent more than that on one wheel,' he says.

then realize that there are all these other things you have to do. For example, when we reupholstered the back seats, we realized we needed new carpeting and a new headliner [the fabric on the underside of the roof].

Purists will roll their eyes at some of the stuff we did, but I wanted to build the car I wanted. We put in more comfortable front seats and air-conditioning. The original engine was a 350 V-8, and

we replaced it with a new 350 that puts out more horsepower [385], plus disc brakes to handle that extra power.

My father probably spent less than \$1,000 on this car. I spent more than that on one wheel. If he knew how much I spent on it, he would die of a heart attack a second time. But for me, this Camaro is more than a vehicle; it's my dream car and a tribute to my memory of him.

—Contact A.J. Baime at Facebook.com/ajbaime.



ADVERTISEMENT

Showroom

To advertise: 800-366-3975 or WSJ.com/classifieds

PORSCHE

Proudly Celebrating
35 Years of Excellence

ISRINGHAUSEN



2017 911 Carrera S Cabriolet PDK
GT Silver/Black 4K mi CPO
\$117,900



2007 911 GT3 RS Coupe Manual
Orange/Black Full Leather 3K mi
\$239,900



2012 Maserati GranTurismo MC
Rosso Trionfale/Nero 133K mi
\$59,900

> 911				
18 911 Carrera Coupe Manual	Black/Black	242 mi	\$94,900	
16 911 GT3 Lift, Bucket Seats	Carrera White/Black	1K mi CPO	\$155,900	
15 911 Carrera S Coupe PDK	Dark Blue/Grey	15K mi CPO	\$89,900	
14 911 50th Anniv. Ed. Coupe Manual	Graphite Grey/Classic	7K mi CPO	\$127,900	
11 911 GT3 RS Manual, 1 Owner, PCCBs	Carrera White/Black	8K mi	\$209,900	
11 911 GT3 RS Coupe Manual	Oslo Blue/Black	2K mi	\$289,900	
10 911 Carrera 4S Cabriolet Manual	Black/Black	15K mi	\$74,900	
07 911 GT3 RS Coupe Manual	Arctic Silver/Black	18K mi	\$159,900	
06 911 Carrera S Cabriolet Manual	Black/Black	10K mi	\$56,900	

> MACAN/CAYENNE/PANAMERA				
18 Macan	Volcano Grey/Black	9K mi	\$53,900	
16 Cayenne S	Black/Black	42K mi CPO	\$61,900	
16 Cayenne Diesel	White/Luxor Beige	30K mi	\$58,900	

> BOXSTER/CAYMAN				
18 Cayman PDK	Black/Black & Luxor Beige	5K mi CPO	\$64,900	

> SPECIALTY/EXOTICS				
18 BMW M2 Coupe M Suspension Kit	Black Sapphire/Black	312 mi	\$57,900	
16 BMW M4 GTS	Black Sapphire/Black	46 mi	\$115,900	
16 Dodge Challenger SRT Hellcat	Black/Black	12K mi	\$54,900	
15 Mercedes-Benz G 63 AMG	Graphite/Light Brown	42K mi CPO	\$95,900	
15 Mercedes-Benz SL 550	Lunar Blue/Grey	22K mi CPO	\$69,900	
14 Audi R5	Nardo Grey/Black	2K mi	\$59,900	
89 Mercedes-Benz 560 SL	Arctic White/Grey	24K mi	\$49,900	
89 Mercedes-Benz 560 SL	Signal Red/Beige	38K mi	\$47,900	

All prices exclude Tax; Title: Registration and Licensing; Delivery and Handling Fees. Dealer is not responsible for pricing errors.

877-362-9770 | Springfield, IL

sales@isringhausen.com | isringhausen.com

• Specializing in Premium, Hard to Find Vehicles.

• Nationwide, Worry-Free Shipping

LEASE

877-989-1500

• Nationwide Delivery

• We now lease in NY

39 mos., 10k miles/yr, 0 Down, GAP included + TTL. Closed end lease.

All New Makes & Models • 0 Down • Call 7 Days

www.LEASEFAX.com

Audi Q7	699mo	GMC Yukon SLE	499mo	Mercedes GLC	499mo
Cadillac Escalade Lux	899mo	Jeep Gr Cherokee Ltd	399mo	Mercedes GLE43 C4	899mo
Chevy Corvette	699mo	Jeep Unlimited	339mo	Mercedes GLS	859mo
Chevy Equinox	239 mo	Land Rover Disco Sport	499mo	Mercedes G63 \$10K off MSRP	
Chevy Suburban	519mo	Lexus GX460	499mo	Mercedes S-Class	1099 mo
Chevy Traverse	359mo	Lexus LS500	1119mo	Porsche Macan	699mo
Corvette Z06	\$10K off MSRP	Lexus LX570	999mo	Range Rover	1059mo
Chevy Tahoe	479mo	Lincoln Continental	499mo	Range Rover Sport	759mo
GMC Denali	729mo	Lincoln Navigator	All New 899mo	Volkswagen Atlas	399mo

LEASE

2014 Mercedes-Benz G63

Designo Edition

Black/Black, loaded

34k miles. \$86,900

Nationwide delivery. We offer all current

makes & models - for less. Call 7 days.

Trades accepted.

877.989.1500www.LEASEFAX.com

CLASSICS

1982 Alfa Romeo Spider Veloce

Beautiful condition, 49,600 actual miles. Red exterior with Tan interior. Dallas, TX. Everything works. \$16,500

Call (214) 808-9358

for further details.

WORK & FAMILY MAILBOX | By Sue Shellenbarger



A FINE LINE ON PROMOTIONS

Q Regarding your Aug. 22 story on more employers handing out promotions without a pay raise, what impact does that have on the likelihood that employees will quit to take another job?—S.W.

A: It depends on whether the employee interprets the offer as an appreciative gesture by a respectful boss whose hands are tied on compensation, or as a disrespectful ploy by a manipulative boss trying to get more work done for nothing.

A boss whose motives are suspect is likely to hit two hot buttons that drive employees to quit—dissatisfaction with one's boss, and a lack of pay raises, according to a 2012 study of 560 employees by Deloitte. This is especially true of employees who have been with the company for only one to three years, a stage when workers are most liable to jump ship. In general, employees are far more likely to bail if they see their employer's pay practices as political or arbitrary, according to another Deloitte survey from 2018.

If the employee sees the offer as recognition of hard work and an opportunity to grow, it's likely to have the opposite effect. Promotions are among the top five reasons employees stay with their current employers, the 2012 Deloitte study says. And employers who deliberately create growth opportunities and stretch assignments for employees have far better retention rates than those who don't.

Q Regarding your Aug. 14 column on long-distance marriages, most of the couples you mentioned have grown-up children, or no children at home. What happens when little children are involved?—N.K.

A: There's little research on the impact of commuter marriages on children, but the challenges can be complicated. The spouse living full-time with the children often feels like a single parent, and may have to cut back his or her own time at work to meet increased family-care demands. Children may feel shortchanged, too. Such risks make corporate human-resource managers reluctant to pressure employees into transfers that split their families.

However, commuter setups can be better for children than relocating the whole family, which forces children to change schools more often than others. Many FaceTime with toddlers and use cellphones and texting to stay in touch with teenagers. Also, digital tools enable parents to monitor their children's grades, coordinate schedules and pay for extracurricular activities from afar. Some commuter wives say delegating responsibility to teenage children helps them learn new skills, according to a 2007 study led by Karla Mason Bergen, an associate professor of communication at the College of Saint Mary in Omaha, Neb.

Parents' attitudes can shape children's response. Children whose parents communicate well with them and embrace commuter setups as a route to a better, more prosperous life for the family tend to get better grades and have fewer behavior problems in school, according to a 2015 study of 217 commuter families with teenagers.



LIFE & ARTS

ART REVIEW

'This Land': Picturing America

An exhibition with over 400 photographs tries to take stock of the mood in the U.S. over the past decade

BY RICHARD B. WOODWARD

San Francisco
SINCE OPENING in 2010 on the San Francisco waterfront, Pier 24 Photography has provided what may be the most agreeable conditions in the world for looking at photographs.

The cavernous former warehouse is divided into both soaring and intimate spaces. Admission is free but by appointment only (via phone or email) so overcrowding is never a problem. Exhibitions are installed for six months or longer, usually without wall labels: An illustrated catalog serves as a portable guide for names, dates, titles, and as a paper record.

"This Land" is its latest thematic show, a valiant attempt to gauge the mood of the U.S. over the past decade. Within the 18 galleries are two sculptures, a video, a small installation, and more than 400 photographs by 18 artists, both well-established (Alec Soth, Alessandra Sanguinetti, An-My Lê, Katy Grannan) and lesser-known (Bryan Schutmaat, Corine Vermeulen, Donovan Wylie, Daniel Postaer).

National art surveys are risky, and maybe foolhardy. If curators try to represent every constituency, the exhibition may lack a strong point of view. Conversely, favoring one style or group can unfairly exclude nonconformists from the historical picture.

"This Land" only partially succeeds at resolving this dilemma, especially in a place as big and diverse—ethnically, romantically, economically, regionally—as contemporary America. (For those who measure art shows by numbers: Fewer than one-third of the artists are women; only one is African-American; another is Hispanic.)

Nonetheless, if you can accept its stylistic prejudice for the sharp-focused, documentary-style still image, "This Land" offers notable rewards. These are highly personal reports from around the country by photographers you won't see together elsewhere.

Highly personal reports from around the country by artists you won't see together elsewhere

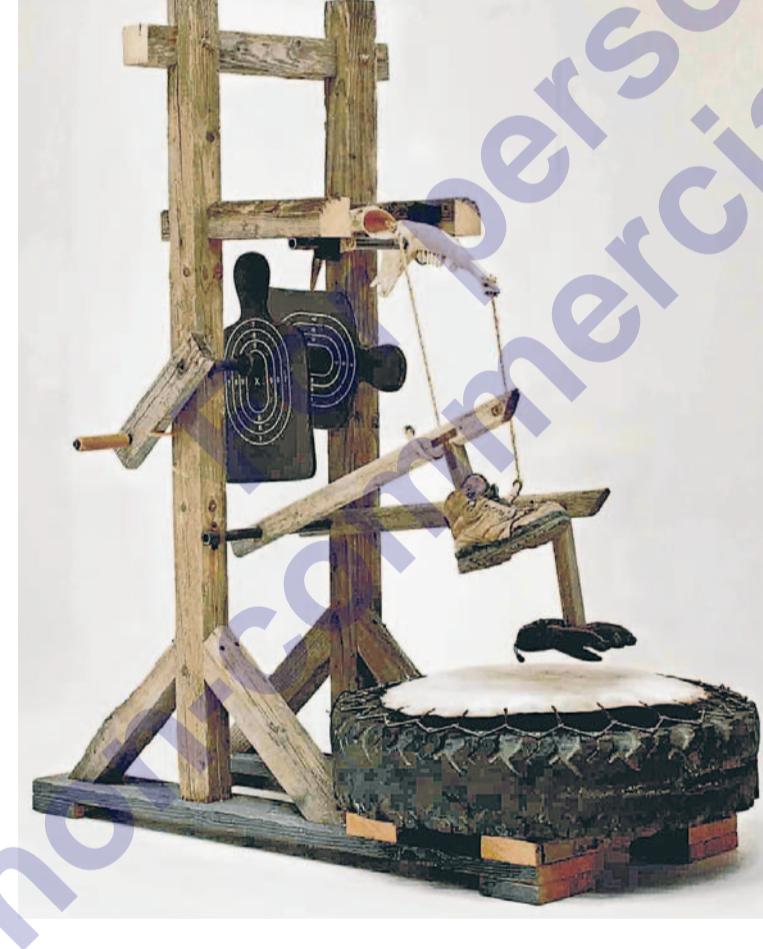
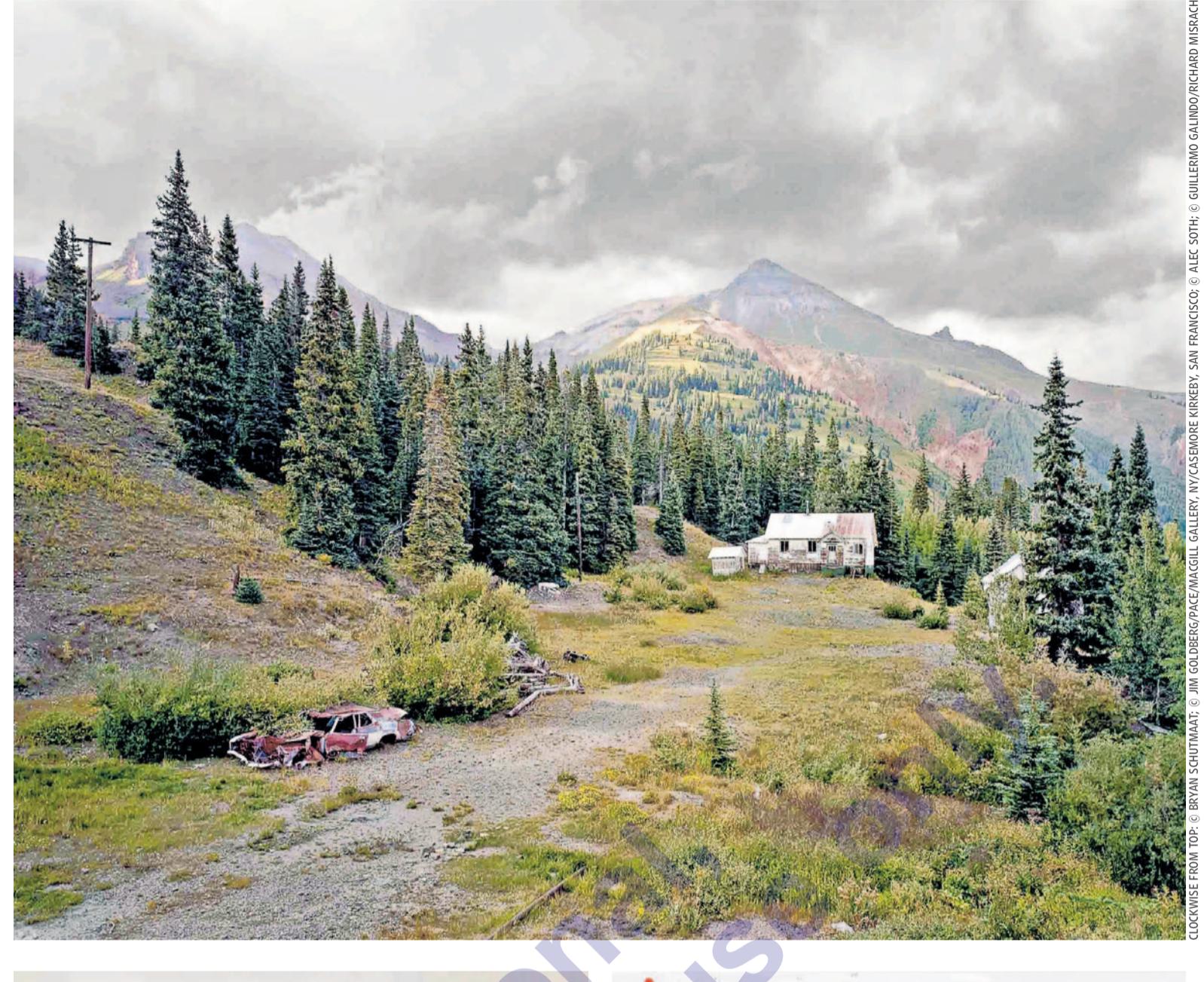
Jim Goldberg often encourages his subjects to write on his portraits of them, a technique that introduces unpredictable feedback into what is typically a rigid one-way process. The words on "Fifty-Six Polaroids" (2011-16), hanging near the entrance, range from the prosaic ("My dream is to retire") to the confessional ("I like to wear women's underwear") to the guilelessly boastful ("I am Jack and I can spell the word ninja")—hand-drawn messages as distinctive as voices on a video.

Mr. Schutmaat's series (2010-12) on mountain mining communities in the West is another of the show's highlights. He wants it known that the business of ripping metals out of the ground leaves harrowing scars on people and the land. At the same time, as he writes in the catalog, "every structure built and later abandoned is a relic of hope," even a makeshift cemetery.

Work about the U.S.-Mexico border by Guillermo Galindo and Richard Misrach fills one of the largest rooms. Standing in the middle of the floor are two of Mr. Galindo's improvised sculptures/musical instruments. Fashioned in 2014-15 from artifacts picked up in the desert (a shoe, chair seat, bicycle wheel, juice can), they're tributes to those who have passed briefly across these desolate lands.

Mr. Misrach has photographed in the deserts of the American West since the 1970s. The examples here are from visits (2013-15) to Southern California, Arizona and Texas, where the border fence has taken various forms: towering steel pilings driven into the sand on a beach in San Diego; a vehicle barrier of x-shaped bars in Ocotillo, Calif.

One wall of prints shows discarded bottles and pieces of clothing on the barren ground. Like Mr. Galindo's objects, they're a memorial to the area's transients. But in what may be the most militarized landscape in the country, Mr. Misrach views the continuing contest between immigrants and law enforcement as a draw. Both are minuscule in his photographs com-



pared with the forlornness of the sun-blasted terrain.

On the opposite extreme are the action-packed scenes of police raids in high-crime districts around Rochester and East Rochester, N.Y., and Miami by the Ital-

ian photojournalist Paolo Pellegrin. Taken during 2012-14, mainly at night, the images are suffused with the dreamlike violence of film noir, mitigated by Mr. Pellegrin's obvious sympathies for the bystanders, who

watch as friends and family members are handcuffed and pinned to the ground.

Less lurid, and perhaps more representative of daily life in many cities, are Dawoud Bey's affectionate studies of streets and people in

Alec Soth's 'The Key Hotel'. Kissimmee, Florida' (2012), left; Jim Goldberg's 'Meghan' (2015), above; Guillermo Galindo's 'Zapatello' (2014), above left; Bryan Schutmaat's 'Abandoned Homestead' (2011), top

Harlem (2015-16), and Ms. Vermeulen's in Detroit (2007-17), where she lives. Both places suffered steep economic declines over many decades and are now on an upswing, realities that each photographer has documented with neighborly care.

"This Land" allows artists to present unique aspects of America. Ms. Sanguinetti set herself up as the town photographer in Black River Falls, Wis., center of the Native American Ho-Chunk Nation; Ms. Lê takes us to parishes in New Orleans that tourists don't frequent; Mr. Wylie explores the architecture of the interstate highway system in New Haven, Conn., and how lives are shaped by it.

While the social tensions in the country can't be ignored in these rooms, the photographers aren't illustrating headlines. Independent of the news cycle, the show reassures us that certain landscapes and rituals will endure, no matter who's in office.

This Land
Pier 24 Photography, through March 31, 2019

Mr. Woodward is an arts critic in New York.

SPORTS

NCAA

Athletes Challenge Limits on Compensation

The plaintiffs say rules violate U.S. antitrust laws by artificially depressing pay

BY RACHEL BACHMAN

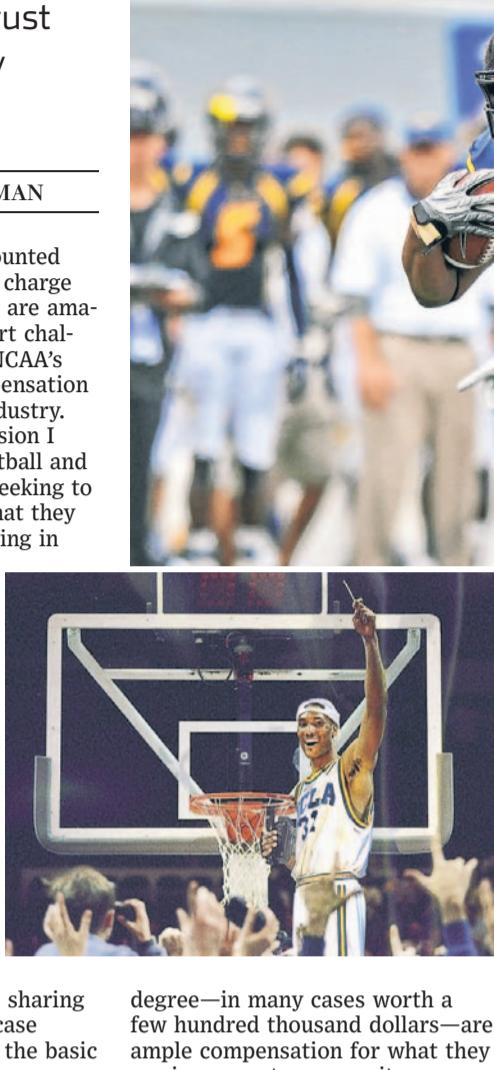
COLLEGE ATHLETES mounted their latest and strongest charge against the idea that they are amateurs as they began a court challenge on Tuesday of the NCAA's power to limit their compensation in a multibillion-dollar industry.

Former athletes in Division I men's and women's basketball and top-division football are seeking to end the NCAA's cap on what they may receive for participating in college sports: generally, little more than tuition, room and board.

The plaintiffs in "In Re: National Collegiate Athletic Association Athletic Grant-in-Aid Cap Antitrust Litigation" say the NCAA's rules violate U.S. antitrust laws by artificially depressing athletes' compensation.

Previous litigation by athletes sought to stop the NCAA from profiting from their name, image or likeness without sharing the proceeds, but in this case they're seeking to change the basic relationship between college sports leaders and participants.

The NCAA says compensation limits are necessary to maintain the distinction between college and professional sports, and that letting schools pay athletes unlimited sums would erode college sports' appeal to the public. NCAA officials say athletic scholarships and the chance to earn a college



degree—in many cases worth a few hundred thousand dollars—are ample compensation for what they say is an amateur pursuit.

"What sets college sports apart is that the competitors are students and not paid professionals," NCAA lawyers wrote in their prepared opening remarks, released ahead of Tuesday's trial start. They warn that a "competition between athletes recruited and paid based on the value of their performance, on one hand, and athletes



Above, Shawne Alston, who played at West Virginia, is one of the plaintiffs in a lawsuit challenging the NCAA. Left, former UCLA star Ed O'Bannon.

tirely—when it comes to compensating athletes for their services."

The current case will be decided by Judge Claudia Wilken, who four years ago ruled for NCAA athletes in a similar but more limited antitrust case. That case, headlined by former UCLA basketball star Ed O'Bannon, was sparked by an NCAA-licensed videogame that featured animated likenesses that mimicked actual college athletes without compensating the players.

Wilken's ruling in O'Bannon resulted in schools being allowed to award the full cost of college attendance to athletes. Some schools began giving athletes stipends to pay expenses that scholarships didn't cover, such as laundry or transportation.

The O'Bannon case set a precedent favorable to future plaintiffs in that it ruled that the NCAA violated antitrust laws. Yet the decision also largely preserved the current college-sports model so the NCAA also claims it as a kind of victory.

"As was demonstrated in the O'Bannon case, the NCAA will show that our rules are essential to providing educational opportunities to hundreds of thousands of student-athletes across the country," Donald Remy, chief legal officer of the NCAA, said in a statement last week. "Allowing paid professionals to replace student-athletes on college campuses would change the face of college sports as we know it."

Skeptics—or realists—point out that a shadow market already exists for college athletes' services. A criminal case working its way through U.S. federal court alleges that shoe-company representatives and others connected to college sports arranged kickbacks and bribes to induce high school recruits to sign with certain schools.

A win by the plaintiffs in this case could bring bidding for players into the light.

THE COUNT

THE SAINTS ARE FANTASY FAVORITE

With the NFL season set to kick off, the New England Patriots and Philadelphia Eagles are the early favorites to make it back to the Super Bowl.

But fantasy football players appear to favor another team: the New Orleans Saints.

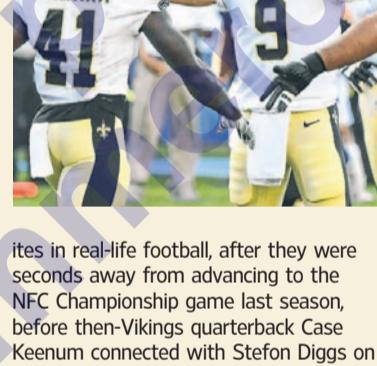
With an average total of nine players drafted by owners in high-stakes leagues, the Saints are the team with the most players represented in drafts conducted in the past few weeks for the National Fan

Fantasy Football Championship.

With fantasy football placing an emphasis on skill-position players on offense, New Orleans is the go-to-team this season, with a roster that includes running back Alvin Kamara, who has an average draft position, or ADP, of No. 5 overall, pictured with quarterback Drew Brees (85), receiver Michael Thomas (16), running back Mark Ingram (52) and receiver Cameron Meredith (134).

In addition, their defense/special teams is taken on average 185th.

The Saints are also one of the favor-



ites in real-life football, after they were seconds away from advancing to the NFC Championship game last season, before then-Vikings quarterback Case Keenum connected with Stefon Diggs on the "Minneapolis Miracle" to send New Orleans home.

Applying the same standard last year would have highlighted the Patriots, with

a league-high 11 players. Tom Brady and company ended up winning 13 regular-season games en route to the AFC title. But critics who say that fantasy football isn't an accurate representation of real football, can point to last season's Super Bowl champions. The Eagles were one of the least popular teams in fantasy, with only three players selected, and went on to hoist the Lombardi Trophy.

They can also look at the Tampa Bay Buccaneers, tied with the Patriots and Green Bay Packers for the second-highest total this year with eight players each. The Buccaneers, with quarterback Jameis Winston suspended for the first three games of the season, are projected to be one of the league's worst teams.

Coincidentally, Tampa Bay visits New Orleans on Sunday. Oddsmakers have made the Saints a 9.5-point favorite. —Michael Salfino

Who Dat?

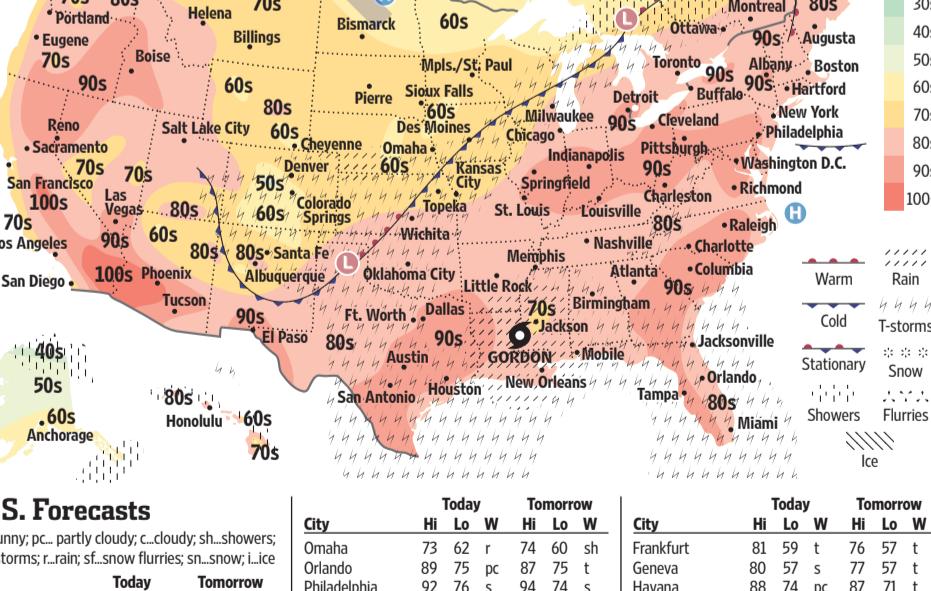
Players drafted in National Fantasy Football Championship leagues. (Top 192 ties broken by avg. draft position.)

TEAM (PLAYERS)	TEAM (PLAYERS)
1. Saints (9)*	17. 49ers (6)
2. Patriots (8)	18. Broncos (6)*
3. Packers (8)	19. Raiders (6)
4. Buccaneers (8)	20. Redskins (6)
5. Vikings (7)*	21. Jaguars (6)*
6. Rams (7)*	22. Bears (5)
7. Eagles (7)*	23. Giants (5)
8. Lions (7)	24. Seahawks (5)
9. Chargers (7)*	25. Bengals (5)
10. Falcons (7)	26. Titans (5)
11. Colts (7)	27. Ravens (5)*
12. Chiefs (6)	28. Dolphins (4)
13. Browns (6)	29. Cowboys (4)
14. Panthers (6)	30. Cardinals (3)
15. Steelers (6)	31. Jets (3)
16. Texans (6)*	32. Bills (3)

Source: NFFC *Defense/special teams drafted

JAYNE KAMIN-ONCEA/GETTY IMAGES

Weather



OPINION

Detroit vs. Protectionism?

**BUSINESS WORLD**
By Holman W. Jenkins, Jr.

"Cars are the big one," President Trump told Fox News in July, explaining his evolving theory of easy-to-win trade wars.

Whether he meant cars are his leverage point to remake the world trade system according to some coherent vision, or simply the means to create a big show, with lots of fake drama and suspense, is an open question.

But perhaps not that open: If one thing became clear through 14 campaign debates and two years of the Trump presidency, Mr. Trump does not do policy details. It's all just symbolism to him.

A victory will be declared at the end of the day, of that you can be sure.

His underlings, however, are obliged to give text to his impulses, and onlookers are obliged to try to make sense of the result. Let's start with the Mexico deal. It requires that 40% to 45% of a vehicle eligible for no-tariff treatment under the North American Free Trade Agreement be produced by workers making \$16 or more an hour. It also requires that 75% (up from 62.5%) of a car's content be produced within the U.S. or Mexico.

The first rule would shift production of Nafta-eligible cars from Mexico to the U.S. The second would shift production from third countries

(say South Korea, Germany or China) to the U.S. and Mexico. Yet the effect would be small. Only 27% of cars currently made in Mexico would be affected, and auto makers say adjusting won't be hard. Whether this means more U.S. jobs is uncertain. Car makers might prefer just to swallow the existing 2.5% tariff that applies to non-Nafta imports.

This is where those inclined to see method in Mr. Trump's trade madness point to a pending Section 232 study by the Commerce Department, meant ludicrously to find that U.S. national security is threatened by auto-related imports, thereby allowing Mr. Trump to impose 25% duties on cars from Europe and Asia and possibly even Canada.

Doing so would thoroughly disrupt global auto markets, driving up prices for U.S. consumers, and only eventually perhaps bring more auto investment to the U.S. A Mercedes or BMW from Germany might jump \$10,000 in price; a Chevy Equinox, Dodge Caravan or Toyota RAV4 from Canada might jump \$5,000.

Right now, such an outcome is unthinkable. Congress would hear from dealers and car buyers and throw itself athwart Mr. Trump's plan. Even the unions are ambivalent. In their public utterances, the Big Three—Ford, GM and Chrysler—are also opposed and presumably mean it, presumably.

Widely quoted was GM chief Mary Barra's apparently blanket statement on a conference call that "we are free traders."

Unfortunately her claim was preamble to a typically vague, noncommittal GM answer to an admirably precise question.

The question, by J.P. Morgan analyst Ryan Brinkman, is worth repeating: "Has there been any scenario planning within GM that suggests that potential other changes to trade could actually shake out positively for you? I know GM

Don't rule out U.S. auto makers going squishy for Donald Trump's tariffs.

management stands for free trade, but it seems to us that certain scenarios, such as Nafta remaining but Section 232 tariffs applying to imported vehicles from outside the Nafta bloc, that could actually end up being quite positive for you from a pricing or share perspective?"

Exactly. Protectionism can be quite profitable for companies that benefit from it, at least until they become fat and lazy and fall behind their overseas competitors in quality and technology.

Mr. Trump, in Trumpian fashion, has lots of balls in the air, and is proceeding chaotically as he did at times in his business. He may yet decide to go for broke. And Detroit, despite its investment in rising markets like China and its attachment to its global supply chains, could be the weak link

in any resistance to a Trump impulse to turn the global car market upside-down.

Certainly you wouldn't take to the bank anything that notoriously obfuscatory Detroit auto executives say about the matter right now.

Among the blunt truths they are trained not to mention is that they embraced Nafta in the first place to use Mexico to level the playing field with foreign transplants that built their factories in the south to avoid the United Automobile Workers. Home-grown U.S. auto makers remain bound to the UAW while foreign-born ones in the U.S. enjoy a free labor market. This is a bigger trade distortion than any Mr. Trump is offering. It's also the cause of many other distortions.

For instance, the Big Three's also-ran status in sedans is a legacy of John Dingell's "anti-backsliding rule" that for decades required them to build money-losing small cars in high-cost UAW factories. The Big Three's continuing dependence on excess pickup profits is a legacy of the 25% tariff on imported pickups that has evolved since the 1960s into Washington's main gift to prop up Detroit despite the many political burdens it must bear.

So keep this history in mind. I wouldn't be 100% confident of Detroit turning up its nose at a big offer of Trump protectionism to solve all the headaches that continue to arise from Washington's 80-plus years of meddling in the car business.

BOOKSHELF | By Adam J. White

Judging The Judges

The Most Dangerous Branch

By David A. Kaplan
(Crown, 446 pages, \$30)

When a Supreme Court justice's retirement turns American politics on its ear—as Anthony Kennedy's retirement did this summer—we ought to consider whether the federal judiciary plays too large a role in our political life. Then again, Americans have been debating the Supreme Court's power from the start.

In 1788, a critic of the proposed Constitution, writing as "Brutus," warned that the court would dominate Congress and the States by imposing the justices' own "sense" of the Constitution. "There is no power above them, to controul any of their decisions," Brutus wrote. Judges would be "independent of the people, of the legislature, and of every power under heaven." Men who are placed in this situation, he added, "will generally soon feel themselves independent of heaven itself."

Brutus's argument inspired a response: *Federalist 78*, the seminal defense of judicial power composed by Alexander Hamilton under the name "Publius." The judiciary, Hamilton assured, "may truly be said to have neither force nor will, but merely judgment." The court will always be, he stated, "the least dangerous to the political rights of the Constitution."

Have two centuries proved Hamilton wrong? Brutus's warnings of a powerful and unchecked Supreme Court may seem apt today, as critics make similar charges in similar terms. They include David A. Kaplan, whose book bears a title directed squarely at Hamilton's assurances.

In "The Most Dangerous Branch," Mr. Kaplan has two aims: to break news with original reporting on the Supreme Court's internal politics and to make an argument about its excessive power. "Today," he writes, "liberals and conservatives alike blithely rely on the Court's members to settle society's toughest issues—at the expense of the two branches of government that are designed to be democratic." The result, he says, is "an arrogant Court and an enfeebled Congress."

Mr. Kaplan, a former *Newsweek* legal-affairs editor, attacks recent conservative courtroom victories—e.g., protecting gun rights and limiting the Justice Department's power over redistricting—as well as *Roe v. Wade*, the court's 1972 decision creating a broad right to abortion. Liberal court watchers, in response to the nomination of Brett Kavanaugh to replace Justice Kennedy, argue that *Roe* is a super-precedent that must be preserved at all cost. Mr. Kaplan, by contrast, sees *Roe* as an "inflection point," when justices "needlessly placed themselves in the middle of a matter best left to the democratically accountable branches." This decision, he says, inaugurated "the modern triumphalism of the Court—making it the most dangerous branch and, in so doing, undermining its legitimacy." Mr. Kaplan's analysis calls to mind that of John Hart Ely, the liberal legal scholar who noted in 1973 that *Roe* "is not constitutional law and gives almost no sense of an obligation to try to be." Mr. Kaplan's critique of judicial power will resonate with the court's critics on both right and left, though they will disagree about which precedents should be abandoned.

Has the Supreme Court become too powerful, usurping the role of the government's democratically accountable branches?

As a work of journalism, "The Most Dangerous Branch" relies on an astonishing number of sources—beginning with the Supreme Court justices themselves. Mr. Kaplan says that he conducted "interviews with a majority of the current justices; past justices; 65 law clerks who worked at the Supreme Court" and myriad others. Unfortunately, he notes, "virtually all" of his interviews were given "on background," meaning that he can give no specific evidence for a host of eyebrow-raising allegations, including his claim that Chief Justice John Roberts directed his clerks to draft two different opinions in the 2012 constitutional challenge to ObamaCare before choosing, eventually, to affirm the statute's "individual mandate" as a tax. He also reports (without sourcing) that Justice Ruth Bader Ginsburg, whose election-year denunciations of candidate Donald Trump drew criticism even from her supporters, consoled her clerks after the election by assuring them that "we'll try again in four years."

But here Mr. Kaplan's bipartisan approach ends abruptly. He is routinely negative about the court's conservatives—especially Neil Gorsuch, who replaced Antonin Scalia in 2017. The author paints him as so "insufferable" during oral argument that the other justices, except Clarence Thomas, "couldn't stand him most of the time." Meanwhile, Justices Alito and Thomas "seethed to their law clerks" about Justice Roberts's shift in his approach to ObamaCare.

By contrast, the liberal justices generally shine in Mr. Kaplan's account. His clear favorite is Stephen Breyer, whose "earnest pragmatism" predisposes him "to seek consensus." Similarly, Democratic presidents, in Mr. Kaplan's reckoning, see the act of choosing a court nominee as a "nuanced" responsibility not dominated by politics—supposedly unlike their Republican counterparts. And, Mr. Kaplan adds, Senate Democrats, unlike Republicans, have no "stomach for [nomination] death matches."

The political lens through which Mr. Kaplan surveys the scene not only undermines his account of the court; it undermines his treatment of court opinions, too. Criticizing *Shelby County v. Holder*, for example—in which the court declared unconstitutional Congress's latest iteration of the Voting Rights Act—he complains that the opinion lacked "a constitutional anchor. It certainly wasn't in the Fifteenth Amendment." But the 15th Amendment, which empowers Congress to protect the right to vote through "appropriate legislation," was precisely what the court's opinion rested on. Such tendentiousness is unfortunate, since it may weaken the force of Mr. Kaplan's critique of judicial supremacy, much needed in an era when judges' role in our politics and culture is so heavily felt. Like today's Supreme Court, "The Most Dangerous Branch" too often shows a lack of self-restraint that undermines its credibility.

Mr. White is a research fellow at the Hoover Institution and an assistant professor of law at George Mason University.

THE WALL STREET JOURNAL.

THE WALL STREET JOURNAL

OPINION

REVIEW & OUTLOOK

The Kavanaugh Histrionics

Expectations were low for Brett Kavanaugh's confirmation hearing, and Senate Democrats on Tuesday wasted no time meeting them. We can't tell if they're going through the histrionic motions or if they might actually try to block a confirmation vote.

Judiciary Chairman Chuck Grassley couldn't finish his

first sentence before California Democrat Kamala Harris interrupted to demand a hearing delay. Democrats continued to speak over the Chairman even after they were ruled out of order to the jeers of protestors who had to be removed from the hearing room. Democrats interrupted 44 times in the first hour, part of what NBC reported as a "plotted, coordinated strategy" organized by Minority Leader Chuck Schumer over the weekend.

The main charge is that Mr. Grassley is "denying" crucial documents to "hide" Judge Kavanaugh's record. The Senators are ignoring the 307 opinions he has written, and the 17,000 pages of material he provided in response to the committee's questionnaire—the most extensive ever demanded of a nominee. The Senators have already received more than half a million pages about his time as a lawyer and judge—more documents than were provided for the past five Supreme Court nominees combined.

Democrats haven't found a killer issue in all of this, so they are demanding documents from Judge Kavanaugh's time as a staff secretary in the Bush White House. The documents would reveal little about Judge Kavanaugh's legal thinking, since as staff secretary his job was to vet and monitor what President Bush saw each day.

Most of these documents are privileged, and for good reason. They represent high-level deliberations that require honest advice. When Democrat Pat Leahy ran the Judiciary Committee, he didn't even ask the Obama White House to provide documents from Elena Kagan's tenure at the Solicitor General's office, though they surely

Senate Democrats turn the hearing into a presidential campaign.

were relevant to her legal views.

Jeff Sessions, a GOP Senator at the time, asked Ms. Kagan during her 2010 hearing about the need for such privilege. She agreed that such documents "ought not to be produced" since it would undermine the "confidentiality" necessary for "effective decision-making."

Once they got past this procedural tantrum, Democrats used their opening statements to take shots at Judge Kavanaugh's integrity. Ms. Harris (#KamalaIn2020) derided him as a partisan who would not be loyal "to the people of the United States." Is he a traitor? Several Senators claimed Donald Trump chose Judge Kavanaugh to protect the President from indictment or impeachment or something. Never mind that Judge Kavanaugh has written opinions that are skeptical of unchecked presidential power.

Democrats portray Mr. Kavanaugh as some Trumpian legal gargoyle, but he's the epitome of a mainstream legal conservative that any GOP President would have had on his short list. Some 97% of the opinions and orders that Judge Kavanaugh took part in over 12 years on the federal bench were unanimous. He was in the majority 98% of the time.

Of his 62 dissents, the Supreme Court has adopted his legal reasoning in at least nine cases—an extraordinary number for an appellate judge. He's a center-right version of his colleague on the federal bench, Merrick Garland, whom Democrats continue to laud as an ideal Justice.

The political question is whether this is all for show, or are Democrats willful enough to use Senate rules to block the nomination from proceeding to a vote? They could do so for a while if they stage a walkout, and Tuesday's melodrama suggests they might be up for such a self-defeating gesture. About half of the Democrats on Judiciary are running for President, but have they consulted their Senate colleagues running for re-election this year?

Burma's Ethnic Cleaners

ABurmese court on Monday sentenced Reuters reporters Wa Lone and Kyaw Soe Oo to seven years in prison. The two were victims last December of a farcical set-up by the police, who handed them supposedly secret documents and arrested them. Police Captain Moe Yan Naing admitted during the trial that his superior ordered him to entrap the journalists; he was sentenced to a year in prison for breaking police discipline.

Burma's military-dominated government railroaded the Reuters journalists because they exposed the army's persecution of ethnic Rohingya Muslims. They tracked down a mass grave with the bodies of 10 civilians in the village of Inn Din, and Reuters published photos of the victims in army custody with their hands bound shortly before they were killed. The authorities grudgingly acknowledged the killing and sentenced seven soldiers to prison with hard labor, but they insist the victims were terrorists.

Burma's government clearly wants to deter other journalists from similar reporting. Satellite photos show the military burned hundreds of Rohingya villages. According to a report last week by a United Nations fact-finding mission, troops and local authorities killed about 10,000 Rohingya and drove more than 700,000 into

Two brave reporters go to prison for exposing murder and rape.

neighboring Bangladesh. The U.N. investigators accused the military's top generals of directing the ethnic cleansing, including the use of mass rape. They recommended charging six officers with genocide at the International Criminal Court or a special tribunal.

China has signaled that it will shield Burma's generals from prosecution. "Unilateral accusation or pressure will not help to solve the problem," Chinese Foreign Ministry spokeswoman Hua Chunying said last week.

But the international nature of Burma's persecution of the Rohingya demands an international response. The generals refuse to allow the Rohingya to return home and guarantee their safety, so they continue to suffer appalling conditions in camps in Bangladesh. Aung San Suu Kyi, the pro-democracy icon whose party won 86% of the seats in parliament in the 2015 election, has defended the military and denied access to international investigators and providers of humanitarian aid.

The U.S., the U.N. and other governments are calling for the release of Wa Lone and Kyaw Soe Oo. Burma's use of a transparently unjust trial shows that the generals fear the media's power to expose their ethnic-cleansing campaign.

Trump's Syria Moment

What happens in Syria rarely stays there, as Barack Obama learned the hard way and Donald Trump is now discovering. Bashar Assad's forces and his Iranian and Russian allies are preparing an assault on Idlib province, the last major opposition redoubt, and the attack is putting Mr. Trump's lack of a Syria strategy in sharp relief.

The White House issued a statement Tuesday warning against "a reckless escalation of an already tragic conflict." The press secretary also warned against another use of chemical weapons, while the Chairman of the Joint Chiefs, Marine Gen. Joseph Dunford, worried about a "humanitarian catastrophe" in Idlib. "We don't see any way that significant military operations are going to be beneficial to the people of Syria," Gen. Dunford said.

This is all well meaning, but it's the kind of diplomatic pleading that John Kerry and Mr. Obama were famous for in Syria, and we know how that worked. Amid these U.S. entreaties, Russia began air strikes around Idlib on Tuesday and a Kremlin spokesman promised to finish the job "unconditionally."

Mr. Trump has dined out politically on his two air strikes responding to Mr. Assad's use of chemical weapons, but those pinprick attacks didn't change the underlying reality in the conflict: Mr. Assad, Russia and Iran are on their way to controlling Syria in the post-civil war, post-Islamic State era. This axis of opportunism allowed the U.S. and Kurds to roll up ISIS in Syria's northeast while the axis focused on wiping out opposition strongholds.

Mr. Trump's impulse has been to withdraw U.S. troops from Syria once its stronghold in Raqqa was liberated, but he is slowly figuring out that this has damaging strategic consequences for U.S. interests.

The looming massacre in Idlib shows the lack of U.S. leverage.

wants out of Syria.

Meanwhile, Turkey, Russia and Iran are meeting later this week in Tehran to decide on their next steps in Syria. The Turks want a buffer zone in the north from refugees, as well as some assurance that Kurdish separatists won't be allowed to operate from Syria. Russia wants to be seen as having assured the victory of its client, Mr. Assad, while retaining air and naval bases. Iran wants to be Mr. Assad's puppet-master.

Mr. Obama left Mr. Trump with a mess in Syria, but in 20 months the President has done little to alter the balance of forces. Mr. Trump seems content to issue tweets about Idlib, but Mr. Assad and his allies won't stop there. Their next target will be the Kurds and Syrian Democratic Forces (SDF), America's main ground partners, who are working with U.S. special forces in Syria east of the Euphrates River.

The danger is that the Kurds and SDF will begin to negotiate a cease-fire to save themselves from becoming the next Idlib. Then U.S. forces would be isolated in Syria and a withdrawal would be inevitable. Iran will own the place, despite Mr. Trump's speeches about containing its regional aggression.

The U.S. needs to reassure the Kurds and SDF that it will protect them if they're attacked while working out a longer-term strategy that raises the price for Iranian intervention. An Obama-style retreat from Syria will not end well for U.S. interests.

LETTERS TO THE EDITOR

Light and Darkness and Young Adult Books

Regarding Steve Salerno's "The Unbearable Darkness of Young Adult Literature" (op-ed, Aug. 29): As a middle-school librarian, I don't understand Mr. Salerno's criticism of the darker offerings in recent young adult (YA) literature. A certain subset of young adults has always been attracted to books about social difficulty, just as adults enjoy reading about characters struggling through trauma and adversity.

Certainly these books aren't to blame for the uptick in depressed and suicidal teens. Rather it is our alienating society, the increased sense of isolation and cyberbullying due to smartphones and social media, and our culture's ever-widening income disparity that place more children at risk.

As a school librarian, I offer students the books they want to read, and as long as certain students are interested in these books and find them cathartic, our school library will continue to offer them along with the "Harry Potter," "Twilight" and "The Hunger Games" series, and any other trend. Our vocation is to develop lifelong readers. Adults who identify as readers vote at higher rates and are more involved in their communities.

SARA STEVENSON

Austin, Texas

Having been a crisis counselor to hundreds of teens, I can assure Mr. Salerno that no one calls in with a concern over what book they just read. The darkness and depravity he finds questionable in the novels presented at June's YA lit summit are better viewed as educational escapes, rather than instruction manuals. The act of reading increases the muscle of empathy—the real tool young adults need to navigate the world. That these books are socially relevant makes it

only better. Children won't be told what not to read; ask my generation who passed around stolen copies of their parents' "The Shining."

CHRISTIAN DURSO

Los Angeles

YA literature doesn't showcase all things dark and dreadful. While these books take on tough topics like mental illness, racial bias and police brutality, cultural expectations and burgeoning sexuality, they show teens that being who they are means being part of a culture that is highly politicized, highly divided, and charged with finding commonalities, connections and places to come together and make change.

These books don't showcase "anomalies and unorthodoxies." They showcase the world as it is. Teachers who are brave enough to teach these books are doing today's students the utmost in service.

Teens know the world they live in. They also know how it could be if their differences and wide, rich range of experiences were acknowledged and celebrated. They want to escape into books that allow them to be the people who spark change. These books offer them hope and power by simply telling them their aches, pains and injustices are real, but that they can stand up and make things better. YA literature isn't the darkness. It's the light.

KELLY JENSEN

Woodstock, Ill.

Political correctness claims penultimate authority as the champion of victims of injustice. Isn't it ironic that it makes victims of those who are shaped by its precepts?

SHANNON VOWELL

Frisco, Texas

Lack of an Opposition Helped Sink Venezuela

Regarding Daniel Pipes's "Venezuela's Tyranny of Bad Ideas" (op-ed, Aug. 27): The problem with Venezuela hasn't been the left-wing views held by the government per se, but stems from a lack of accountability that has allowed the government to pursue policies that have led to economic disaster. The 1998 presidential election was won by Hugo Chávez in a fair and democratic way. However, the main political problem with the chavista administration is that it has never faced a strong political opposition that countered its left-wing rhetoric with sensible free-market economic policies and beneficial to all the population of the country.

The traditional parties that had governed the country since the fall of the military dictator Gen. Marcos Pérez Jiménez in 1958 were a busted flush at the time of the 1998 election. It took some considerable time for a rainbow coalition to emerge that in-

BRIAN MCBETH, D.PHIL.

Oxford University

Oxford, U.K.

cluded left-wing parties such as the Communist Party of Venezuela and extreme right-wing parties like the Cruzada Cívica Nacionalista, for the purpose of getting rid of President Chávez. The Mesa de la Unidad Democrática (MUD) didn't offer a clear, acceptable alternative to the chavista electorate, which is made up mainly by the poor and dispossessed of the country, who depend critically on government handouts such as free food baskets and a free health service. Without a clear, attractive alternative the chavistas were unwilling to cut the hand that fed them.

The Venezuelan case illustrates perfectly that the democratic process suffers without the proper checks and balances of a strong opposition, to the detriment of the well-being of a country.

Heaven forbid we go to trade school.

It's true a lot of us stayed home with parents longer than might be expected, but thanks to the present economy we are getting better jobs, managing our debt and getting on track with our careers. There is still time to regroup and make a difference. The oldest of us is only 37.

NICHOLAS MATARANGAS

Philadelphia

and we had to struggle through a painstakingly slow recovery. We are in debt because it was pounded into us to go to college and get a degree (any degree) and to not be failures. Heaven forbid we go to trade school.

It's true a lot of us stayed home with parents longer than might be expected, but thanks to the present economy we are getting better jobs, managing our debt and getting on track with our careers. There is still time to regroup and make a difference. The oldest of us is only 37.

JOHN WITMER

Purcellville, Va.

In Praise of the Formerly Popular Larger Family

Regarding Nicole Ault's "Don't Trust Anyone Over 21" (op-ed, Aug. 23): As a millennial I feel compelled to defend my generation. Despite the fact that millennials acquired the nasty reputation of being "selfish sloths," it should be known that we are a product of our environment and didn't come out of the womb the way we are now.

We lived through the Great Recession while we were in school (with all due respect, Generation Z has the fortune of graduating during the Trump economy), and when we came out, there were no jobs to be found

With so much propaganda in the past 40 years against having children (such as they befool the environment, interfere with our self-pleasure and are a blight on the planet), it is refreshing to read of a father who wants a large family, for all the right reasons he cites.

If those who are capable of caring for children and are married in stable families don't replace themselves, our country will be the weaker. And kudos to Mr. Oppenheimer for wishing to help replace his fellow Jews, millions of whom were destroyed during his parents' lifetime.

It was a welcome relief to read an essay by a person whose values are intact and whose family is growing.

EILEEN POLLACK

Baltimore

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Sure, we could just print out the specials, but the chef doesn't want to leave a paper trail."

OPINION

Media Guilt by Russian Association

By Charles G. Boyd
And Dimitri K. Simes

Every time President Trump writes off the mainstream media as "fake news," members of the press are befuddled by how many Americans seem to agree. Yet we at the Center for the National Interest have been unable to ignore the media's widespread bias since April 2016, when our magazine, the *National Interest*, hosted Mr. Trump's first foreign-policy speech. Since then we have faced relentless biased attacks from supposedly objective media outlets.

On the hunt for 'collusion,' journalists attack our think tank and others for engaging in dialogue.

Mr. Trump is wrong to call the mainstream media "the enemy of the people." Yet it's true that many in the media have cavalierly abandoned traditional journalistic standards when covering him and anything related to him. For example, Bloomberg reporters implied that the center's invitation of Russian diplomat Sergey Kislyak to attend the Trump speech—among two dozen other foreign ambassadors—was unusual or inappropriate. Other journalists have attacked the center over reports that a former Reagan-administration official on the center's board contributed to Mr. Trump's speech—another routine function for Washington think tanks. Whether this bias results from carelessness or hostility, the consequences are the same: The trend is a threat to America's democracy and national security.

The Center for the National Interest

is an odd candidate for media onslaught: We're a nonpartisan foreign-policy research institute with a bipartisan board of directors, including former national-security officials from both parties and retired senior military officers. No member of the center's board or management endorsed Mr. Trump's candidacy, and some publicly opposed it, contributing millions to anti-Trump political-action committees. The month after Mr. Trump's speech we presented an award to Sen. Tim Kaine, who later became Hillary Clinton's running mate. A broad range of officials have praised our work publicly, including Defense Secretary Jim Mattis and President Obama's national security adviser Susan Rice. The center hosted Mr. Trump's speech as a public service, not a political statement.

Unlike some other think tanks, the center doesn't employ Russian citizens, take money from Russia, or maintain an office there. Nor do we issue joint statements with Russian institutions or experts. Rather, we work to advance the commitment of our founder, Richard Nixon, to dialogue among major powers—including with U.S. adversaries like Russia. We do this not because we believe Russia is likely to become America's friend, but because, like Nixon and Ronald Reagan—in whose administration many on our board and staff held senior positions—we believe diplomacy is an essential complement to strength in achieving U.S. foreign-policy objectives.

In the center's case, this dialogue includes meeting with Russian officials, opposition figures and experts, as well as appearing in Western and Russian media outlets to discuss policy issues. When we meet Russian officials, or anyone else in Russia, we explain the facts as we see them. In conversations in Moscow last fall, we told senior officials including Foreign Minister Sergei Lavrov that relations



© AL DRAGO/CONGRESSIONAL QUARTERLY/NEWSCOM VIA ZUMA PRESS

Candidate Donald Trump at the Center for the National Interest, April 27, 2016.

with the U.S. would suffer if Moscow didn't address its election interference. Confident that these meetings are justified and highly important, we refuse to change course.

Media outlets like Bloomberg, the Daily Beast and Newsweek continue to portray the center's dialogue with Russia as strange and even sinister. Notwithstanding the small scope of our interaction with the Trump campaign, the Trump-Russia nexus seems irresistible to reporters and tempts them to imagine conspiracies. Thus journalists have smeared our board members whose companies invest in Russia—something that is neither rare nor inappropriate—and insinuated that our honorary chairman, Henry Kissinger, is a "confidant" of Vladimir Putin simply because the two men have met a number times across the decades Mr. Putin has been in power.

The Carnegie Endowment for International Peace and the Woodrow Wilson International Center for Scholars and its respected Kennan Institute

have been targets of similarly baseless attacks on their Russia-related programming, as have some prominent philanthropic foundations that support such work. But because none of these institutions have also hosted Mr. Trump, and some are led by Democrats or perceived as liberal-leaning, they receive much less attention.

The McCarthyism of today's political climate is further evidenced by the way Republican senators who visited Moscow in July were derided by a Democratic candidate for office as having traveled "to meet with their most important constituents." Foreign-policy experts have been accused of repeating Kremlin propaganda merely for suggesting that the U.S. should consider Russia's nuclear arsenal in formulating policy toward Moscow.

Suspicion toward people of Russian origin is also widespread. Former Director of National Intelligence James Clapper, one of Mr. Trump's principal critics, stated on national TV that

Russians are "typically, almost genetically driven to co-opt, penetrate, gain favor." This newspaper's Kimberley Strassel has reported an attempt by a Democratic Senate staffer to question a witness about contacts with any people the witness had "reason to believe are of Russian nationality or descent"—making Russian ancestry a basis for investigation.

Similarly, journalists have repeatedly characterized one of us, Dimitri Simes, as "Russian-born," even though he came to the U.S. 45 years ago as a political refugee and has been an American citizen for nearly four decades. It is an act of stunning hypocrisy that some journalists denounce Mr. Trump's anti-immigrant rhetoric but display their own offensive bias toward millions of Americans of Russian origin, including Jewish refugees from communism.

In their coverage of Mr. Trump and Russia, far too many in the media have developed a sense of mission that goes well beyond pursuit of the facts, lacking any sense of responsibility for the wider consequences of their zealous search for collusion. This approach to journalism diminishes the American values of tolerance and the presumption of innocence.

Such journalists likewise ignore the danger of stoking hatred for America's adversaries. George Washington warned against this prophetically when he wrote that "the nation, prompted by ill-will and resentment, sometimes impels to war the government, contrary to the best calculations of policy." It's something we can't afford to forget in dealing with America's greatest nuclear rival.

Mr. Boyd is a retired U.S. Air Force general and chairman of the board of the Center for the National Interest. Mr. Simes is the center's president and CEO.

Rubio's Family-Leave Benefit Will Go the Way of All Entitlements

By John F. Cogan

Sen. Marco Rubio has introduced legislation to establish a modest federally funded family-leave program. Mr. Rubio proposes to finance the benefit by requiring recipients to forgo their first three to six months' Social Security checks. Mr. Rubio's well-intentioned plan begins by promising a small, carefully targeted benefit and assuring us that it won't add to the long-run public debt. But history demonstrates that is how costly entitlement programs begin.

The pattern of expansion is remarkably common. New programs initially target benefits to a group of individuals deemed particularly worthy at the time. Eventually the excluded come forth to assert that they are no less worthy of aid and pressure lawmakers to relax eligibility rules.

This ever-present pressure has been magnified during periods of budget surpluses, during periods of economic distress since the Depression, and by the imperative of lawmakers and presidents to be elected and re-elected. Eventually, the government

acquiesces and additional "worthy" claimants are allowed to join the benefit rolls.

The broadening of eligibility rules brings yet another group of claimants closer to the boundaries of eligibility, and the pressure to relax qualifying rules begins all over again. The process of liberalization repeats itself until the entitlement program reaches a point where its original noble goals are no longer recognizable.

The two major 19th-century entitlement programs—Revolutionary War and Civil War disability pensions—followed this pattern. Eligibility in both programs was initially limited to soldiers and sailors who were injured during wartime service. Both programs eventually grew into universal service entitlements that provided benefits to virtually all veterans of those wars at extraordinary cost to the nation.

In modern times, the Medicaid and food-stamp programs followed a similar path. These programs were originally limited to providing health and nutrition assistance, respectively, mainly to supplement welfare cash assistance. Both programs now

extend aid to large segments of the population who are not on cash welfare and in some cases above the poverty line. Medicaid assists 25% of the nonelderly population. Food stamps pay a major part of the grocery bills for 14% of the nonelderly population.

From Civil War pensions to Medicare and Medicaid, they always start modest, then bust the budget.

Even Social Security followed this expansionary path. The promise of the 1935 program was simply to provide a measure of economic security against poverty in old age. As Congress increased monthly benefits over the years and added Medicare, the two programs together came to provide middle-income retirees with a generous benefit. The typical married couple that retires this year will receive benefits that annually cost taxpayers more than \$50,000.

For more than 200 years, no entitlement program has been immune from the expansionary pressures that inexorably drive entitlement liberalizations, and there is no earthly reason to think Mr. Rubio's plan will prove the exception.

Once family leave benefits are enacted into law, pressure will mount on Congress to increase the amount of assistance and add other equally worthy activities—job search during a spell of unemployment, caring for a sick family member, helping one's children attend college, putting a down payment on a house. Pressure will also mount to raise the \$70,000 annual family income eligibility limit in his current proposal. Advocates for expansion will argue first that it's unfair to exclude families making \$70,500—then \$71,500 and \$80,000 and so on. Congress will acquiesce to these pressures, and Mr. Rubio's well-meaning proposal will become a large and costly entitlement program. As these expansions occur and the cost grows, so will the national debt.

Stripped to its bare essentials, Mr. Rubio's plan proposes to spend federal funds now (on family leave benefits) while promising to pay for

this expenditure later with reductions in future federal spending (on Social Security benefits). Through the years there have been countless proposals promising future entitlement benefit reductions while failing to deliver them. "Spend now, pay later" is a well-traveled congressional path that has brought the country massive federal budget deficits and a staggering national debt. Mr. Rubio's plan will be no different. Congress will find some reason to restore benefits, as it has so often in the past with entitlements.

Instead of creating a new entitlement program for a benefit the federal government has no business providing, Congress should let family-leave benefits be the concern of private employers, who are perfectly capable of providing them. Mr. Rubio surely doesn't intend it, but his plan would move the federal government further down the path to national insolvency.

Mr. Cogan is a fellow at Stanford University's Hoover Institution and author of "The High Cost of Good Intentions: A History of Federal Entitlement Programs."

Guatemala's President Defends Democracy Against the U.N.

By Mary Anastasia O'Grady

Guatemalan President Jimmy Morales announced Friday that the agreement his country has with the United Nations Commission Against Impunity in Guatemala won't be renewed. The commission—known by its Spanish acronym, CICIG—has one year to tie up its work and, by Sept. 3, 2019, leave the country.

Mr. Morales sent a letter to the U.N. secretary-general advising him of the decision. In a press conference Mr. Morales said that CICIG should immediately begin transferring its responsibilities to "corresponding [Guatemalan] entities," mainly the attorney general.

On Monday CICIG's top prosecutor, Colombian Iván Velásquez, flew to Washington, though he didn't reveal why and has no public events scheduled. His spokesman said the trip had been planned for a while. It wouldn't be the first time the prosecutor went north on a secret mission.

The U.S. Congress pays a substantial part of CICIG's budget, but Mr. Velásquez has refused to answer questions at congressional hearings or in any public forum. Instead he meets behind closed doors on Capitol Hill, where he can control the narrative in front of an audience—both left and right—that is unfamiliar with or doesn't care about CICIG's

transgressions against innocent Guatemalans. He also seems to have State Department sympathizers.

Mr. Morales's detractors charge that he fired Mr. Velásquez to protect himself. CICIG has been investigating the president and alleges that he was the beneficiary of illegal campaign financing. He denies wrongdoing and enjoys immunity as long as he holds office. Mr. Velásquez has been working to lift that immunity.

Mr. Velásquez might successfully defend his commission if the stand-off with the president were the only disputed issue. But under his leadership there is strong evidence that CICIG routinely flouts the rule of law and tramples civil liberties in violation of the Guatemalan constitution. His methods can't be supported by a republic that pledges allegiance to transparency and human rights.

CICIG was born in 2006 and began its work in 2007. It was supposed to investigate criminal networks operating inside state institutions under a temporary mandate. U.S. and European Union support gave it enormous clout, and Guatemalans welcomed the idea of outside help to defeat corruption.

But over the years CICIG expanded its authority to advance the politics of the extreme left, which seeks to consolidate power by gaining control of institutions. It's the same strategy employed by the late Venezuelan dictator Hugo Chávez.

Mr. Velásquez isn't an elected official. He's more of a modern-day viceroy, suppressing with force opposition in the "colony" from those who challenge his authority. Guatemalans have come to understand

that to complain about the illegal methods of CICIG is to risk public condemnation as a friend of the corrupt—or even investigation and preventive detention. Shady businessmen, politicians, notorious thugs and especially judges seem to be given a pass so long as they embrace Mr. Velásquez's agenda or stay out of his way. In other words, CICIG's administration of justice has been selective.

He booted the Commission Against Impunity, which has jailed innocents while promoting socialism.

Guatemalans have been afraid to speak out. But that changed when William Browder, a victim of Vladimir Putin's global vengeance, defended the Bitkov family. The Bitkovs had fled Russia to escape Mr. Putin's clutches but fell into the snare of human traffickers in Guatemala. Mr. Velásquez followed the family to Central America and enlisted the help of CICIG to jail them.

In April congressional hearings, Americans learned for the first time about Mr. Velásquez's extralegal prosecution of the Bitkovs. CICIG had even thrown 3-year-old Vladimir Bitkov into a state orphanage, denying him his right to a legal guardian when his parents were carted off to prison. CICIG declined to send someone appear at the hearing and defend its actions. Perhaps now Guatemala's attorney general

can conduct a full investigation into what looks like collusion between Russia and CICIG.

Another egregious CICIG case is the jailing of Max Quirin, a well-respected Guatemalan businessman who has been denied the presumption of innocence and has been in captivity since May 2015. At his trial, CICIG was unable to present evidence of any crime yet Mr. Quirin has repeatedly been denied bail or even house arrest.

The international left has cheered the murky influence and capriciousness of CICIG because it strong-arms and silences ideological opponents of socialism. In CICIG, socialists inside and outside the U.N. believed they had found a model they could plop down all over the developing world to weaken advocates of center-right ideas and empower collectivism, all under the pretense of fighting corruption. Rumors abound that the Constitutional Court, an ally of Mr. Velásquez, is getting ready to declare the president's decision illegal. That would explain why, on Tuesday, Mr. Morales announced that Mr. Velásquez will not be allowed back in the country.

Mr. Morales's decision to order army jeeps to the street in front of CICIG offices on Friday morning was unnecessary and counterproductive. His critics immediately accused him of intimidation and of militarizing the government. But the decision to expel the commission is his right as the elected leader of a sovereign nation, and he has ample justification.

Ms. O'Grady is the Journal's Americas columnist.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch

Executive Chairman, News Corp

Matt Murray

Editor in Chief

Karen Miller Pensiero, Managing Editor

Jason Anders, Chief News Editor;

Thorold Barker, Europe; Elena Cherny, Coverage Planning; Andrew Dowell, Asia; Neal Lipschutz, Standards; Alex Martin, Writing;

Michael W. Miller, Features & Weekend;

Shazna Nessa, Visuals; Rajiv Pant, Product & Technology; Ann Podd, News Production;

Matthew Rose, Enterprise;

Michael Siconolfi, Investigations;

Nikki Waller, Live Journalism;

Stephen Wisniewski, Professional News;

Carla Zanoni, Audience & Analytics

Gerard Baker, Editor at Large

Paul A. Gigot, Editor of the Editorial Page;

Dallen Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

Robert Thomson

Chief Executive Officer, News Corp

William Lewis

Chief Executive Officer and Publisher

DOW JONES MANAGEMENT:

Ramin Beheshti, Chief Technology Officer;

Mark Musgrave, Chief People Officer;

Edward Roussel, Chief Innovation Officer;

Anna Sedgley, Chief Operating Officer;

Christina Van Tassel, Chief Financial Officer

OPERATING EXECUTIVES:

Kenneth Breen, Commercial;

Jason P. Conti, General Counsel;

Tracy Corrigan, Chief Strategy Officer;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitman, Chief Commercial Officer;

Nancy McNeill, Corporate Sales;

Josh Stinchcomb, Advertising Sales;

Suzi Watford, Chief Marketing Officer;

Jonathan Wright, International

DJ Media Group: Almar Latour, Publisher

Professional Information Business: Christopher

Lloyd, Head: Ingrid Verschuren, Deputy Head

DOW JONES

News Corp

Fast is
a Gig-speed network
that gets business done.

Beyond Fast is technology that makes business boom.

There was a time when megabits per second was all that really mattered. Which is why Comcast built the nation's largest Gig-speed network to deliver unrelenting speed to more businesses in more places.

Now we're going **beyond**.

Beyond connecting businesses. To helping you create experiences that anticipate what customers and employees want.

Beyond network complexity. To zero-touch, one-box solutions that simplify your network and amplify your performance.

Beyond the best for your money. To the best solutions for your business at an even greater value.

We're taking our relentless speed and adding smart technologies and advanced applications that enable your business to do what you never imagined—at speeds you never thought possible.

Take your business **beyond**.

ComcastBusiness.com

**COMCAST
BUSINESS**
BEYOND FAST

BUSINESS & FINANCE

© 2018 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Wednesday, September 5, 2018 | B1

S&P 2896.72 ▼ 0.17%

S&P FIN ▲ 0.53%

S&P IT ▼ 0.30%

DJ TRANS ▲ 0.14%

WSJ \$IDX ▲ 0.37%

LIBOR 3M 2.323

NIKKEI (Midday) 22631.17 ▼ 0.29%

See more at WSJMarkets.com

Amazon Follows Apple, Hits \$1 Trillion Mark

By LAURA STEVENS
AND AMRITH RAMKUMAR

Amazon.com Inc. became the second U.S. company to reach \$1 trillion in market value, reflecting the online retailer's striking transformation from a profitless bookseller into a disruptive force of commerce.

Amazon shares climbed 1.9% in midday trading Tuesday, briefly topping the \$2,050.27 needed to push the company's value above \$1 trillion. The stock, which ended the day up 1.3%, has surged nearly 75% in 2018 and added roughly \$430 billion to the company's market capitalization—about the size of Walmart Inc., Costco Wholesale Corp. and Target Corp. combined.

Investors have rewarded the Seattle-based company as it demonstrated better financial discipline in recent quarters, reporting record profits because of lucrative businesses such as cloud computing despite aggressively spending on industries from health care to grocery delivery.

"They've proven they can make it work," said Michael Lippert, who manages the **Baron Capital** Opportunity Fund that counts Amazon as its largest holding. "They're spending a lot on all these things to build and enforce their competitive advantages."

Amazon and **Apple** Inc., which hit the trillion-dollar milestone on Aug. 2, symbolize the growing influence of tech companies on markets and the economy. The industry is amassing wealth and power, creating a new order in business where the most valuable resource is no longer oil, but data. Not far behind in market value are Google owner Alphabet Inc. and Microsoft Corp., both approaching \$900 billion, while Facebook Inc.—which crossed \$500 billion in July 2017, a day after Amazon—has stalled at those levels amid a data-privacy scandal and growth concerns.

The companies' increasing clout have prompted lawmakers to scrutinize the tech sector. Amazon, which captures nearly half of all dollars spent online, is simultaneously drawing the ire of President Trump over its effect on traditional retail and its use of the U.S. Postal Service. Sen. Bernie Sanders has also criticized the company for the way it pays

◆ Heard: Apple won't be biggest for long..... B14

and treats its warehouse workers, something Amazon has said is an inaccurate portrayal.

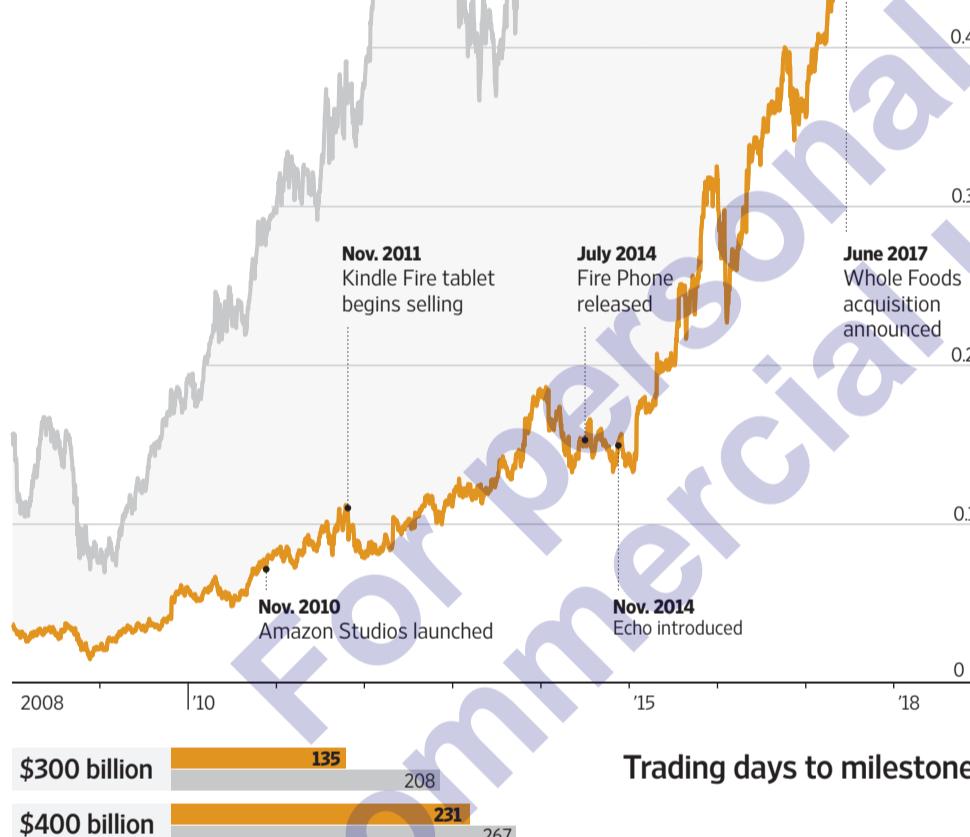
Investors also worry about the tech companies' outsize impact on the stock market. Amazon, Apple and Microsoft have accounted for more than 35% of the S&P 500's total return this year, according to S&P Dow Jones Indices data through Aug. 28.

One of the biggest beneficiaries of Amazon's growth is its 54-year-old leader, Jeff Bezos, who has surpassed Bill Gates to become the richest man in the world, according to multiple indexes that track the world's wealthiest people. Mr. Bezos owned roughly 16% of Amazon, as of an August regulatory filing, and is worth about \$166 billion, according to the Bloomberg Billionaires Index.

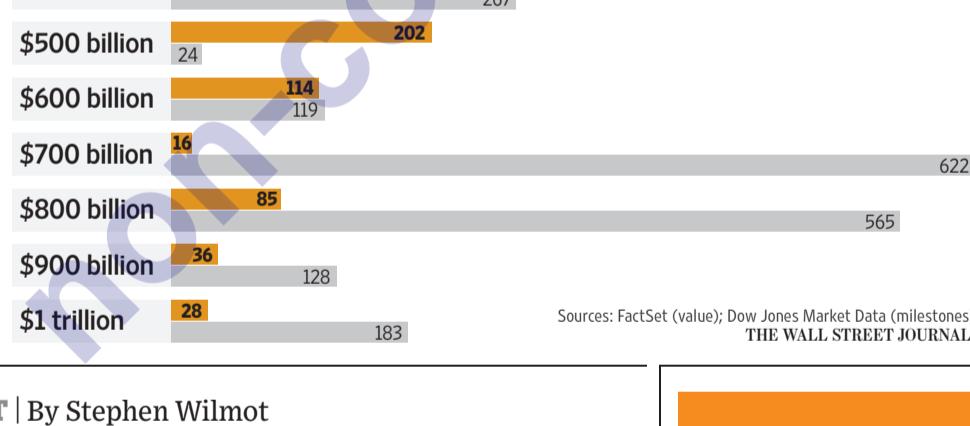
Amazon has expanded rapidly since its humble founding

as an online bookstore in Mr. Bezos's garage in 1994. The internet then was just becoming a viable platform, and the most valuable companies at the time included industrial conglomerate General Electric Co., oil giant Exxon Inc. and telecommunications power AT&T Inc.

Market value



Trading days to milestone



Sources: FactSet (value); Dow Jones Market Data (milestones)

THE WALL STREET JOURNAL.

HEARD ON THE STREET | By Stephen Wilmot

Tough Job for WPP's New CEO



The ad industry is changing fast. **WPP's** new chief executive has the unenviable task of convincing investors that the world's largest agency group is still attractive despite tougher competition.

WPP on Monday formally announced Mark Read's appointment to the top job after making him one of two co-chief operating officers in April. He had his first opportunity to reset investors' expectations Tuesday, when WPP unveiled second-quarter results. He dropped hints of his approach but deferred the moment of reckoning until a strategy update later this year.

WPP will likely end up a smaller, more tightly knit company under Mr. Read. It already has sold some minority stakes, raising £676 million (\$868 million) of cash to pay down debt, and is expected to sell more. Mr. Read told analysts Tuesday it doesn't matter whether the company owns data capabili-

ties, paving the way for a sale of Kantar Group. The data provider has weighed on WPP's results for years.

Mr. Read also is relocating some 30% of staff into group offices out of individual agency offices.

Crucially for investors, the company may end up less profitable. Brands' trust in agencies has been strained by years of problems with ineffective and fraudulent on-

line ads. They have turned for help to the more secure ad ecosystems of Google and Facebook on the one hand, and consultancies like Accenture and Deloitte on the other.

Faced with these challenges, Mr. Read struck a more humble tone than his predecessor, Martin Sorrell, who left the company under a cloud in April. But the new boss has kept a long-term goal of expanding WPP's operating margin. This could prove unrealistic. In the first half, the margin slipped half a percentage point to 13.3%, and the company warned that the full-year margin would also be lower than in 2017. Reversing this trend while trying to mount a sales turnaround will be tough.

WPP ADRs fell Tuesday, bringing the decline since the start of 2017 to one-third. It looks cheap at 10 times prospective earnings, but this multiple isn't meaningful if margins fall. Investors should hold fire.

◆ Weak North American sales hit WPP results..... B3

*Asia Pacific, Latin America, Africa, Middle East, Central and Eastern Europe

[†]Entire company, including all regions

Source: the company

THE WALL STREET JOURNAL.

Embattled Theranos To Shut Itself Down

By JOHN CARREYROU

criminal trial.

The dissolution process was precipitated by the fact that Theranos breached a covenant governing a \$65 million loan it received from Fortress Investment Group last year, according to the email. Under the loan terms, Fortress was entitled to foreclose upon the company's assets if its cash fell beneath a certain threshold.

In the email sent Tuesday, Theranos General Counsel and Chief Executive Officer David Taylor said the company is trying to negotiate a settlement with Fortress that would give the New York private-equity firm ownership of the company's patents but leave its remaining cash—estimated at about \$5 million—for distribution to other unse-

Please turn to page B12

Chinese Billionaire In U.S. Rape Probe

By AUSTEN HUFFORD
AND LIZA LIN

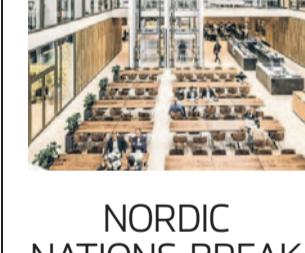
Chinese billionaire Liu Qiangdong was arrested last week on suspicion of rape, Minneapolis police said on Tuesday as they continue to investigate what people familiar with the situation said is a complaint against Mr. Liu by a female student from China.

Mr. Liu was released Saturday and returned shortly thereafter to China. He appeared at an event in Beijing on Tuesday for the e-commerce site he founded, **JD.com** Inc., underscoring what business observers describe as his extraordinary confidence

In Minneapolis, where Mr.

Please turn to page B2

INSIDE



LEGO BUILDS A SLOW-GROWTH STRATEGY

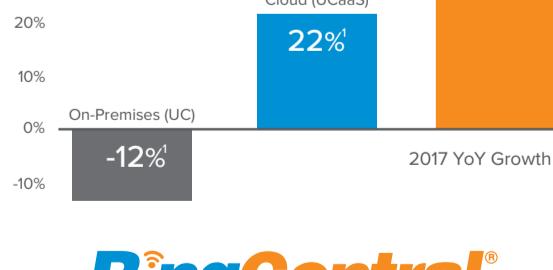
BUSINESS NEWS, B3

NORDIC NATIONS BREAK ICE ON ENERGY

PROPERTY REPORT, B6

#1 worldwide in cloud communications¹

Cloud is winning.
RingCentral is winning
in the cloud.



RingCentral
Learn more at ringcentral.com/oneleader

RNG
LISTED
NYSE

5-year IPO anniversary.
Ringing the bell today!

RNG
LISTED
NYSE

¹Synergy Research UCaaS Revenue Tracker, 2017. ²RingCentral Office ARR Growth, 2017.

©2018 RingCentral, Inc. All rights reserved. RingCentral and the RingCentral logo are trademarks of RingCentral, Inc.

INDEX TO BUSINESSES

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

A	B2
Accenture	B1
Alibaba Group Holding	B2
Alphabet	B1
Amazon.com	B1,B13,B14
Apple	B1,B4,B14
APS Management	B2
Arconic	B13
Aspelin Ramm Eiendom	B6
Atlas Sand	B5
AT&T	B1
Avenue Capital Management	B5
B	B1
Baoshan Iron & Steel	B14
Barings Real Estate	B6
Baron Capital Enterprise	B1
BlueMountain Capital Management	B5
C	B1
Calpers	B7
CBS	B8
Citigroup	B5,B12
Covia Holdings	B5
D	B12
Danske Bank	B12
Deere	B13
Didi Chuxing Technology	B4
Dongfeng Motor Group	B1

E	B5
Elliott Associates	B5
Entra	B6
Exxon	B1
F	B6
Fabege	B7
Facebook	A1
Ford Motor	B2
Freeport-McMoRan	B13
G	B13
Geely Automobile Holdings	B2
General Electric	B1
General Motors	B2
Great Wall Motors	B2
Green Street Advisors	B7
Guangzhou Automobile Group	B2
H	B14
Huawei Technologies	B4
I	B13
ING Groep	B12
J	B13
Jagged Peak Energy	B5
JD.com	B1
JPMorgan Chase	B13
K	B13
Klovern	B6
L	B3
Lego	B3
Liberty Oilfield Services	B4

INDEX TO PEOPLE

A	H	N	
Agarwal, Anil	B14	Hahn, Peter	B12
Armitage, Eric	B12	Holmes, Elizabeth	B1
B	H	P	
Bahrke, Witold	B13	Hong, H.C.	B4
Bezos, Jeff	B1	Kaepernick, Colin	A1
Blackwood, Amanda	B7	Kaminski, Kathryn	B12
Brigham, Ben	B5	Kirchner, Cristina	B14
C	K	R	
Chesbrough, Charlie	B2	Kok, Wong Hoi	B2
Christiansen, Niels B.	B3	LaNeve, Mark	B2
Corbat, Michael	B12	Larsson, Claes	B6
D	L	S	
Deckard, Jennifer D.	B5	Laszewski, Chuck	B1
F	M	V	
Flynn, Phil	B13	Lindow, Rosen	B6
G	N	Y	
Gerspach, John	B12	Lippert, Michael	B1
Gusek, Ron	B5	Liu, Qiangdong	B1
Gusek, Ron	B5	Malec, Jeff	B12
Gusek, Ron	B5	Malek, Christyan	B13
Gusek, Ron	B5	Mason, Mark	B12
Gusek, Ron	B5	Zhang, Zetian	B2

Billionaire Arrested in Rape Probe

Continued from the prior page spokesman said the investigation is continuing. Mr. Liu hasn't been charged with any crimes. Minneapolis police said the alleged rape occurred Friday at 1 a.m. Mr. Liu was apprehended Friday evening.

Chuck Laszewski, a spokesman for the Hennepin County Attorney's Office, said prosecutors were still waiting for the case file from police investigators before they would be able to make a determination about any potential charges.

The 45-year-old tycoon was born in a farming village in eastern China's Jiangsu province, where his parents ran a small business ferrying goods and people along canals.

His ambition earned him a berth at Beijing's prestigious Renmin University, where he started his first business in his third year, and propelled him to found JD.com, which became an e-commerce giant with \$362.3 billion yuan (\$53 billion) in annual sales.

With JD.com, Mr. Liu—who also uses the name Richard Liu—took on more established players such as **Alibaba Group Holding** Ltd. and focused his company on selling quality merchandise when online retailing was dominated by the sale of cheap and often counterfeit goods.

"Richard bucked that trend, bucked that idea. He understood early on that there was a sufficient core of users who did care about quality and were willing to pay more for it," said Mark Natkin, managing director of research firm Marbridge Consulting. "I think it speaks to his confidence in his own vision and his faith in China to develop" in that direction.

There are asterisks to the rags-to-riches story. JD.com has reported only one profitable quarter since going public in May 2014, and it most recently reported a quarterly loss of \$334 million. Its share price has fallen 25% this year.

JD.com's American deposi-



JD.com Chief Executive Liu Qiangdong was taken into custody on Friday at the University of Minnesota.

tary receipts fell 6% to \$29.43 on Tuesday in New York.

Mr. Liu's enrollment in the Minnesota program isn't a surprise. Despite his wealth, he had long advocated self-improvement and in 2013 studied for one semester at Columbia University in New York.

It was while at Columbia that Mr. Liu began dating Zhang Zetian, then a 19-year-old exchange student at Barnard College in New York. Ms. Zhang shot to fame in high school after a photo of her holding a cup of milk tea went viral on Chinese social media, earning her the sobriquet "Sister Milk Tea." The couple married in 2015.

Mr. Liu's wealth and fame stands in contrast to his childhood. His family was so poor, Mr. Liu has said, that they were able to afford meat only once or twice a year.

After graduation in 1998, Mr. Liu started his own company selling computer accessories in Beijing's technology hub district.

Mr. Liu credits a senior manager with giving him the idea to sell online following

the outbreak of severe acute respiratory syndrome in 2002 and 2003, which left many people fearful of going out in public.

Since JD's listing in 2014, Mr. Liu has become one of China's richest men, with a net worth of about \$7.9 billion, according to Forbes. He also began to make proclamations about the growth of his business, a move that led to critics saying his confidence is more like cockiness.

"He brags a lot, makes false representations and makes empty promises," said Wong Kok Hoi, founder and chief investment officer of investment firm **APS Management**, which has taken a short position on JD's Nasdaq-listed shares.

Among other things, Mr. Wong said, Mr. Liu had promised investors in recent years that JD would be larger than Alibaba in the next few years.

That promise isn't credible, he said, given that Alibaba's profit last year was \$10 billion, while JD has posted 14 straight years of losses.

—Chunying Zhang, Xiao Xiao and Shan Li contributed to this article.

BUSINESS & FINANCE

Slowdown in Car Demand Expected

BY ADRIENNE ROBERTS

Most major auto makers reported increases in U.S. sales in August, though analysts expect vehicle demand to cool for the remainder of 2018 amid higher interest rates and rising vehicle prices.

Overall U.S. auto sales were expected to rise slightly in August, but **General Motors** Co.'s worse-than-expected month dragged down the industry's tally, resulting in flat sales. Customers took advantage of Labor Day discounts against a backdrop of a healthy U.S. economy, analysts said. Consumers continued to flock to sport-utility vehicles and pickup trucks, helping push the average selling price to \$31,836 in August, market research firm J.D. Power said.

The year-over-year comparison benefited from weak sales in August 2017, when Hurricane Harvey forced the closure of hundreds of dealerships in southeast Texas, denting the national total.

Sales are expected to cool in coming months because of rising interest rates, higher vehicle prices and the threat of tariffs on imports prompting customers to consider buying a used car or delaying a vehicle purchase altogether.

"All the positive economic news can't overtake the worsening buying conditions for consumers," Charlie Chesbrough, senior economist for Cox Automotive, said. He said he believes the U.S. auto market, which peaked in 2016 with a record 17.6 million vehicles sold, is tracking about two years ahead of the broader economy.

Still, the car business remains historically strong, on pace to reach U.S. sales of about 17 million vehicles this year.

The shift toward higher-price SUVs and pickup trucks continues, which should help bolster auto makers' bottom lines.

SUVs, pickup trucks and vans accounted for about 68% of new-vehicle retail sales in



Fiat Chrysler Automobiles said August sales were propelled by its Jeep and Ram pickup brand.

Debt Curbs Crimp China Purchases

Chinese auto makers are grappling with falling sales as a broad clampdown on debt limits credit to prospective vehicle buyers.

A plan by **Great Wall Motor** Co. to offer discounts of between 11% and 27% on its cars has helped trigger stock selling this week, according to analysts at Deutsche Bank.

Dongfeng Motor Group Co., **Geely Automobile Holdings** Ltd. and **Guangzhou Automobile Group** Co.—among the largest Chinese auto makers listed in Hong Kong—have seen

shares drop between 4% and 7% in the past two days of trading.

Combined, the three have lost nearly 194 billion Hong Kong dollars (US\$24.8 billion) in market capitalization this year, Datastream shows, while a Thomson Reuters index of Hong Kong-listed auto and truck manufacturers is down 39%.

Vehicle purchases are declining. In July, new-car sales were 5.5% lower than in the same month last year. Sales of insurance policies are also falling. Peer-to-peer lending for car purchases had become increasingly popular, but after a series of lending scandals the government has cracked down.

There is one consolation: Unlike U.S. and European peers, Chinese car makers aren't being battered by fears of heightened restrictions on global trade. Many produce cars designed by foreign companies for domestic drivers—Brilliance China Automotive Holdings Ltd., for example, makes BMWs—insulating the companies from trade-related volatility.

An official at the National Development and Reform Commission, China's top economic-planning agency, said the government plans to restrain overinvestment and strengthen regulation, in comments reported by Reuters over the weekend.

—Mike Bird

Jeep Compass increased 76%. GM sales declined 13% for the month, according to a person familiar with the matter.

Ford, Honda Motor Co. and Nissan Motor Co. reported percentage sales increases in the single digits, gains driven by their SUV lineups. Fiat Chrysler Automobiles NV said sales increased 10% in August, propelled by its Jeep and Ram pickup brand. Sales of the Jeep Cherokee rose 85%, and sales of the

GM sales declined 13% for the month, according to a person familiar with the matter, missing analysts' expectations of about an 8% drop. GM officially reports sales quarterly.

Toyota Motor Corp. reported a slight decrease, with sales of the auto maker's flagship Camry sedan dropping 19%.

—Mike Colias

contributed to this article.

Interactive Brokers
pays 1.41%
on idle cash
in your
brokerage
account¹

To learn more visit:

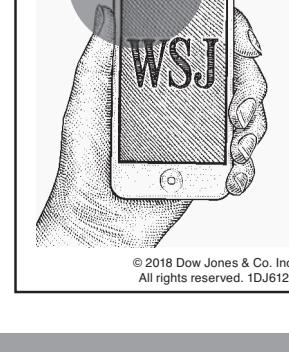
ibkr.com/141

InteractiveBrokers

Interactive Brokers Rated #1
Best Online Broker 2018 by Barron's*

Member NYSE, FINRA, SIPC. Supporting documentation for any claims and statistical information will be provided upon request.

*Interactive Brokers rated #1, Best Online Broker according to Barron's Online Broker Survey 2018: All Together Now, March 26, 2018. For more information see, ibkr.com/info - Barron's is a registered trademark of Dow Jones & Co. Inc. [1] Credit interest rate as of 7/3/2018. USD credit interest is paid on balances over USD 10,000 in security accounts with Net Asset Value exceeding USD 100,000. For more information, see ibkr.com/interest



© 2018 Dow Jones & Co. Inc.
All rights reserved. 1DJ6120



BUSINESS NEWS

WPP Reports Weak North America Sales, Pulling Shares Lower

By NICK KOSTOV

Shares in WPP PLC dropped 8% in New York Tuesday as the ad industry's upheaval took a toll on the world's largest advertising company, underscoring the challenges facing new Chief Executive Mark Read.

The advertising giant's second-quarter results showed a weak performance in North America, as the company's stable of creative agencies—including J. Walter Thompson, Ogilvy & Mather and Young & Rubicam—struggled. Like-for-like net sales—a figure closely watched by analysts to measure the company's underlying performance—dropped 3.3% in North America over a three-month period ended June 30.

"I'm not happy with the state of our creative agencies in North America," said Mr. Read. "I think they could be stronger both reputationally and in the quality of the work." The advertising world is wrestling with a seismic shift to digital ads from print and television. Advertisers are

tightening their belts on traditional ad campaigns and demanding a wider suite of services, such as website creation and data science.

Facebook Inc. and Alphabet Inc.'s Google, meanwhile, have grabbed the lion's share of the digital-advertising market and consulting firms such as Accenture are encroaching on Madison Avenue's turf.

The changes have plunged creative agencies, traditionally staffed with copywriters and artists, into a race to attract engineers and other tech talent.

These agencies also have been cutting costs and allowing clients to work with staff that had been previously siloed.

On Tuesday, WPP lowered the guidance for its operating margin for this year, saying it planned to invest more in restructuring the business and incentivizing staff in its faster-growing units.

In an interview after his appointment as CEO Monday, Mr. Read said he has no plans to sell off or merge flagship creative agencies, many of which are based in the U.S.

The North American market was weaker in the second quarter, Mr. Read said, in part because U.S. companies have been slower to cut costs than European peers strained by years of anemic economic growth.

North American clients also have been slower than those in the U.K. and some other parts of the world to move their budgets to less traditional media, Mr. Read said. In the U.S., digital ads accounted for 44% of total ad spending last year, according to eMarketer. That percentage was 61% in the U.K. and 60% in China.

"Many clients have been questioning the budgets they're spending on traditional [ads] over the last 24 months," Mr. Read said. "It hasn't happened in one quarter."



A depiction of Windsor Castle, made with Lego's toy bricks. The company's first-half profit declined 10%, while its sales sank 4.6%.

Lego Tempers Growth Ambitions

By SAABIRA CHAUDHURI

Lego AS reported weaker sales and sharply lower profit for the first half, but the Danish toy-brick maker said it was making progress in a yearlong turnaround that includes a restructuring.

Net profit fell 10% to three billion Danish kroner (\$468 million), while sales declined 4.6% to 14.3 billion kroner. The company attributed much of that weakness to currency moves. The U.S. dollar weakened significantly against the kroner during the period, reducing Lego's overseas sales after being converted into its home currency.

Excluding foreign-exchange moves, revenue was flat for the first six months of the year, compared with a 6% currency-adjusted fall a year earlier. That drop was Lego's first sales decline in 13 years. Lego at the time promised to speed

up decision making as part of a broad overhaul, and said that it would shed 8% of its global workforce.

Lego said Tuesday it doesn't expect to return to the double-digit growth it enjoyed for years in developed markets such as the U.S. and Western Europe. Like Mattel Inc. and Hasbro Inc., which it has overtaken as the world's biggest toy maker by sales, Lego is increasingly competing with videogames, YouTube and other digital distractions.

This year "is about stabilizing the business and building a platform for longer-term sustainable growth," said Chief Executive Niels B. Christiansen, who took the reins in October. "There will be no magic bullet or very quick path back to growth."

Lego said sales were buoyed by new launches, including a line of roller-coaster sets, "Jurassic World"-themed

sets and a high-price Bugatti set. Lego said existing brick sets including "Ninjago," Lego City and "Star Wars" performed well, according to the company.

Facing headwinds in the U.S. and Europe, Lego is expanding in the Middle East, Africa and China, where it will open two new flagship stores in the next year. It recently struck a partnership with Chinese tech and videogame giant Tencent Holdings Ltd. to make Lego-branded games.

Lego isn't publicly listed, so it doesn't disclose full financial results. It said Tuesday that stripping out currency moves, revenue in China rose by a double-digit percentage in the first half. Revenue in Western Europe increased by low single digits, it said, while in North America it declined slightly. The company didn't provide further details.

Mr. Christiansen said Lego

has no plans to cut prices or shift its product mix toward more-affordable toys.

"We believe that overall the price level we have actually reflects very well the value of Lego brands," he said.

Lego, like Mattel and Hasbro, has tried to adapt to the collapse of retailer Toys "R" Us Inc. in markets such as the U.S., the U.K. and Australia. The company has increased its online offerings and said it is working to make sure its full product range is available at other retailers across the U.S., Mr. Christiansen said.

Toy makers are also grappling with how to incorporate new technology into their products. Among other moves, Lego has created Lego Boost, a robot-building kit. "The brick is at the heart of what we do but we are, to an increasing amount, using digital to enhance it," said Mr. Christiansen.

Not Adding Up

Shares of WPP tumbled Tuesday after second-quarter results showed a weak performance in North America.

Stock performance



Source: SIX
THE WALL STREET JOURNAL.

BOUYGUES FIRST-HALF 2018 RESULTS

NET PROFIT UP 18%^a

OUTLOOK CONFIRMED

- BOUYGUES TELECOM: GOOD COMMERCIAL PERFORMANCE AND ROBUST GROWTH IN RESULTS
- CONSTRUCTION BUSINESSES: BACKLOG AT RECORD LEVEL AND IMPROVEMENT IN SECOND-QUARTER CURRENT OPERATING PROFIT YEAR-ON-YEAR

First-half 2018 highlights:

• continued good commercial performance at Bouygues Telecom and sharp improvement in its financial results;

• backlog in the construction businesses stood at a record level of €33.7 billion at end-June 2018, up 9% year-on-year and up 13% at constant exchange rates. A number of major contracts were signed during the second quarter.

The Group reported current operating profit of €303 million in first-half 2018 versus €347 million in first-half 2017. This reflects a rise in profitability at Bouygues Telecom and current operating profit in the construction businesses, which was still impacted by poor weather conditions in the first quarter.

The Group's operating profit was €383 million versus €379 million in first-half 2017 (including non-current income of €80 million in first-half 2018 versus €32 million in first-half 2017).

OUTLOOK: BOUYGUES EXPECTS TO CONTINUE TO IMPROVE ITS PROFITABILITY IN 2018

The outlook for 2018 announced with the first-quarter results release is confirmed.

• Benefiting from an upbeat environment in France and international markets, the construction businesses will continue to be selective and focus on profitability rather than volumes. The current operating profit^b and current operating margin^c of the construction businesses are expected to improve versus 2017.

• TF1 confirmed its targets to improve profitability.

• Bouygues Telecom is experiencing profitable growth momentum with a free cash flow target of €300 million for 2019. Sales from services are expected to grow by more than 3% in 2018 versus 2017, with an EBITDA/sales from services margin higher than in 2017 and gross capex of around €1.2 billion.

(a) Versus first-half 2017

(b) Excluding a capital gain of €28 million in 2017 on the sale of 50% of Nextdoor and remeasurement of the residual interest



CONSOLIDATED KEY FIGURES

SALES
€m

15,743 +4%^d

CURRENT OPERATING PROFIT
€m

303 -€44m

OPERATING PROFIT
€m

383^e +€4m

NET PROFIT ATTRIBUTABLE TO THE GROUP
€m

260 +€40m

NET DEBT
€m

(5,042) -€777m^f

(1) Up 5% like-for-like and at constant exchange rates
(2) Including non-current charges of €11m at TF1 and non-current income of €91m at Bouygues Telecom
(3) The difference from end-June 2017 mainly reflects the acquisition of the Miller McAsphalt group by Colas and of aufeminin by TF1



Consult the full press release and results presentation on bouygues.com

Investor Relations: investors@bouygues.com

@GroupeBouygues

Photo credits: Hanging gardens of the New Futura twin towers in Singapore. Photographer: Arnaud Février. Architects: ADDP - SOM. Landscaper: Belt Collins International.

Threatening Clouds?

Don't let your cloud be a blind spot.

Powered by AI, Darktrace detects and fights back against quiet cyber-threats across your infrastructure, including AWS, Microsoft Azure, Google Cloud Platform, and more.

Start a free, 30-day trial to discover what's lurking in your enterprise.

darktrace.com

DARKTRACE
World-Leading Cyber AI

TECHNOLOGY

WSJ.com/Tech

Phone Battle Heats Up in India

New Samsung factory is intended to supply huge potential market for cheaper handsets

Samsung Electronics Co. is building the world's largest phone factory in India in an effort to tap the industry's greatest opportunity for growth: cheap smartphones.

After waging a decade-long

By Timothy W. Martin
in Seoul and Eric Bellman in New Delhi

battle with **Apple** Inc. for the world's most affluent consumers, the South Korean electronics giant is now looking to fend off Chinese companies trying to dominate the market for inexpensive phones. That market is twice the size of the high-end market but offers lower profitability.

India is a critical battleground because it is still rapidly growing and the country's demographics mirror other countries primed for growth. Just over half of the global population has a smartphone, and that figure will rise to 77% by 2025, an addition of roughly two billion new smartphone users, according to GSMA Intelligence, a mobile-industry researcher.

"This is the right place to have the manufacturing hub for the world," said H.C. Hong, chief executive of Samsung Electronics in India, about the company's new facility in a New Delhi suburb, which will double Samsung's capacity to make smartphones in India when finished in 2020. The plant has a projected annual capacity of 120 million handsets, or roughly one of every 13 phones in the world. Around 30% of those will be exported.

Samsung mobile executives believe the Indian market will be key to success—or failure—in other emerging markets. It needs to make a stand in India to show its hardware can ward off more budget-friendly Chi-



South Korean President Moon Jae-in and Indian Prime Minister Narendra Modi on a July trip to a Samsung Electronics factory.

nese alternatives made by the likes of **Xiaomi** Corp., **Oppo Technologies** Ltd. and **Huawei Technologies** Co.

Chinese brands accounted for the majority of the global smartphone market for the first time last year, according to TrendForce, which tracks device sales. That compares with 32% in 2013. The Chinese phone makers have undercut the South Korean tech giant on price, while offering comparable or better features on their smartphones.

India is on pace to surpass the U.S. next year as the world's second-largest smartphone market after China. Today, just 22% of Indians own a smartphone.

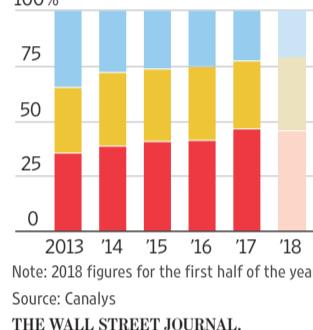
Xiaomi is manufacturing in four spots across India, with around 10,000 employees. It is trying to persuade its parts suppliers to set up in India. China's **Vivo Electronics** Corp. spent more than \$300 million to sponsor India's main cricket sports league through 2022.

Oppo makes around 15 mil-

Low-End Emergence

Inexpensive smartphones are climbing in the world market.

Share of global shipments, by phone cost



lion phones a year in its factory near New Delhi.

"We see India as a vibrant smartphone market, which is gaining constant traction," said Will Yang, brand director of Oppo India.

Sarita, a 36-year-old family cook in New Delhi who goes by

one name, is one of Oppo's newest customers. She got her first smartphone two months ago and said the Oppo is a big upgrade from the Samsung feature phone she had been using for years. She can look up recipes on YouTube and video chat with family. The selfies and food photos she took on her old phone all seem blurry now that she has become used to a better screen and camera.

"In every way, my new phone is more beautiful than my last one," she said.

None of her friends or family owns an iPhone or even considered it because starting prices are so high. The \$170 Oppo was already stretching her budget and an iPhone usually costs more than twice that price. The iPhone had just 1% market share in India in the quarter ended June 30, according to research firm Counterpoint Technology.

Samsung is spending around \$700 million on its smartphone factory near New Delhi. The company's de facto

leader, Lee Jae-yong, flew into India this summer to cut the ribbon, flanked by Indian Prime Minister Narendra Modi and South Korean President Moon Jae-in.

Samsung's Mr. Hong said its phones are fully India-made, unlike those of rivals which import some parts. For that reason, Mr. Modi has chosen to use a Galaxy handset.

India is one example of growing competition in cheaper smartphones. According to Canalys, twice as many inexpensive phones, which are priced at \$200 and below, were shipped in the first half of this year as expensive ones, priced at \$500 and above. In 2013, both markets were about even.

"The global smartphone market has peaked, but emerging markets are growing," said Tarun Pathak, analyst at research firm Counterpoint. "The battle for the next billion consumers is more important than the premium market."

—Vibhuti Agarwal contributed to this article.

Didi Is Boosting Safety Measures

By YOKO KUBOTA

BELJING—Ride-hailing giant **Didi Chuxing** Technology Co., under fire after the recent killings of two female passengers, said it would expand safety measures and upgrade customer service by adding 3,000 employees.

The company said it was upgrading an emergency function button on its mobile app to allow passengers to report incidents directly to police and would soon start testing audio recording of rides.

"Didi will do its best to strictly hold the bottom line of safety and to effectively cooperate with the regulatory requirements raised by the authorities," it said in a statement.

Didi also said it was building a new customer-service system and increasing its in-house customer-service staff by 3,000 people to 8,000 people by the end of the year. The company currently has 5,000 in-house customer-service staff and 10,000 customer-service subcontractors, it said.

To implement the new measures smoothly, the company said it would halt all of its ride-hailing services in China between 11 p.m. and 5 a.m. for one week starting Sept. 8.

Over the past week, Didi has faced government criticism and public outrage after a female passenger using the company's carpool service was killed, the second such incident in three months.

Didi has indefinitely halted its carpool service, which both victims had been using, and fired two executives in the wake of last month's fatality.

In the latest killing, police said Didi's customer service didn't respond for hours to requests for help made by the victim's friend until police intervened.

Take your business to the
NEXT LEVEL.



Indiana
A State That Works.com®

BUSINESS NEWS

Sand Glut Points to a Supplier Shakeout

Recent expansion of mining in West Texas outstrips demand from shale-oil drillers

BY CHRISTOPHER M. MATTHEWS

Two years ago, many investors had the same idea: Tapping the dunes of the West Texas desert to supply shale drillers with the sand they use in fracking.

Now, about 20 sand mines are set to be in operation in the Permian Basin, America's most active oil field, by year's end, and even some of those who put hundreds of millions of dollars behind these startups predict they won't all survive.

Sand is a key ingredient for shale drillers, who use a mixture of sand, water and chemicals to fracture rock formations deep underground and release the oil and gas trapped inside. But the flood of sand is hitting the market just as growth has begun to slow in the Permian Basin because of pipeline and labor constraints that make oil and gas more difficult to produce in the region, which straddles Texas and New Mexico.

There are also questions about the quality of Texas sand—compared with the sands from Wisconsin and other regions that frackers have traditionally favored—and whether using the cheaper local substitute crimps a well's long-term production.

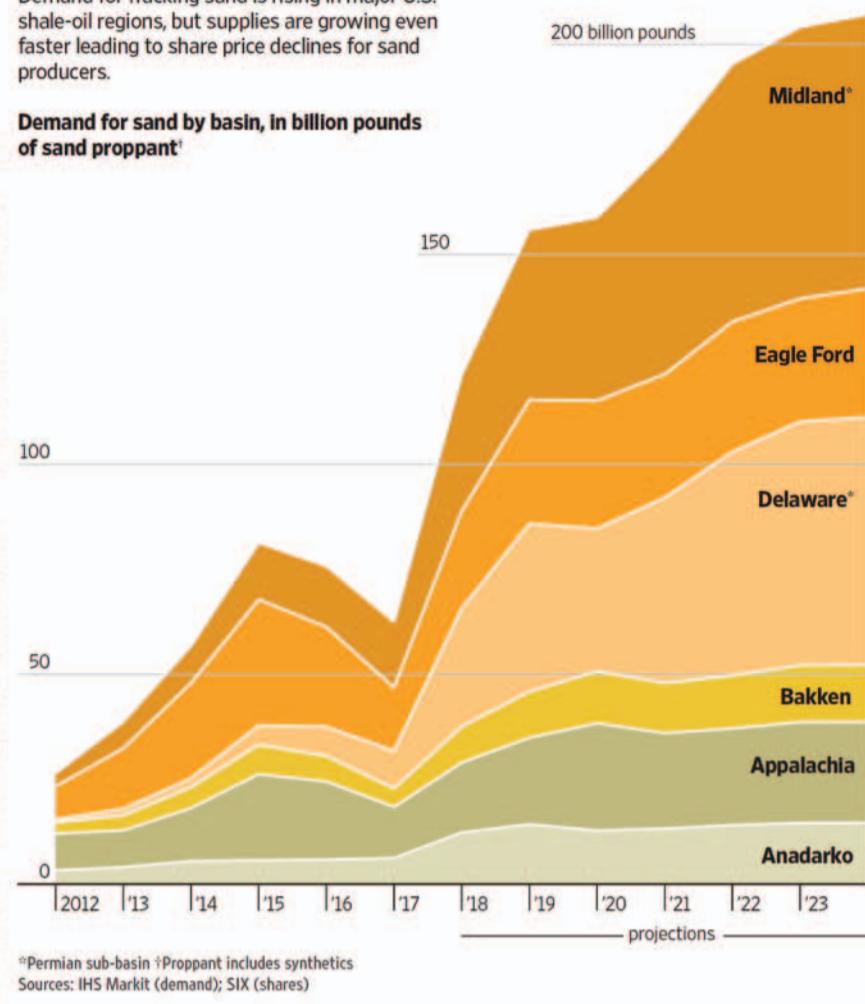
All of this has contributed to a quickly oversupplied sand market, a little more than a year since the first mine opened in West Texas. The 13 mines already active in West Texas have sufficient capacity to meet the basin's 2018 demand for sand, around 39 million tons, according to energy research firm Infill Thinking LLC.

Ben Brigham, an Austin geophysicist behind one of the largest Permian sand mines, **Atlas Sand Co.**, said he expected a crowded field and that the better operators will persevere. "We modeled this happen-

Miners Undermined

Demand for fracking sand is rising in major U.S. shale-oil regions, but supplies are growing even faster leading to share price declines for sand producers.

Demand for sand by basin, in billion pounds of sand proppant*



*Permian sub-basin. †Proppant includes synthetics

Sources: IHS Markit (demand); SIX (shares)

ing, and it appears to be happening faster than we thought," said Mr. Brigham, who sold his oil drilling and pipelines firm, Brigham Resources, to Diamondback Energy Inc. for \$2.55 billion in 2017 before going into the shale supplies business.

"The oversupply will educate the market on...who is built to last."

Atlas's mine, which opened in July, features seven silos, each capable of storing 5,000 tons of sand and together designed to fill about 500 trucks a day. They are now among the tallest structures in West Texas. The efficiencies of the heavily automated facility, which employs around 100 people, will

help Atlas withstand a downturn, Mr. Brigham said. "We're built to serve the Permian basin for decades...possibly a century," he said.

Sand demand is at a record-high in the U.S., up 29% in the second quarter compared with a year earlier, according to energy consultant IHS Markit, and the outlook for long-term growth is rosy. The Permian, which pushed U.S. oil production to an all-time high of more than 11 million barrels of oil a day in July, will account for 50% of U.S. sand demand by 2023, IHS Markit said.

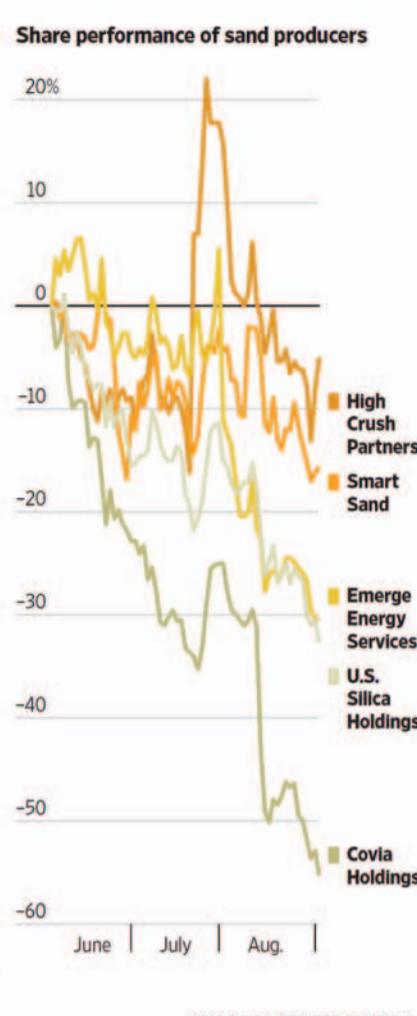
But as pipeline and other infrastructure problems hit the area, sand oversupply is leading

to huge pricing concessions and painful stock-price declines for the handful of publicly listed frack-sand companies. Shares of **Covia Holdings Corp.**, the largest producer of sand for fracking in the U.S. by volume, have fallen more than 52% over the past three months.

"Significant capacity additions in the Permian have started to outpace demand growth," Covia Chief Executive Jenniffer D. Deckard said in August. "As we moved further into July, we saw broad pricing concessions."

The steepest price reductions—more than 15% per ton—have been for a type of sand called Northern White, analysts

Share performance of sand producers



THE WALL STREET JOURNAL.

White, along with private investors, rushed to grab land in the West Texas desert. Before the sand boom, the cost of an acre near Kermit, Texas, where the Atlas mine is located, was between \$500 and \$1,000, Mr. Brigham said. Today, an acre can cost as much as \$312,000, he said.

For oil producers, the savings of eliminating the rail costs of Northern White, sometimes more than \$60 per ton, were immediate. **Jagged Peak Energy Inc.**, a Permian producer, is using 100% local sand at a savings of \$400,000 per well, the company said in August.

But there are still doubts about local sand's long-term performance. So far, companies say it hasn't hurt initial production on wells, which is when they produce oil at their highest rates. But it could limit production at later stages, experts say, as higher pressures expose the weaker crush strength of the local sand.

Because companies have only been using the sand for a year, there isn't enough data to determine its effectiveness under greater stress, said Ron Gusek, president of **Liberty Oilfield Services**, a hydraulic fracturing company that uses Permian sand.

"It's obviously extremely economically compelling," Mr. Gusek said. "There is a scenario, despite it showing well in the early days of a well...where it may affect the long-term productivity of a well."

Still, Mr. Gusek said Texas sand is gaining market share and that it is possible producers will choose to use Texas sand early in a well's life and shift to Northern White at later stages.

While Texas and Wisconsin sand may be able to coexist, companies and analysts alike say all the companies cannot, and some will surely be gobbled up by rivals in the next year.

"Consolidation is the next logical phase and will be healthy for the industry," said Joseph Triepke, founder of Infill Thinking, which researches the oil-and-gas supply chain.

Transocean to Buy Drilling Firm

BY COSTAS PARIS
AND KIMBERLY CHIN

Transocean Ltd. has agreed to buy fellow offshore-drilling contractor **Ocean Rig UDW Inc.**, in a cash-and-stock transaction valued at roughly \$2.7 billion and aimed at strengthening the company's drillship fleet ahead of an expected market recovery.

Switzerland-based Transocean—among the world's five biggest offshore operators, with revenue of \$7.4 billion last year—will give Ocean Rig shareholders 1.6128 newly issued shares in the combined business plus \$12.75 in cash per share of Ocean Rig's common stock.

The agreement would value Ocean Rig's shares at \$32.28 apiece, representing a 20%

premium over the 10-day volume-weighted average share price of the drilling contractor as of Aug. 31.

Transocean's shareholders would own about 79% of the combined company, while Ocean Rig's would own about 21%.

No changes to the board of directors, executive management or corporate structure are expected. Transocean intends to finance the deal through a combination of cash and fully committed financing from **Citigroup Inc.**

Drill-ship operators have been hit hard by a slump in crude prices over the past three years. Rig daily leases, which once commanded as much as \$800,000, dropped to about \$200,000 over the period as cheap oil from U.S.

shale drilling flooded the market.

Ocean Rig completed a restructuring last October that wiped out \$3.7 billion in debt and handed control of the company's equity to investors in its senior debt, among them **Avenue Capital Management II LP**, **BlueMountain Capital Management LLC** and **Elliott Associates LP**.

"The Transocean takeover shows that rig operators are betting on sustained higher oil prices," said Peter Sand, chief shipping analyst at Bimco, an industry research group.

The deal is subject to shareholders' approval. The companies said shareholders representing 48% of Ocean Rig's shares outstanding support the deal, as does Transocean's third-largest shareholder.

Messrs John Howard Batchelor and Chow Wai Shing Daniel, both of FTI Consulting (Hong Kong) Limited, were appointed Joint and Several Receivers ("the Receivers") of the entire issued shares in an investment holding entity incorporated in the British Virgin Islands ("the Company").

The Company is the major shareholder, with a majority control shareholding interest ("the Majority Shareholding"), in an award-winning asset-light business engaged in the provision of luxury travel services ("the Business") operated under a well-established brand name in the market from over 55 offices and in more than 30 countries. The remaining minority shareholding ("the Minority Shareholding") in the Business is controlled by the Business' founder ("the Minority Shareholder"). The Business is expected to achieve an EBITDA of approximately USD45m for the financial year of 2018.

The Receivers are now seeking expressions of interest for the acquisition of the Majority Shareholding with the Company being the intended seller. The Receivers and the Company will not provide any representations and warranties in relation to the Business and interested parties are expected to conduct and rely on their own due diligence.

Interested parties should note that there is an existing shareholders agreement ("the SHA") governing the management and operation of the Business pursuant to which the Minority Shareholder retains a certain level of control over the management and operation of the Business and is entitled to certain other benefits. Further, disposal of the Majority Shareholding will be subject to, among other things, prior written consent, pre-emption right and tag-along right of the Minority Shareholder, and the Minority Shareholder will have a put option to force sell its Minority Shareholding to the incoming majority shareholder, subject to the terms and conditions of the SHA.

Interested parties who wish to acquire full ownership of the Business are expected to conduct their own separate discussions with and seek representations and warranties from the Minority Shareholder as appropriate and the Receivers will provide reasonable assistance to facilitate such discussions to the extent possible. The disposal of the Majority Shareholding is not conditional on the disposal of the Minority Shareholding.

The deadline for submission of an expression of interest is 5 p.m. (Hong Kong time) on 21 September 2018. Interested parties who wish to submit an expression of interest or obtain further information, please contact Mr Edmund Lo on +852 3768 4648 (email: edmund.lo@fticonsulting.com) or Mr Stanley Law on +852 3768 4724 (email: stanley.law@fticonsulting.com).

FTI CONSULTING
Level 35 Oxford House Taikoo Place
979 King's Road Quarry Bay Hong Kong

Disclaimer: The information contained in this document or the sources from which it has been obtained have not been audited or independently verified by FTI Consulting (Hong Kong) Limited ("FTI Consulting"). No representation or warranty, express or implied, is made with respect to, and no reliance should be placed on, the accuracy, completeness or fairness of the information set out in this document. Neither FTI Consulting, its Senior Managing Directors or its staff, nor its instructing parties (including, without limitation, any legal advisors) shall have any liability whatsoever for any loss arising from any actions taken or otherwise in connection with this document.



Last week or last year, find it here.

Buy your favorite issues at the
WSJ Print Shop
Explore now: WSJShop.com

THE WALL STREET JOURNAL.
Read ambitiously

WSJ
Print
Shop

INTERNATIONAL PROPERTY REPORT

Scandinavia

Nordic Nations Lead Green Trend

Developers find silver lining in frigid winters: environmentally friendly technology

By ISOBEL LEE

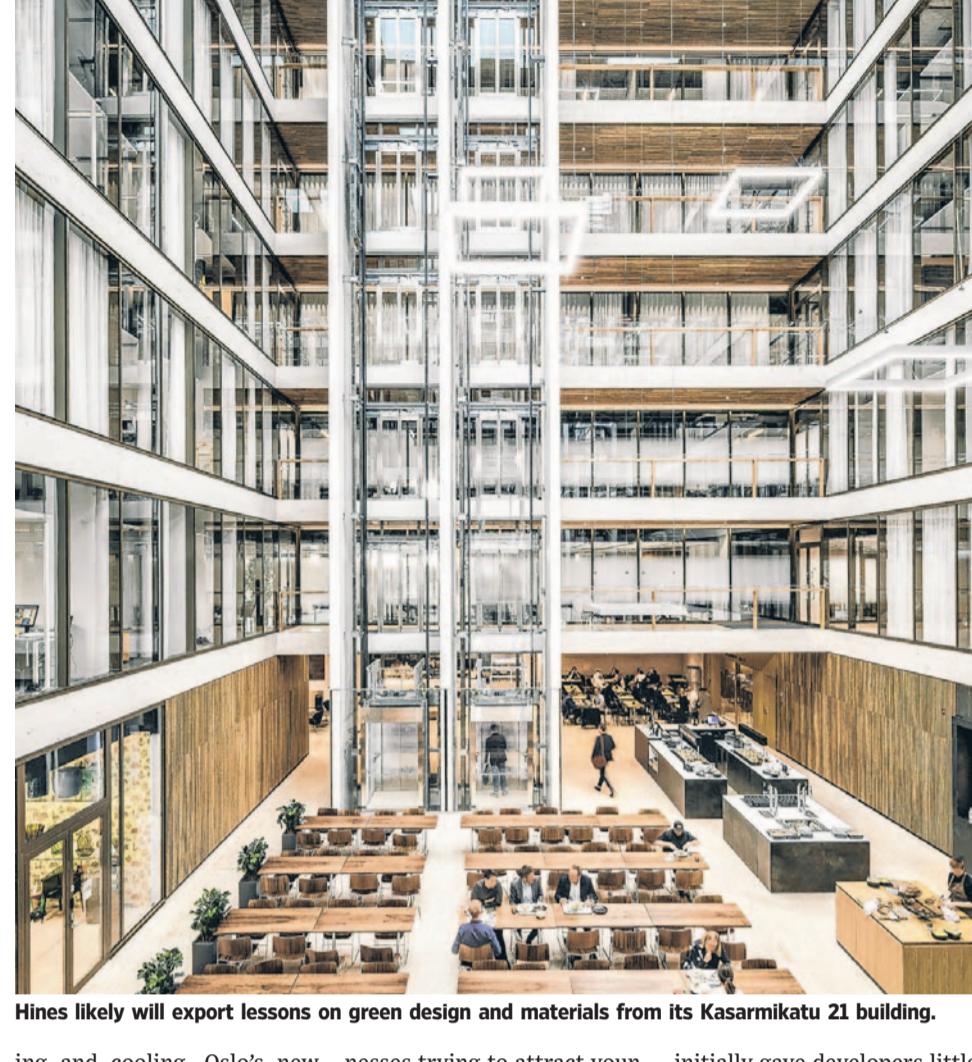
Houston-based Hines made its first foray into the Finnish market last year by acquiring Kasarmikatu 21 in Helsinki, a modestly sized seven-story office building by the standards of one of the world's largest developers.

But Hines likely will export the lessons learned from the project in terms of its green design and materials to developments in other cities. That is because Finland and other Nordic countries are on the cutting edge when it comes to energy efficiency and environmentally friendly design, materials and real-estate technology.

"The Nordic countries seem to have prioritized sustainability perhaps a little bit sooner than other markets in our portfolio," said Daniel Chang, a Hines managing director. "These elements can continue to help us cross-pollinate best practices across the firm."

The Nordic countries are emerging as trend setters in so-called sustainable or "green" technology, according to brokers, developers and architects. On a city-planning level, the region is becoming known for walkable downtowns, high levels of recycling and such features as special elevated roadways and ferry services for bicycles alone. In the Finnish capital, they are even pioneering driverless public transport to battle car use.

In real-estate development, major cities such as Helsinki, Copenhagen, Stockholm and Oslo have been pioneers in reducing energy consumption, using high percentages of recycled materials and greenhouse-gas-friendly compounds, as well as harnessing natural resources such as the sun, seawater and ice for heat-



Hines likely will export lessons on green design and materials from its Kasarmikatu 21 building.

ing and cooling. Oslo's new state-of-the-art airport, which opened last year, stores winter snow under sawdust year-round for air conditioning.

Real-estate developers and investors in other parts of the world are following closely behind because of the clear link that is forming in the Nordics as well as other cities between green buildings and value. Operating costs are lower because less needs to be spent to heat buildings in the winter, cool them in the summer and keep them lighted year-round.

Just as important, tenants are willing to pay higher rents to work and live in buildings with fresher air. Many busi-

nesses trying to attract younger workers say they increasingly are recognizing the importance of green office space as a recruiting tool.

Investors are willing to pay more for these properties. Indeed, some of the big pension funds and other major institutions in the Nordic region won't buy property that falls beneath top sustainability standards, according to brokers and analysts. "In these markets, green building has gone from a 'nice to have' to a 'must have,'" said Erik Høvik of Nordic advisory Pangea Property Partners.

The Nordic region's infamously long and cold winters

initially gave developers little choice but to focus on energy efficiency. "But now it's an absolute part of the culture, at a social and political level," says Staffan Unge, head of Sweden for Barings Real Estate, part of global investment manager Barings LLC.

Developer Aspelin Ramm Eiendom AS started building green a decade ago "to gain an edge over the competition," according to Chief Executive Gunnar Bøyum. Now the firm views it as essential as it redevelops one of downtown Oslo's most prominent office buildings in partnership with local insurer Storebrand. "Without it, you don't get the right tenants, in-

vestors, or even financing," Mr. Bøyum says. "Construction costs a little bit more, but you always get that back."

Foreign businesses that have established beachheads in the Nordics are playing a leading role in exporting the green technology to other parts of the world.

German grocer Lidl won a global award last year for the most sustainable retail building in the world with one of its Swedish stores, featuring solar cells and free charging stations for electric cars and bikes. The Europe-wide retailer, which expanded into the U.S. last summer, says the progress it made in the small town of Växjö will help create the supermarkets of the future across its global footprint.

Meanwhile, domestic players in the Nordics are coming up with new ideas. Data-center developers, for example, are watching efforts by Swedish venture Stockholm Data Parks to capture excess heat produced by the centers and channel it to heat city homes. The system, which has run a successful pilot project, hopes to warm 10% of all city homes by 2035. "We've found a way to use the electricity twice," says Erik Rylander, head of data-center cooling and heat recovery at local energy company Stockholm Exergi, one of the consortium's founding partners.

Entra ASA, one of Norway's biggest property investors, is

hoping to develop buildings that produce more energy than they consume over their lives, including construction and demolition, according to CEO Arve Regland. The firm's next project, the €390 million (about \$450 million) Powerhouse Brattørkaia in Trondheim, which will use seawater for cooling, will be the first new energy-positive building in the country, he said. "If we can already create energy-positive real estate with the current technology, just think what we'll be capable of in the future," Mr. Regland said.

Norway Oil Fund Explores More Deals

By ISOBEL LEE

When Norway's trillion-dollar oil fund decided to start buying commercial property in 2010, its managers figured that it would focus primarily on about a dozen of the world's top cities.

Eight years later, the fund's property arm, Norges Bank Real Estate Management, is nearing that goal. Last year, it paid \$823 million for a majority stake in a set of five retail and office properties in Tokyo, adding that city to a list that now includes nine principal cities in the U.S., U.K., France, Germany and Switzerland.

Norges is now exploring possible deals in Singapore, but hasn't identified "many more important cities," according to Karsten Kallevig, chief executive of Norges Bank Real Estate Management.

"We've come to a conclusion that in order to invest this amount of capital in a significant way, there are really only a handful of cities globally where we can achieve that scale," Mr. Kallevig said in an

The fund has been involved in some of the most high-profile deals in recent years.

interview.

Norges's real-estate strategy is of interest to investors, sellers, brokers and other real-estate industry officials throughout the world. The fund, which two years ago decided to increase its allocation to property to a maximum of 7% from 5%, has been involved in some of the world's most high-profile deals in recent years.

There is no sign of its appetite ebbing, even with the current bull market in commercial property in its ninth year. Some investors who are very sensitive to market timing have moved to the sidelines, worried that the good times may come to an end soon.

Norges is among a number of huge sovereign funds that are becoming more active in commercial property investment throughout the world. Japan's \$1.5 trillion government pension fund has been selecting managers for real estate, as well as private-equity and infrastructure investments. The Qatar Investment Authority and Australian Future Fund also have been more active.

The Norges fund's investment approach to property investing has evolved over the last eight years, said Mr. Kallevig, a former head of Japan for Grove International Partners who joined Norges Bank in 2010 and became CEO of real estate in January 2016.

The fund debuted in London real estate, taking a 25% share in the Crown Estate's Regent Street portfolio. Its other high-profile deals have included the billion-euro acquisition of an office building in Paris at 9 Place Vendôme in 2016, plus a 44% minority stake in a portfolio of 11 office properties in New York City for \$1.56 billion in 2015.

While asset classes were initially only offices and retail, that is changing too. "We've invested in logistics assets, but are unlikely to go down the alternatives route," Mr. Kallevig said, referring to niche asset classes like student housing or assisted living.

The fund has shunned the Nordics region to date. It doesn't invest in Norway in line with the management mandate laid down by the Ministry of Finance, the formal owner of the fund. The government stipulates that the fund's capital is to be invested abroad, to avoid overheating the Norwegian economy and to shield it from the effects of oil-price fluctuations.

Norges's real estate return for 2017 was 7.5%. Mr. Kallevig said it helps that there is not much competition when it comes to the large deals that the fund seeks.

Swedish Home Prices Begin to Stabilize

By PETER GRANT

The closely watched Swedish residential market, which hit a slump in late 2017 after years of sharp growth, may be in for a soft landing.

The escalating rise in values came to an end last year when prices of apartments and single-family homes in large Swedish cities fell 9% between August and December, according to an index compiled by data firm Valueguard. The decline comes amid government measures designed to cool down the white-hot market and a glut of new supply produced by developers eager to cash in on price increases of more than 50% in less than four years.

But prices have stabilized this year. The Valueguard index in July was up about 2.9% from the low it hit in December.

To be sure, the market still has thousands of for-sale homes to digest. But the Swedish economy is growing, unemployment is down, consumer confidence is up and interest rates are at historically low levels, analysts point out.

"We see the current downturn as a price adjustment rather than a crash," said Kepler Cheuvreux in a recent report on the Swedish residential market.

The ups and downs of Swedish housing have gained global attention because the market there resembles those in other countries where bubblelike conditions have prompted actions by government and financial institutions.

In Australia, for example, regulators and banks have imposed restrictions on such things as foreigners buying homes and banks making interest-only loans. Meanwhile, Canada's federal and regional governments have taken multiple steps in recent years to cool runaway housing markets including taxes targeting foreign buyers.

Now many of these government actions seem to be having their intended market impact. However, with interest



The end of the housing surge in Sweden last year sent tremors through the market and hammered shares of listed home-building firms.

Soft Landing?

Housing prices have stabilized in Sweden after a dive beginning last year.

HOX Index*



*A price index of apartments and single family houses in Sweden

Source: Valueguard

THE WALL STREET JOURNAL.

in 2016 restricting lenders' ability to make interest-only home loans. A new rule required a portion of most loans to be amortized.

"Lower indebtedness increases the resilience of households to shocks and reduces the risk of the Swedish economy being negatively affected as a result of unforeseen events," the agency said in a news statement.

ment at that time.

The end of the housing surge last year sent tremors through the market and hammered shares of listed companies in the Swedish home-building business, such as JM AB and Oscar Properties Holding AB. To shore up its balance sheet, **Tobin Properties** had to take several steps including issuing 7.5 million new

shares to **Klövern AB**. The move made Klövern the largest shareholder of Tobin.

Still, some developers say that they see benefits from the market cooling. **Skanska AB**, a global developer and builder based in Stockholm, discourages buying by speculators, said Claes Larsson, an executive vice president with the firm.

When speculators buy multiple units, they wind up competing with Skanska as it tries to sell other units in the project, Mr. Larsson explained.

"We try to actually prevent that from happening," he said.

Many developers shelved new projects when the downturn hit. With the market showing mixed signals, some of these companies have started to dust off their plans.

"Based on our view of the market and the maturity of our pipeline we are planning new housing projects first in 2019," said Rosen Lindow, a Tobin spokeswoman in an email.

—Kim Mackrael

contributed to this article.

INTERNATIONAL PROPERTY REPORT | SCANDINAVIA

Investors Ride Stockholm's Office Boom

Unlike the residential market, demand is steady in the Swedish capital's business area

By PETER GRANT

Late last year, when Swedish home prices were plummeting, some short sellers targeted Fabege AB, a large Stockholm office landlord, on the belief that the weakness in residential would spread to commercial property.

It was a bad bet. Lately Fabege's shares have been trading above 120 Swedish kronor a share (\$13.19), up from under 90 Swedish kronor late last year.

"Everyone who has been cautious on the Swedish commercial real-estate names has been wrong," said Peter Papadakos, an analyst with Green Street Advisors. "Everyone who has been seeing the low [office] vacancy and assumed that rental growth will continue has continued to be right."

The Swedish real-estate industry is demonstrating that residential and commercial property markets march to different drummers. While home prices have fallen and investor sentiment in that market has done an about-face after years of growth, office-building owners are being buoyed by expanding tenant demand in a high-growth economy.

Investors buying office property in Stockholm's central business district are paying top prices. In the second half of this year, buyers were getting yields in the low 3.5% range, according to JLL, a commercial-property-services firm. That is down from 5% in 2011 and over 4% in 2014, the firm said. Yields fall in commercial property as values rise.

Recent deals include



The Arenastaden development includes Fabege's office buildings, the Mall of Scandinavia and a new soccer stadium.

Fabege's sale earlier this year of Uarda 6, an 18,000-square-meter building the company completed in 2017, to an open-ended real-estate fund managed by Frankfurt-based Union Investment. The deal valued the property at 1.2 billion kronor, Fabege said.

Also, Skanska AB last year sold its Sthlm Seaside project to Vasakronan, a Swedish property company, for about 900 million kronor. That 12,500-square-meter building's tenants include gaming companies Arrowhead Game Studios and Yggdrasil Gaming.

Still, amid these positive signs, the Swedish office mar-

ket faces challenges. "Even though we witness a continued rental growth, we also get signals from tenants that the willingness to pay has reached the limit," said Cecilia Gunnarsson, JLL's head of research in Sweden.

Also, the availability of sites for new development is limited by Stockholm's water-inundated geography and strict government restrictions on height and mass in historical areas. Developers have been increasingly focusing on suburban and industrial sites, like the Arenastaden development, which includes Fabege's office buildings, the Mall of

Scandinavia and a new soccer stadium.

In August, Fabege announced plans to try to repeat its success at Arenastaden by developing a sprawling new business district in the Flemingsberg area south of Stockholm over the next 10 to 15 years. When finished, it will have enough office space for 50,000 workers, 50,000 residents and 50,000 daily visitors, according to Christian Hermelin, Fabege's chief executive.

The project also will help address the traffic jams in the area when workers who live in the southern part of the city

travel to the business districts of the north. "Today the average employee in Stockholm is spending more time getting to work than they have holidays," said Mr. Hermelin. "And in Stockholm, we have many more holidays than you do in the U.S."

The Stockholm office market held up better than that of many other European cities after the 2008 global financial crisis. It also has experienced impressive growth in occupancy and rents since the debt crisis in Southern Europe ended, according to Peter Wiman, head of Sweden research for Savills. "As soon as

[the debt crisis] was settled, the market really started moving upwards," he said.

Office vacancy in Stockholm overall is 6.6% and only 2% in the central business district, JLL said. The technology sector is particularly strong. For example, co-working giant WeWork is planning to open its first Stockholm operation in early 2019.

Prime office rent in Stockholm's central business district was over 7,000 kronor a square meter a year at the end of the first half, compared with less than 5,000 in 2015, JLL said.

On the supply side, the residential boom, which ended last year, has helped the office market. While it lasted, developers converted numerous older office buildings to apartments.

Historically, developers in Stockholm have added new office stock at an annual rate of about 1% to 1.5% of total supply. But in the last five years that number has been "close to zero or even negative" because of conversions, Green Street's Mr. Papadakos said.

"Whenever possible [in Sweden] when you have an obsolete office building, it would make much more economic sense to convert it to residential," he said. Similar conversion booms in other cities, such as Sydney, Australia, have helped those office markets also stay strong.

Market bulls worry about new space being added. Over 160,000 square meters of space currently is in the development pipeline, up from 100,000 square meters last year, JLL said.

But many expect tenants to absorb this space steadily. "We're more likely to see a slowdown to other European levels in terms of rent growth as opposed to an absolute correction in rents, let alone a big fall," Mr. Papadakos said.

BUSINESS NEWS

Calpers Board Splits Over Building Sacramento Tower

By HEATHER GILLERS AND DAWN LIM

Sacramento officials are cheering a decision by the California Public Employees' Retirement System to build what would be the tallest tower in its hometown. But some inside Calpers's boardroom are concerned the 550-foot project represents too much risk.

During a private meeting earlier this summer, three Calpers directors voted against a new \$550 million commitment to the proposed office-condominium-retail complex, according to people familiar with the situation. Calpers abandoned a previous development plan for the same site in 2007.

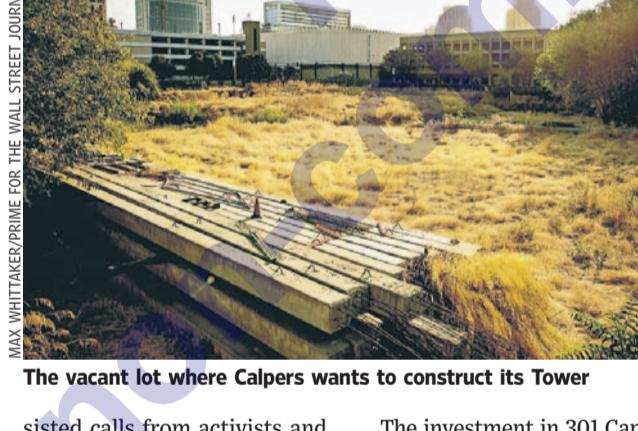
The dissent came after board members reviewed a memo from an outside consultant that raised some concerns about the project's return forecasts, these people said. The specific votes and memo haven't been previously reported. A majority of other members of the 13-person board agreed to support the project as long as it yielded a 5.8% return and 40% of the office space was pre-leased.

"Should this project go forward with development, we believe it will be a successful investment for the fund and an iconic building," Calpers said in a written statement.

Competing pressures of local politics and investment often collide at the nation's largest public retirement systems, which are responsible for benefit obligations to firefighters, police officers, teachers and other public workers.

These funds are under pressure to hit aggressive return targets as a way of closing widening funding gaps. They are also heavily dependent on local political support, relying on government contributions to supplement investment income. Their boards are typically staffed by political appointees, union officials and local business leaders.

In California, Calpers hasn't always made decisions that were popular locally. It has re-



The vacant lot where Calpers wants to construct its Tower

sisted calls from activists and state officials to divest itself of politically controversial investments. Cities in California have complained about how much it costs them to participate in the Calpers system. When the fund elected to lower its investment-return assumptions in 2016, it chose to phase in the change gradually to soften the impact of higher yearly pension costs on local governments.

But in the state's capital of Sacramento, Calpers's support for a new tower is winning praise. The site, 301 Capitol Mall, is located along the road that runs between the California State Capitol building and the city's Tower Bridge.

"The development of 301 Capitol Mall would be transformative for our capital region," said Amanda Blackwood, chief executive of the Sacramento Metropolitan Chamber of Commerce.

This isn't the first time Calpers has considered a fix for the empty, block-long parcel. During the previous real-estate boom, Calpers planned to build twin 53-story condominium towers in partnership with a local developer, pledging \$100 million for the project. That plan fell apart in 2007, and Calpers then asked the real-estate firm CIM Group to manage the project.

The next year the market cratered and the fund's real-estate holdings plummeted, costing the pension fund billions in losses.

The investment in 301 Capitol Mall remained a part of its portfolio over the past decade even as the site's value fell. The assessed value of the downtown Sacramento property has dropped 24% since 2007, according to the Sacramento County Assessor's Office. Investment returns for 301 Capitol Mall LP have been negative in six of the past seven years, according to Calpers's records.

The plan that went before Calpers's board earlier this summer featured offices, condos, retail stores and an elevated public park, according to a person familiar with the situation.

A real-estate advisory firm, RCLCO, prepared a memo for board members saying that the 5.8% return target was an aggressive projection for the local market, according to people familiar with the matter. The memo stated that those returns were nonetheless too low to make up for the risk involved in the project, but non-financial factors could justify the investment, these people said.

The directors opposed to the idea had varying concerns, said people familiar with the matter, including worries that moving ahead after receiving mixed guidance from an outside consultant would open the board to scrutiny and that starting a big development project at this point in the economic cycle would expose Calpers to market volatility.

ADVERTISEMENT

Business Real Estate & Services

To advertise: 800-366-3975 or WSJ.com/classifieds

650fifthavenue.com

650
FIFTH

Welcome back!

Catch our next wave of high-end, innovative pre-builts this fall.

NEW
PRE-BUILTS
COMING SOON

650 FIFTH

NEW
PRE-BUILTS
COMING SOON

Barry Zeller Haley Fisher Jonathan Fales
212.841.5913 212.841.7892 212.841.5989

Michael Tranfalia Pierce Hance
212.841.5981 212.841.7641

WIRE CERTIFIED

CUSHMAN & WAKEFIELD

BUSINESS NEWS

Fox Strikes Deal To Carry Boxing

By JOE FLINT

21st Century Fox has struck a four-year agreement with Premier Boxing Champions for the rights to carry fights on the Fox broadcast network, Fox Sports 1 cable channel and pay-per-view, starting in December.

The media giant is stockpiling programming in preparation for life after it completes the sale of the majority of its entertainment assets to **Walt Disney Co.**, a deal that will leave behind a "New Fox" focused heavily on sports and its Fox News Channel.

In January, the company struck a \$3.3 billion, five-year pact with the National Football League for rights to Thursday night football. In June it reached a five-year agreement to carry World Wrestling Entertainment content for just over \$1 billion.

Since Fox is selling its in-house studio to Disney, it will rely heavily on sports content to fill up 15 hours of prime-time programming on its broadcast network. The WWE show "Smackdown" will air on Friday nights, while Premier Boxing fights will air on

Saturday nights.

Fox Sports 1 will have the rights to 12 fights annually, while the Fox broadcast network will get 10. Those networks will be part of the new Fox, along with Fox News.

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

CBS Corp.'s Showtime also has a multiyear boxing agreement with Premier Boxing Champions.

Terms of Fox's deal with Premier Boxing Champions weren't disclosed. Typically, rights fees are determined on a per-fight basis, according to people familiar with the matter. A fight between two highly ranked contenders commands as much as \$5 million, while contests of lesser known fighters can be priced significantly lower. The annual rights fees could reach more than \$50 million, people familiar with the matter said.

Pay-per-view fights, as a rule, feature those at the top of the sport, with the boxers getting the lion's share of the revenue and the TV programmer and distributors splitting the rest.

Dividend Changes

Dividend announcements from September 4.

Company	Symbol	Yld %	Amount New/Old	Payable/ Record
Increased				
Cimarex Energy	XEC	0.9	18/16 Q	Nov30/Nov15
Friedman Industries	FRD	2.4	06/03 Q	Nov16/Oct12

Reduced

Calvert Ultra-Short Incm	CRUSC	0.3	0226/0227 M	Sep07/Sep05
Eaton Vance RFR NextShares	EVFTC	0.4	0374/0381 M	Sep07/Sep05
OKDCX	0.4	034/0365 M	Sep07/Sep05	
Eaton Vance TABS 5-to-15Y	EVLMC	0.2	0173/0181 M	Sep07/Sep05

Initial

First Republic Bk Pfd.I	FRCP	.4125		Sep28/Sep14
-------------------------	------	-------	--	-------------

Foreign

Golar LNG	GLNG	2.0	125 Q	Oct03/Sep06
Goldcorp	GG	0.8	.02 Q	Sep21/Sep13
LyondellBasell Inds	LYB	3.6	100 Q	Sep12/Sep05
PetroChina ADR	PTR	11	9749	Nov13/Sep13
PetroChina ADR	PTR	11	32497	Nov13/Sep13
Signet Jewelers	SIG	2.3	.37 Q	Nov30/Nov02

Special

PotlatchDeltic	PCH	3.4	3.54	Nov15/Sep27
----------------	-----	-----	------	-------------

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2: stock split and ratio; SO: spin-off.

ADVERTISEMENT

Business Real Estate & Auctions

To advertise: email sales.realestate@wsj.com or WSJ.com/classifieds**AUCTIONS**

AUCTION: BY ORDER OF TRUSTEE

721 Acre Waterfront Site, St. Marys, GA

Ideal for Residential or Industrial Development. Former Gilman Paper Mill – Sold for \$36.6mm in 2006 as a 3000+ unit approved residential development. 50 acres currently under contract for a luxury yacht marina on southern corner of the site.

Auction scheduled for October 2018 - \$8,000,000 Reserve.

Contact:
Mike Davin
MDavin@Zetabid.Com • www.zetabid.com

Fred Cross
Equity Partners HG
FCross@EquityPartnersHG.com

VERMONT

tranzon® auction

OFFICE BUILDING WITH SPACIOUS APARTMENT

- 18,500± sf Building • 16.31± Acres - Two Parcels
- Near Junction of Routes 5 & 9 and I-91 • Ample Parking • Fully Sprinklered • Public Utilities

Online Bidding: September 18 to September 25

Property Location: 70 Landmark Hill Drive, Brattleboro, VT

Tranzon Auction Properties | Michael B. Carey - VT AUC Lic. #057-006459 | Samantha Kelley - VT RE Lic. #081-0133082. Sale subject to terms & conditions. Brokers welcome.

866-503-1212

MASSACHUSETTS**REAL ESTATE AUCTION****24.7± Acre Tweave Mill Property Site**

138 Barrows Street

Norton, MA

100,000± sf. Brick Mill Complex

12'-14' Clear Height, Rail Siding

Zoning: R-60

Tues., Sept. 18 at 11am

Preview: Tues., Sept. 11 (11am-2pm)

JJ Manning

AUCTIONEERS

Colliers

INTERNATIONAL

In Cooperation with Robert Cronin

Info, Terms, Broker Reg., and More at: www.JJManning.com

800.521.0111

MA Co. Lic# 3184 • Ref 18-1788

ABSOLUTE AUCTION**43± ACRE DEV. SITE "WEAVER COVE"**

Narragansett Bay

off Burma Rd.

Portsmouth, RI

Previously Approved for PMVD - Zoned: WD

Selling to the Highest Bidder, Regardless of Price

Wed., Sept. 26 at 11am

Preview: Wed., Sept. 12 (11am-1pm)

JJ Manning

AUCTIONEERS

www.JJManning.com

800.521.0111

RJ Lic #RES.0026070

MA Co. Lic# 3184 • Ref 18-1788

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.

Info, Terms, Broker Reg., and More at: www.JJManning.com

800.521.0111

MA Co. Lic# 3184 • Ref 18-1788

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.

Info, Terms, Broker Reg., and More at: www.JJManning.com

800.521.0111

MA Co. Lic# 3184 • Ref 18-1788

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.

Info, Terms, Broker Reg., and More at: www.JJManning.com

800.521.0111

MA Co. Lic# 3184 • Ref 18-1788

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.

Info, Terms, Broker Reg., and More at: www.JJManning.com

800.521.0111

MA Co. Lic# 3184 • Ref 18-1788

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.

Info, Terms, Broker Reg., and More at: www.JJManning.com

800.521.0111

MA Co. Lic# 3184 • Ref 18-1788

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.

Info, Terms, Broker Reg., and More at: www.JJManning.com

800.521.0111

MA Co. Lic# 3184 • Ref 18-1788

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.

Info, Terms, Broker Reg., and More at: www.JJManning.com

800.521.0111

MA Co. Lic# 3184 • Ref 18-1788

© 2018 Dow Jones & Company, Inc.

All Rights Reserved.

BIGGEST 1,000 STOCKS

Continued From Page B8																										
Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg			
JuniperNetworks JNPB	28.39	-0.04		LockheedMartin LMT	321.91	1.50	-0.10	Mondelēz MDLZ	42.62	0.10		Proofpoint PFPT	120.14	1.49	-0.03	Sabre SABR	26.00	-0.11		TripAdvantage TRIP	7.00	-0.24		WP.Carey WPC	65.89	-0.69
KAR Auction KAR	63.70	1.01		Loews L	50.27	-0.04		MonolithicPower MPWR	151.38	1.51		PrudentialFin PRU	98.75	0.50		SageTherap SAGE	164.29	0.03		WP.Perry WPP	76.22	-0.58				
KB Fin KB	45.45	-0.36		LogitechIntl LOGI	48.72	-0.75		MonsterBey MNST	60.93	0.93		Prudential PRU	44.39	-0.58		Salesforce.com CRM	153.21	0.53		WPX Energy WPX	18.40	-0.67				
KKR KKR	25.96	-0.12		Lowe's LOW	109.93	1.18		Moody's MCO	178.13	0.11		Q1 Semi ON	21.38	0.04		Sancor SNY	42.42	-0.43		WalgreensBoots WBA	167.62	-0.94				
KLA-Tencor KLAC	118.19	1.98		Iululemon LUU	157.29	2.36		MorganStanley MS	48.71	-0.10		OpenText OTEX	39.36	0.11		SantaCruz SCR	172.1	0.14		Walmart WMT	95.36	-0.50				
KT KT	12.85	0.04		LyondellBasell LYB	111.01	-0.77		Morningstar MORN	142.18	-0.14		Oracle ORCL	48.58	-0.58		SasepaTherap SRPT	143.45	5.41		WestConnections WCN	79.85	0.46				
KMCitySouthern KSG	114.83	-1.12		Mosaic MOS	30.83	-0.44		Orix ORIX	17.91	-0.72		Orbitz ORBX	16.03	-0.13		Sasol SSL	38.22	-1.04		WasteMgt WM	91.12	0.22				
Kellogg K	71.91	0.12		MotorolaSol MSI	128.17	-0.19		OwensCorning OC	17.91	-0.72		PB Energy PBF	53.44	1.52		Qualcomm QCOM	69.98	1.89		Watson WSO	125.67	0.68				
KeurigPepper KDP	22.65	-0.15		M&T Bank MTC	179.35	2.20		Mondelez MLNZ	42.62	-0.10		PCG PCG	47.01	0.83		QuestDiag QD	109.33	-0.65		Wayfair W	138.86	3.69				
KeyCorp KEY	21.21	0.14		MG M Resorts MGM	27.96	-1.03		Mylan MYL	39.16	0.02		PNC Fin PNC	143.93	0.39		RateQuote RQTEA	20.83	0.04		WebsFinger WB	165.50	0.12				
KeysoftTechs KEYS	65.48	0.59		Monogram MON	182.23	1.97		Nice NICE	116.70	1.11		POSCO PKX	69.29	-0.22		RateQuote RQTEA	20.83	0.04		WellCommerce WB	76.01	-0.73				
KilroyRealty KRC	71.98	-1.16		Macerich MAC	57.39	-1.35		Nielsen NDS	96.74	1.30		PPL PPL	108.98	-0.66		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
KimballClark KMB	113.68	-1.86		NielsenGrid NGG	52.51	-0.49		NationalGrid NGG	48.10	0.15		PRA HealthSci PHS	107.41	0.80		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
KimcoRealty KIM	16.96	-0.15		MagellanMid MMG	30.72	0.58		NatlOilwell NOV	46.43	-0.64		PB Energy PBF	53.44	1.52		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
KinderMorgan KMI	17.63	-0.08		MagdalnItal MGA	69.11	0.86		Nexant NRX	43.76	-0.23		PNC Fin PNC	143.93	0.39		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
KnightSwift KSW	14.41	0.28		Manulife MLFI	93.53	-0.76		NektarTherap NKTR	68.49	0.20		Pocono POCN	109.93	1.18		Qualcomm QCOM	69.98	1.89		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32
Kohl's KSS	82.05	2.94		MarathonPetrol MPC	13.90	-0.27		Neurocrine NUK	18.79	-0.22		Pocono POCN	109.93	1.18		QuestDiag QD	109.33	-0.65		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32
KoninklijkePhil KPH	43.49	-0.64		MarathonPetrol MPC	13.90	-0.27		Neurocrine NUK	18.79	-0.22		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
KorecPvcr KPC	13.29	-0.23		Market MARK	57.39	-1.35		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
KraftHeinz KHH	56.66	-1.61		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
Kroger KR	31.30	0.40		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
L Brands LB	26.12	-0.30		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
LG Display LGD	9.44	-0.03		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
LINE LN	43.73	-1.88		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
LQK LQK	32.47	-0.25		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
L3 Tech LLL	211.43	-2.29		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
LabCorp AM	169.15	-3.72		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
LamResearch LCX	171.98	-1.13		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80	0.32				
Lamdar LAMR	77.45	0.40		MarketAxess MATX	126.25	4.56		Neutrogena NTX	18.55	-0.20		Pocono POCN	109.93	1.18		RateQuote RQTEA	20.83	0.04		WestCommerce WC	54.80</td					

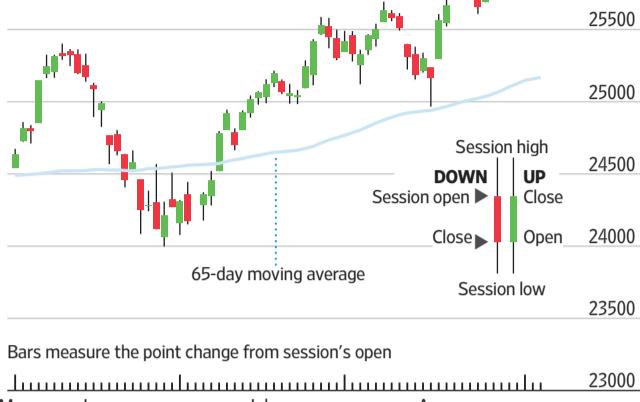
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25952.48 ▼12.34, or 0.05%
High, low, open and close for each trading day of the past three months.

Current divisor 0.14748071991788



Bars measure the point change from session's open

May June July Aug. 23000

*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

S&P 500 Index

2896.72 ▼4.80, or 0.17%
High, low, open and close for each trading day of the past three months.



May June July Aug. 2600

Nasdaq Composite Index

8091.25 ▼18.29, or 0.23%
High, low, open and close for each trading day of the past three months.



May June July Aug. 7200

Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.	
Industrial Average	25971.77	25805.95	25952.48	-12.34	-0.05	26616.71	21753.31	19.3	5.0	17.2
Transportation Avg	11338.97	11290.48	11319.49	15.73	0.14	11436.36	9267.39	22.1	6.7	13.2
Utility Average	734.09	728.66	730.90	4.49	0.62	774.47	647.90	-1.6	1.0	10.5
Total Stock Market	30174.02	30004.25	30131.81	-52.29	-0.17	30290.78	25418.33	18.5	8.9	14.5
Barron's 400	785.41	779.20	784.01	-0.99	-0.13	786.73	639.65	22.4	10.3	14.7

Nasdaq Stock Market

	Nasdaq Composite	8104.07	8042.14	8091.25	-18.29	-0.23	8109.69	6360.19	26.9	17.2	20.0
Nasdaq 100	7643.45	7581.35	7622.32	-32.23	-0.42		7660.18	5867.35	28.5	19.2	22.1

S&P

	500 Index	2900.18	2885.13	2896.72	-4.80	-0.17	2914.04	2457.85	17.9	8.3	14.7
MidCap 400	2047.75	2030.40	2040.46	-4.24	-0.21		2050.23	1713.58	18.7	7.4	13.8
SmallCap 600	1097.13	1085.72	1093.58	-4.78	-0.44		1098.36	837.41	30.5	16.8	18.3

Other Indexes

	Russell 2000	1740.80	1722.20	1733.38	-7.38	-0.42	1740.75	1398.67	23.8	12.9	15.1
NYSE Composite	12984.20	12928.29	12969.86	-47.03	-0.36		13637.02	11827.15	9.7	1.3	9.5
Value Line	591.18	585.63	588.27	-2.91	-0.49		593.57	514.40	14.4	4.6	9.1
NYSE Arca Biotech	5323.77	5245.09	5299.43	-36.54	-0.68		5342.46	4045.25	25.9	25.5	12.2
NYSE Arca Pharma	577.39	573.49	575.23	-4.13	-0.71		593.12	516.32	9.4	5.6	2.1
KWB Bank	111.06	109.74	110.86	0.69	0.62		116.52	89.71	21.3	3.9	16.6
PHLX® Gold/Silver	65.33	63.14	63.43	-2.81	-4.25		93.26	63.43	-31.4	-25.6	11.9
PHLX® Oil Service	144.14	141.02	142.13	-2.02	-1.40		170.18	124.84	13.6	-5.0	-7.1
PHLX® Semiconductor	1411.65	1391.20	1410.93	9.73	0.69		1449.90	1093.49	27.8	12.6	33.2
Cboe Volatility	14.35	13.12	13.16	0.30	2.33		37.32	9.14	7.6	19.2	-22.1

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	6,027.2	289.91	0.10	0.03	290.33	289.75
iShares Gold Trust	IAU	5,864.8	11.45	...	unch.	11.45	11.41
Ford Motor	F	4,475.6	9.48	0.01	0.11	9.50	9.44
Van Eck Vectors Gold Miner	GDX	4,005.3	18.02	...	unch.	18.04	18.00
Invesco QQQ Trust I	QQQ	2,903.1	186.09	0.24	0.13	186.25	185.78
DowDuPont	DWDP	1,964.3	69.70	-0.02	-0.03	69.82	69.20
Symantec	SYMC	1,787.0	20.06	0.02	0.10	20.25	20.04
First Select Sector SPDR XLF	XLF	1,695.8	28.52	0.05	0.18	28.53	28.33

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Coupa Software	COUP	307.5	80.80	8.80	12.22	82.50	71.41
MannKind	MNKD	661.7	2.27	9.13	2.29	2.05	...
TESARO	TSRO	57.8	35.65	2.53	7.64	35.90	32.47
Cronos Group	CRON	1,683.9	11.70	0.55	4.93	11.84	11.12
Smartsheet	SMAR	72.8	32.85	1.15	3.63	34.70	31.57

...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
RH	RH	1,					

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
	Open	High	Low	Settle	Chg	Open interest	
Copper-High (CMX) -25,000 lbs; \$ per lb.							
Sept 2,6480 2,6540	2,5645	2,5645	2,5835	-0.0655	5,199		
Dec 2,6675 2,6800	2,5800	2,6020	-0.0690	149,923			

Gold (CMX)-100 troy oz; \$ per troy oz

Sept 1199.30 1200.50

1189.90 1192.70 -7.60 144

Oct 1201.10 1204.50 1190.00 1194.00 -7.60 50,496

Dec 1206.30 1209.70 1195.10 1199.10 -7.60 354,157

Feb'19 1211.70 1214.90 1200.80 1204.70 -7.60 35,367

June 1220.00 1223.20 1212.00 1215.80 -7.60 9,139

Dec 1241.00 1243.20 1230.30 1233.60 -7.50 3,765

Palladium (NYM)-50 troy oz; \$ per troy oz.

Sept 967.80 985.00 964.70 977.90 -2.40 83

Dec 969.20 975.80 942.10 967.50 -2.40 17,795

March'19 959.10 967.80 ▲ 936.20 962.00 -1.30 573

Platinum (NYM)-50 troy oz; \$ per troy oz.

Oct 788.80 791.40 765.40 778.20 -8.90 76,155

Jan'19 792.00 794.00 768.90 781.10 -9.30 10,110

Silver (CMX)-5,000 troy oz; \$ per troy oz.

Sept 14,450 14,450 ▼ 13,960 14,061 -0.377 2,542

Dec 14,575 14,590 ▼ 14,035 14,180 -0.377 186,525

Crude Oil, Light Sweet (NYM)-1,000 bbls; \$ per bbl.

Oct 69.96 71.40 69.08 69.87 0.07 412,237

Nov 69.54 70.98 68.78 69.56 0.19 214,769

Dec 69.20 70.64 ▲ 68.52 69.29 0.24 294,908

Jan'19 68.93 70.35 ▲ 68.38 69.04 0.25 166,726

June 67.41 68.74 ▲ 66.93 67.58 0.32 164,838

Dec 65.51 66.74 ▲ 65.10 65.68 0.28 230,494

NY Harbor Usd (NYM)-42,000 gal; \$ per gal.

Oct 2,248.7 2,309.3 ▲ 2,238.8 2,2547 .0116 132,165

Dec 2,2522 2,3098 ▲ 2,2426 2,2583 .0108 68,948

Gasoline-NY RBOB (NYM)-42,000 gal; \$ per gal.

Oct 1,999.0 2,0624 1,9798 -0.028 157,753

Nov 1,9808 2,0381 1,9647 1,9788 .0009 106,634

Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.

Oct 2,900 2,904 2,812 2,823 -.093 226,422

Nov 2,922 2,926 2,831 2,842 -.097 202,851

Dec 3,011 3,014 2,923 2,937 -.092 145,156

Jan'19 3,098 3,100 3,013 3,027 -.087 196,526

March 2,956 2,956 2,876 2,891 -.079 195,308

Contract

Open High hilo Low Settle Chg Open interest

April 2,652 2,653 2,602 2,614 -.048 154,060

Agriculture Futures

Corn (CBT)-5,000 bu; cents per bu.

Sept 351.50 355.25 347.25 354.50 3.50 6,321

Dec 365.50 368.75 361.00 368.25 3.25 1,004,304

Oats (CBT)-5,000 bu; cents per bu.

Sept 239.50 239.50 239.50 234.00 -.950 21

Dec 250.00 253.50 244.75 246.00 -.650 3,946

Soybeans (CBT)-5,000 bu; cents per bu.

Sept 832.00 838.75 826.25 832.00 -.100 1,252

Nov 845.50 851.50 836.75 844.25 .75 438,716

Soybean Meal (CBT)-100 tons; \$ per ton.

Sept 304.90 310.10 303.70 308.30 4.60 2,973

Dec 307.70 313.80 306.30 311.20 4.00 219,726

Soybean Oil (CBT)-60,000 lbs; cents per lb.

Sept 28.40 28.58 28.27 28.39 .02 2,578

Dec 28.77 29.00 28.60 28.78 .01 250,778

Rough Rice (CBT)-2,000 cwt; \$ per cwt.

Sept 1082.00 1082.00 1080.00 1085.00 2.00 409

Nov 1081.00 1084.50 1069.00 1083.50 .50 6,180

Wheat (CBT)-5,000 bu; cents per bu.

Sept 507.25 507.25 491.75 502.75 -.155 3,222

Dec 538.00 542.50 519.50 531.50 -.140 217,848

Wheat (KCO)-5,000 bu; cents per bu.

Sept 503.50 508.50 494.75 508.00 -.155 574

Dec 549.00 549.00 527.55 537.00 -.165 16,523

Wheat (MPLS)-5,000 bu; cents per bu.

Sept 570.75 573.75 565.00 573.00 -.105 458

Dec 595.00 595.75 577.50 584.75 -.140 34,809

Cattle-Feeder (CME)-50,000 lbs; cents per lb.

Sept 149.450 151.925 148.800 151.725 2.275 4,706

Oct 148.950 152.100 148.100 151.825 2.700 17,476

Cattle-Live (CME)-40,000 lbs; cents per lb.

Oct 108.675 110.575 ▲ 108.175 109.875 1.100 119,219

Dec 113.000 114.675 112.500 114.400 1.425 76,942

Hogs-Lean (CME)-40,000 lbs; cents per lb.

Oct 51.650 51.950 50.150 51.075 .650 93,904

Dec 54.750 55.725 53.425 55.250 1.850 64,596

Lumber (CME)-10,000 bd ft; \$ per 1,000 bd ft.

Sept 435.50 452.00 434.20 448.70 1.110 834

Nov 410.10 423.30 407.60 419.00 7.20 2,756

Milk (CME)-200,000 lbs; cents per lb.

Aug 15.02 15.04 15.02 14.95 -.07 4,503

Oct 16.74 16.81 16.64 16.74 .03 4,152

Cocoa (ICE-US)-10 metric tons; \$ per ton.

Sept 2,290 2,290 2,290 2,335 12 531

Contract

Open High hilo Low Settle Chg Open interest

Dec 2,285 2,336 2,275 2,322 -.4 118,707

Agriculture Futures

Coffee (ICE-US)-37,500 lbs; cents per lb.

Sept 96.35 96.35 95.60 97.75 -.35 62

Dec 101.20 102.00 101.45 101.45 -.35 178,695

Sugar-World (ICE-US)-112,000 lbs; cents per lb.

Oct 10.64 10.72 10.51 10.64 .04 456,011

March'19 11.45 11.53 11.34 11.46 .04 326,410

Sugar-Domestic (ICE-US)-112,000 lbs; cents per lb.

Nov 25.55 25.55 25.46 25.47 .01 1,999

Jan'19 25.20 25.35 25.20 25.35 .09 1,955

Cotton (ICE-US)-50,000 lbs; cents per lb.

Oct 82.70 83.02 81.52 82.78 .47 179

Dec 82.69 83.04 81.34 82.78 .56 144,679

Orange Juice (ICE-US)-15,000 lbs; cents per lb.

Sept 157.65 158.05 157.40 158.65 .80 288

Nov 155.35 157.00 154.70 155.25 .80 10,489

Interest Rate Futures

Treasury Bonds (CBT)-\$100,000; pts 32nds of 100%

Sept 144-250 144-300 143-270 143-280 -1.03 56,028

Dec 144-020 144-060 143-020 143-040 -1.03 831,864

Treasury Notes (CBT)-\$100,000; pts 32nds of 100%

Sept 120-105 120-135 120-015 120-020 -10.5 186,958

Dec 120-060 120-095 119-195 119-295 -11.0 3,843,171

5 Yr. Treasury Notes (CBT)-\$100,000; pts 32nds of 100

BANKING & FINANCE

ING Fined in Laundering Probe

Banks world-wide are under pressure to clamp down on illegal funds in the system

BY MARGOT PATRICK AND MAX COLCHESTER

Banking group **ING Groep NV** has agreed to pay a record European fine of €775 million (\$899.8 million) to settle an investigation by Dutch prosecutors into money laundering failings, as watchdogs try to staunch flows of illicit money after a spate of high-profile scandals.

Also Tuesday, Danish lender **Danske Bank** saw its shares tumble more than 6% following a report that local prosecutors had uncovered a higher than expected tally of allegedly illegal Russian money moving through its Estonian branch.

Banks around the world are under increasing pressure to clamp down on the trillions of dollars' worth of illegal money flowing through the financial system. The U.S. has led the way in policing banks in the past decade. Since 2008, it has

imposed around \$23.52 billion in fines, according to consultants Fenergo, hitting lenders whose ineffective systems officials say have let clients launder money out of countries such as Mexico, Russia and Venezuela.

In contrast, European regulators and prosecutors extracted \$1.7 billion over such breaches in the same period, including Tuesday's ING fine, according to the consultants.

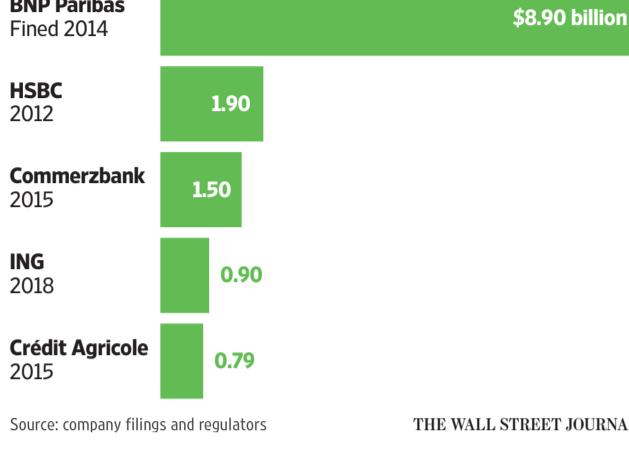
The EU's anti-money-laundering laws are policed by a patchwork of local regulators, which critics say leaves it open to criminal abuse.

More recently, local regulators have toughened their stance after embarrassing data leaks from whistleblowers on company money laundering and tax avoidance and criticism that the authorities have been too meek in pursuing such transactions.

ING shares fell 2.6% Tuesday following the announcement as Dutch prosecutors said it had been "seriously deficient" as a gatekeeper of the financial system. The bank, for instance, handled bribes paid by telecommunications company VimpelCom Ltd. to the

Penalized

European banks have racked up some of the largest-ever fines and settlements over money-laundering and sanctions.



Source: company filings and regulators

THE WALL STREET JOURNAL.

daughter of Uzbekistan's former president and didn't report the suspicious transactions to regulators for several years, the prosecutors said. In 2016, Amsterdam-based VimpelCom, now called VEON Ltd., paid \$795 million to the U.S. and Netherlands to settle the matter.

Other infractions ranged from poor client record-keeping to helping a Suriname client launder money through electronic payment terminals. Danish authorities have been investigating Danske Bank since a whistleblower flagged issues at its Estonian branch in 2013. The Financial Times reported Tuesday that consultants had found that up to \$30 billion of Russian money flowed through the Baltic branch, far higher than previously thought. In a state-

ment, Danske said it wasn't able to verify the number. The bank expects to publish the findings of an internal investigation into the matter later this month.

"The main concern for investors remains whether the U.S. regulator becomes involved," Citigroup analysts said. So far Danish and Estonian authorities are leading investigations, but U.S. involvement could see any eventual fines increase substantially, analysts said.

U.S. authorities have already heavily punished European banks for failings in money laundering compliance. In 2014, French lender BNP Paribas SA pleaded guilty and paid \$8.97 billion to U.S. authorities to settle charges it disguised transactions with clients in sanctioned countries. Britain's HSBC Holdings PLC in 2012 paid \$1.9 billion to settle U.S. charges that included allowing Mexican drug cartels to launder money through the bank.

The Danske debacle highlighted concerns about Russian customers using Nordic and Eastern European banks to shuffle funds.

Citigroup CFO Plans To Retire March 1

Citigroup Inc. Chief Financial Officer John Gerspach will retire next year, ending a nearly 10-year run as the bank's top finance executive, the firm announced Tuesday.

By Christina Rexrode and Micah Maidenber

Mr. Gerspach, 65 years old, will end his tenure as the bank's CFO on March 1, 2019, according to an email Chief Executive Michael Corbat sent to employees that was viewed by The Wall Street Journal. Mr. Gerspach has served as Citigroup's CFO since July 2009, making him the longest-serving finance chief currently at any major U.S. bank.

He will be succeeded by Mark Mason, 47, the finance chief of Citigroup's Institutional Clients Group, the side of the bank that includes investment banking and trading.

Mr. Gerspach became CFO when Citigroup was a poster child for the financial crisis. Its high-profile problems proliferated over the following years, with the bank marred by two failed stress tests, problems in its Mexico subsidiary and a big mortgage-securities settlement with the Justice Department. But in recent years, the bank has improved its relationships with regulators and dramatically slimmed down its once-bloated operations.

Mr. Gerspach has been the bank's face to investors and analysts, often speaking at conferences and sharing the mic with Mr. Corbat during earnings calls. He is known for a dry sense of humor, sprinkling his speech with "gee whiz" and "gosh darn it."

Theranos To Dissolve Operations

Continued from page B1
cured creditors.

Under a liquidation process known as "an assignment for the benefit of creditors," getting that remaining cash to the unsecured creditors could take six to 12 months, Mr. Taylor said in the email. Most of Theranos's two-dozen remaining employees worked their last day on Friday, Aug. 31. Only Mr. Taylor and a handful of support staff remain on the payroll for a few more days.

The action followed a failed bid to sell the company. Over four months, investment bank Jefferies Group LLC reached out on Theranos's behalf to more than 80 potential buyers and executed nondisclosure agreements with 17 of those parties, the email said, adding: "We assisted those parties with diligence and had numerous follow-on conversations."

The big-name investors who poured money into Theranos will get nothing. All told, investors in Theranos have lost nearly \$1 billion.

Theranos's founder and chairman, Ms. Holmes, and her ex-boyfriend, Ramesh "Sunny" Balwani were indicted on nine counts of wire fraud and two counts of conspiracy to commit wire fraud in June. Mr. Balwani was Theranos's president and chief operating officer until he retired from the company in May 2016. If convicted, they each face a maximum sentence of 20 years in prison and a fine of \$250,000, plus restitution to those found to have been defrauded, on each count.

The indictments followed months of reporting by The Wall Street Journal that raised questions about the company's technology and practices.

Before the charges were filed, Theranos announced that Ms. Holmes had stepped down as chief executive and that Mr. Taylor, the company's general counsel, has been appointed to also serve as CEO. Mr. Taylor will remain at the company for several weeks, according to a person familiar with the matter.

Automated Trades Seen Worsening Swings

BY STEPHANIE YANG

On Feb. 5, the Dow Jones Industrial Average suffered its worst one-day point-decline in history amid a tumultuous week for global markets. Although the blue-chip index has since erased that loss, some investors are still trying to puzzle out what caused such a drop.

One possible culprit: a cascade of automated stop-loss sell orders by trend-following investment funds that started in London and then fed into the steep rout in U.S. stocks. In the following days, the downward lurch prompted selling to spread to other assets such as oil futures.

This was the conclusion of an analysis of that fraught week by Bridgeton Research Group LLC, which runs computer models predicting trading patterns of algorithmic strategies.

Stop-loss orders, or sell stops, are standing directives to sell a position—say, a stock or exchange-traded fund—once prices fall below a certain level. They have long been a tool for investors to automatically shut down a losing bet.

But the growing influence on markets of algorithmic traders and trend-following funds, which use such automatic directives, potentially makes markets more vulnerable to sharp swings if everyone starts to sell at once. Such strategies tend to have sell stops around the same levels across stock, bond and commodities futures.

"So many of these algorithms are doing the same thing. Their behavior becomes like human groupthink," said Peter Hahn, co-founder of Bridgeton.

Whether humans or machines tend to be the originators in major market declines is a longstanding debate on Wall Street.

Many analysts believe fundamental data, such as an economic release or news report, is what causes investors to run for the exits, while stop-losses add momentum and volatility to the move. Others believe a wave of automated selling can just as easily be what prompts investors to sell, absent any fundamental reason to bail.

Traders have pointed to stop-loss orders in previous market plunges, such as in August 2015, when a surprise devaluation of the Chinese yuan sent markets into free fall. The Securities and Exchange Commission listed stop-loss orders as a potential aggravator of market losses in the "flash crash" of May 2010.

There is no definitive answer in the debate. The estimate of the effect of stop-losses by Bridgeton—which provides research on different algorithmic strategies, such as daily positioning and buy and sell levels—was based on the firm's in-house models built to trade like major trend-following funds.

However, the exact prices at



'So many of these algorithms are doing the same thing. Their behavior becomes like human groupthink,' Bridgeton's Peter Hahn says.

Algorithms that chase trends get signals to sell if they are long and the market falls—orders known as stop-losses or sell stops. These orders are meant to limit losses, but could be compounding them as funds pile on. Human investors also can fuel declines, either by triggering stop-losses or tracking trend followers.

Monica Jorge for The Wall Street Journal

FTSE 100 futures

Analysis shows sell stops hit starting as early as January.

Jan. 30 Feb. 9

S&P 500 futures

Stock futures hit last sell stop near market lows.

Jan. 30 Feb. 9

DAX futures

Analysis shows sell stops hit starting as early as January.

Jan. 30 Feb. 9

Nikkei 225 futures

Indexes hit sell stops nearly in sync.

Jan. 30 Feb. 9

WTI crude-oil futures

Pressure in stock markets leaks into commodities in the days following.

Jan. 30 Feb. 9

Note: Market data are in 30-minute intervals, which omit some intraday levels. Some annotations have been adjusted to more clearly denote where stops were hit.

Sources: Bridgeton Research Group LLC (sell levels); Thomson Reuters (prices)

James Benedict/THE WALL STREET JOURNAL

which large quantitative firms buy and sell is difficult to verify, and those levels frequently change based on the market and exact strategy each fund is running.

The use of stop losses by algorithmic traders has evolved as well to be more fluid and difficult to pinpoint. Instead of setting an explicit sell order, programs take data points from moving markets, such as volatility and momentum trends, to determine when to reduce positions.

For example, short-term and long-term funds will weigh market signals differently, traders say. That leads them to behave differently in terms of when and what to

trade.

Also, rather than exiting from a position completely when a stop is hit, many algorithms are programmed to reduce their holdings gradually. Because of this, some trend-following funds dispute the idea that their actions are making market sell-offs worse.

"They all don't want to be trying to get out of the position at the same time," said Jeff Malec, managing partner at RCM Alternatives. "They're going to use technology to mitigate that."

One thing is clear: Funds that chase trends and use algorithmic strategies have grown and can more easily program sell stops in the fu-

ture market, thanks to increasing automation.

Trend-following funds are often synonymous with so-called commodity-trading advisers, or CTAs, though they can use a variety of strategies. In the past decade, the amount of money managed by CTAs has risen by 47% to roughly \$367 billion, according to first-quarter data from BarclayHedge Ltd. Algorithmic strategies account for 88% of those assets.

Attempts by traditional investors to decipher trend-following funds' methodologies and figure out which levels they will trade at have also increased.

"People have always specu-

lated, but there's better data now," said Kathryn Kaminski, chief research strategist and portfolio manager at Alphasimplex Group LLC.

That, in turn, can amplify market moves as a wider range of institutional investors are trying to position for what the trend-following funds might do. Eric Armitage, chief executive of London-based East Alpha, started building models for BP PLC in 2001 to help the company understand what algorithmic strategies were doing.

"Having worked for some very large fundamental shops, they are all very cognizant of this activity," Mr. Armitage said.

"Having worked for some very large fundamental shops, they are all very cognizant of this activity," Mr. Armitage said.

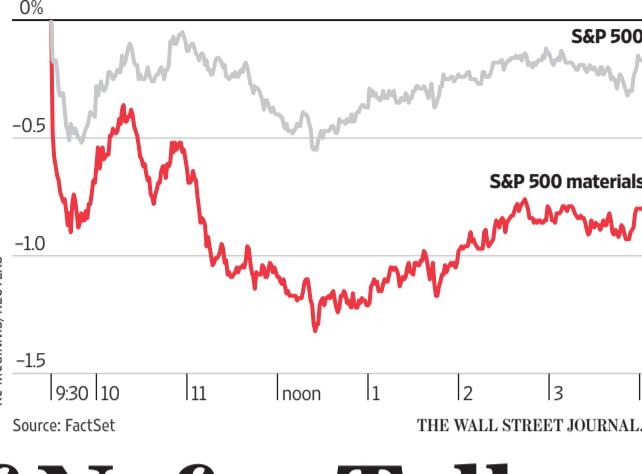
MARKETS



Shares of farming- and heavy-equipment maker Deere & Co. declined \$2.10, or 1.5%, to \$141.70.

Material Weakness

Shares of materials companies in the S&P 500, which have slumped this year on worries about trade, were among Tuesday's biggest decliners.



Source: FactSet

THE WALL STREET JOURNAL.

Treasurys Decline on Odds for Rate Hikes

By DANIEL KRUGER

U.S. government bond prices fell Tuesday as investors awaited a heavy supply of corporate bonds this month, and manufacturing data showed factory activity accelerated in August.

The yield on the benchmark 10-year Treasury note rose to 2.902%, the highest since Aug. 9, from 2.853% on Friday. Yields rise as bond prices fall.

On Tuesday, some investors sold government bonds to raise cash to buy into higher-yielding company bond offerings, which could include debt sales by Pfizer Inc. and Unilever, analysts said.

CREDIT MARKETS September tends to be a month when companies try to raise money in the bond market, as most participants in the financial markets have returned from summer holidays.

Yields extended their rise after the Institute for Supply Management said Tuesday that its manufacturing index rose to 61.3 in August from 58.1 in July. Numbers above 50 indicate activity is expanding across the manufacturing sector. Economists surveyed by The Wall Street Journal had expected a 57.5 reading for August.

The unexpectedly strong reading led to a surge in investor expectations that the Federal Reserve will be able to raise interest rates at least two more times this year. Policy makers have raised rates twice this year and have penciled in two more increases.

Fed funds futures, which investors use to bet on the direction of central bank policy, indicate the probability the Fed will raise interest rates at least two more times this year were 75% late Tuesday compared with 67% a month ago.

The strength of the economy, combined with a robust labor market, makes it likely that the Fed continues to take an aggressive approach to raising interest rates, said Thomas di Galoma, head of Treasury trading and managing director at Seaport Global Holdings.

"There's a very good chance we're going to start seeing an upward movement in yields," Mr. di Galoma said. "I don't think rates can stay where they are."

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$138,390,914,300	\$127,459,123,400
Accepted bids	\$48,000,170,300	\$42,000,123,400
*noncomp	\$927,630,800	\$718,185,600
*foreign noncomp	\$105,000,000	\$300,000,000
Auction price (rate)	99.470431	98.867556
(2.095%)	(2.240%)	
Coupon equivalent	2.135%	2.297%
Bids at clearing yield accepted	25.14%	40.90%
Cusip number	912796PE3	912796QZ5

Both issues are dated Sept. 6, 2018. The 13-week bills mature on Dec. 6, 2018; the 26-week bills mature on March 7, 2019.

FOUR-WEEK BILLS

	147,584,519,600	
Applications	\$147,584,519,600	
Accepted bids	\$55,000,477,600	
*noncompetitively	\$941,563,200	
*foreign noncompetitively	\$303,000,000	
Auction price (rate)	99.846778	
(1.970%)	(2.000%)	
Coupon equivalent	2.00%	2.00%
Bids at clearing yield accepted	61.33%	61.33%
Cusip number	912796QZ5	912796QZ5

The bills, dated Sept. 6, 2018, mature on Oct. 4, 2018.

Stocks Fall Ahead of Nafta Talks

Retreat is led by companies affected by trade as investors fret about U.S. policy

By RIVA GOLD
AND AKANE OTANI

U.S. stocks began September with declines as investors looked ahead to a busy week of trade negotiations and economic data.

TUESDAY'S MARKETS S stocks drifted lower shortly after the opening bell, then pared declines in the final hours of trading, with the Dow Jones Industrial Average erasing nearly all of its losses for the day.

The Dow Jones Industrial

Average dropped 12.34 points, or less than 0.1%, to 25952.48, notching its third consecutive loss. The index earlier fell as much as 159 points. The S&P 500 shed 4.80 points, or 0.2%, to 2896.72 and the Nasdaq Composite lost 18.29 points, or 0.2%, to 8091.25.

Activity was relatively muted as trading resumed following the Labor Day holiday.

Analysts said they expect trade to remain in focus this week, with talks over the North American Free Trade Agreement slated to resume Wednesday. President Trump's weekend threats to leave Canada out of a new Nafta kept stocks in Europe and Asia subdued on Monday.

The outcome of Nafta talks "will give us a hint of whether these trade conflicts are more

and more concentrated [on China], or whether there is still a global element," said Witold Bahrke, a senior macro strategist at Nordea Asset Management, adding that if those tensions are limited to the U.S. and China, the impact on global growth will likely be smaller.

Shares of materials and industrials companies, which have struggled for ground this year amid investors' uncertainty over trade policies, were hit by fresh selling Tuesday.

Mining company Freeport-McMoRan lost 57 cents, or 4.1%, to \$13.48 following metals prices lower, while aluminum-products maker Arconic declined 29 cents, or 1.3%, to 22.09, and farm- and construction-machinery maker Deere &

Co. fell 2.10, or 1.5%, to 141.70.

Meanwhile, declines in Nike weighed on the Dow industrials. The sportswear giant's shares shed 2.60, or 3.2%, to 79.60 after the company said it would feature Colin Kaepernick, the National Football League quarterback who led player protests during the national anthem, in a new advertising campaign.

Amazon.com jumped 26.80, or 1.3%, to 2,039.51, briefly topping the level needed to push its market value above \$1 trillion. The stock ended off its highs for the day but remains up 74% for the year.

In currency markets, the WSJ Dollar Index—which measures the dollar against a basket of 16 currencies—added 0.4%, notchings its longest winning streak since December,

when it rose for seven consecutive sessions.

The dollar has strengthened in recent months, putting pressure on emerging markets, amid signs of a strong U.S. economy. American factory activity accelerated at a faster pace than economists expected in August, data from the Institute for Supply Management showed Tuesday.

Investors will be closely watching other data releases this week, including Friday's monthly jobs report.

Elsewhere, the Stoxx Europe 600 fell 0.7%, notching its third decline in four sessions and finishing at its lowest level since mid-August. Early Wednesday, Japan's Nikkei Stock Average was down 0.3% and Hong Kong's Hang Seng Index was down 1%.

Swine-Fever Outbreak Cuts China's Pork Supply

By LUCY CRAYMER

Pork prices are rising in China as Beijing struggles to contain the spread of African swine fever, while a trade battle with the U.S. will make it harder to replace domestic supply with imports.

Since Thursday, three outbreaks of African swine fever have been identified in Anhui province west of Shanghai—where around 15 million pigs live—bringing the total to seven.

The first outbreak was discovered in Liaoning province near the North Korean border at the beginning of August. In the most recent outbreak, 83 pigs have died from the disease, but more are being culled. Beijing has tightened rules on moving live pigs to prevent the disease from spreading further.

In the past, when pig populations were hit by disease or shortages, China increased pork imports. That won't be as cheap or easy this time since Beijing has levied significant tariffs on U.S. products amid trade tensions between the world's two largest economies.

Pork prices have risen on average around 8% in China since the beginning of August, according to data from the Ministry of Agriculture and Rural Affairs. Global prices of soybeans, an ingredient in pig feed, fell last week in part because of the potential impact of swine fever on Chinese demand, according to Capital Economics.

Prices in southern China



Prices have risen in southern China as supplies tighten due to restrictions on moving pigs around the country.

have risen as supplies tightened due to restrictions on moving pigs around the country, while in the north an increase in the number of pigs going to slaughter and a shortage of processing capacity have hurt prices, said Chenjun Pan, a senior industry analyst at Rabobank.

The ministry said it had culled more than 37,000 pigs and that the animals are banned from leaving or transiting through provinces where

the disease has been found. In addition, infected farms are quarantined.

African swine fever isn't harmful to humans but is usually fatal for pigs. It is highly contagious, putting at risk China's more than 400 million pigs. China isn't only the world's largest pork producer, but also the biggest consumer.

While stopping the spread of the disease will be arduous, the epidemic remains controllable, a representative for the

Ministry of Agriculture and Rural Affairs said in an interview published on the government's website.

Feng Yonghui, chief analyst at Chinese swine-industry research company Soozhu, said the disease would hurt demand as people avoided eating pork, though the impact could be limited because the virus doesn't affect humans. He added that pork prices are a continuing source of concern for Beijing because of the effect elevated prices can have on official inflation figures.

The disease may have spread farther than is known.

Wantanee Kalpravidh, a specialist in animal-disease control at the Food and Agriculture Organization of the United Nations who is working with China to try to contain the spread, said it can take two to three weeks before it starts killing affected animals.

—Zhou Wei

contributed to this article.

U.S. Dollar Gains After Strong Economic Data

By DANIEL KRUGER

The dollar rose Tuesday with the U.S. economy continuing to exhibit strength amid rising concerns about the stresses enveloping some emerging markets.

The WSJ CURRENCIES Dollar Index, which measures the U.S. currency against a basket of 16 others, rose 0.4%, climbing for a sixth consecutive trading session to 90.03. The dollar rose 0.3% against the euro to its highest level against the 19-nation currency since Aug. 23.

Investors continued to buy dollars Tuesday as measures by policy makers in Argentina, which has raised its interest rates to 60%, failed to assuage concerns about emerging-mar-

Storm in Gulf of Mexico Lifts Oil Prices

BY DAN MOLINSKI
AND CHRISTOPHER ALESSI

U.S. oil prices rose Tuesday as tropical storm Gordon barreled through the eastern Gulf of Mexico, forcing offshore oil producers to cut production and sparking concerns refinery activity may also be affected.

Light, sweet crude for October delivery settled 0.1% higher at \$69.87 a barrel on the New York Mercantile Exchange. Brent crude, the global benchmark, ended virtually unchanged at \$78.17 a barrel.

The National Hurricane Center said tropical storm Gordon is forecast to be upgraded to a hurricane by the time the eye of the storm reaches landfall near the Louisiana-Mississippi border Tuesday evening. It said the storm could weaken significantly once it moves inland but said Gordon could

nonetheless dump up to 8 inches of rain in some areas and might cause flash flooding.

Phil Flynn, an oil analyst at Price Futures in Chicago, said investors' focus on the storm has set aside for now otherwise bearish indicators for oil prices, including dollar strength, simmering fears of a U.S.-China trade war and rising production from major oil producers from the Organization of the Petroleum Exporting Countries.

The storm halted about 9% of offshore oil production in the Gulf of Mexico as workers on platforms were forced to evacuate for safety reasons, said the government's Bureau of Safety and Environmental Enforcement. It said at least 54 offshore oil and gas production platforms, or 8% of all the platforms in the Gulf, were evacuated.

The Gulf area accounts for about one-sixth of U.S. oil production and 45% of its refining capacity, said analysts at Brown Brothers Harriman in a research note. "This is helping oil prices extend last week's 5.4% rally," it said.

While the storm was the key factor that drove prices higher Tuesday, Tamas Varga, an analyst at brokerage PVM Oil Associates, noted that in Libya a week of violence between rival militias in the capital of Tripoli is also making oil bears cautious, while signs that Iran oil exports are already declining due to U.S. sanctions also provided bullish support.

Officials at the state-run National Iranian Oil Co. provisionally expect crude shipments to drop to around 1.5 million barrels a day in September, down from around 2.3 million in June, said people familiar with the matter.

President Trump's decision in May to pull the U.S. out of a 2015 international agreement to curb Iran's nuclear program set the stage for the reimposing of economic sanctions on the Islamic Republic, with measures directly targeting the country's oil industry set to take effect in November.

At the same time, rising production from OPEC and its allies, including Russia, has been helping to keep a "cap on prices," said Christyan Malek, an oil analyst at JPMorgan Chase. OPEC and Russia agreed in late June to begin ramping up crude production after more than a year of holding back output.

Among refined products, gasoline futures for October delivery fell 0.1% to \$1.9942 a gallon.

MARKETS

Argentina Hit by Emerging-Market Rout

BY JULIE WERNNAU
AND RYAN DUBE

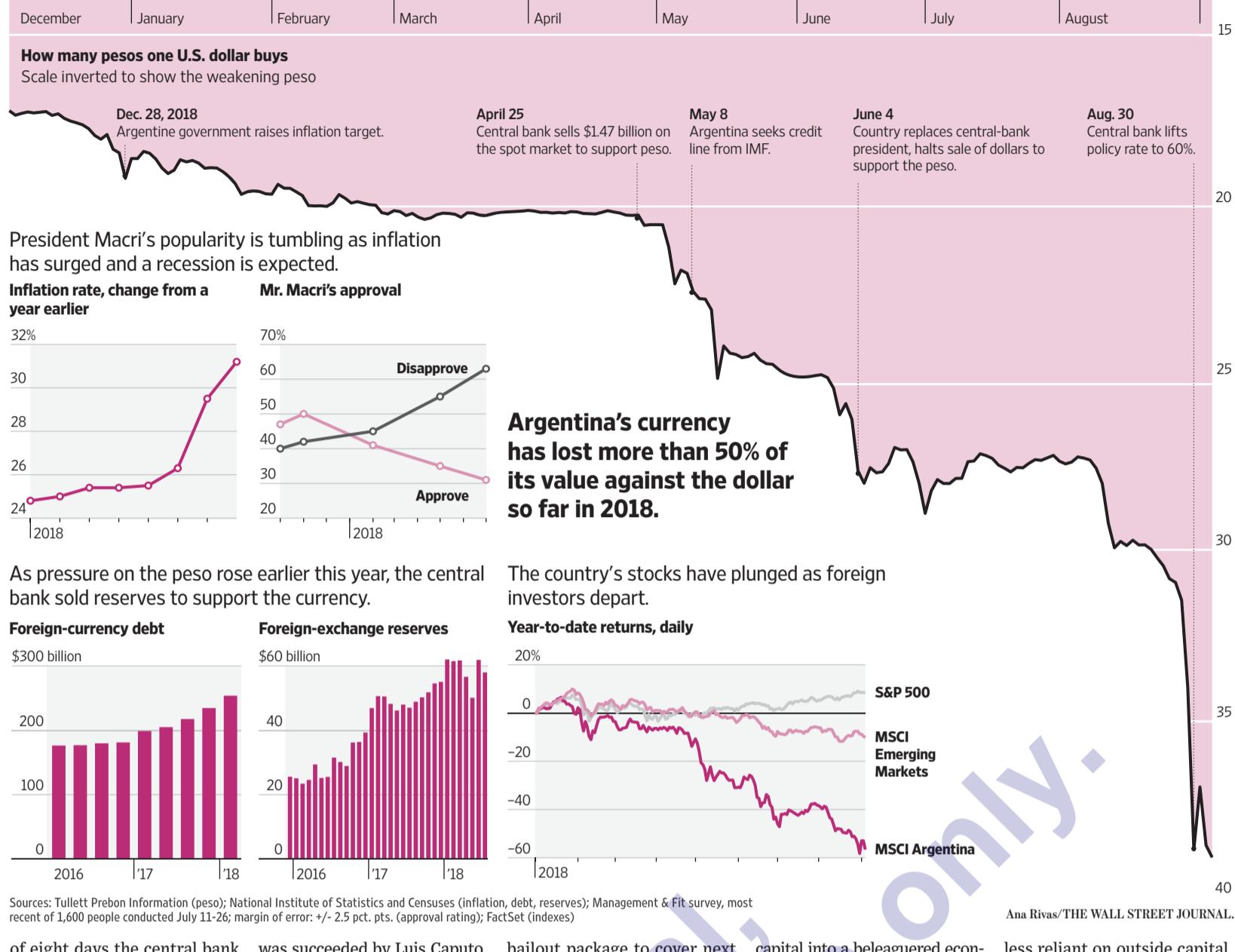
As rising U.S. interest rates and the dollar's resurgence ripple through emerging markets, Argentina has been among the countries most-punished by investors. The rout, sparked by concerns that those relying heavily on dollar borrowing will feel the most pressure, has left investors saying the country must pass a sustainable budget and communicate a coherent economic strategy that goes beyond calling on the International Monetary Fund for support.

On Monday, Finance Minister Nicolas Dujovne announced measures aimed at regaining investor confidence by reducing the primary fiscal deficit to 0% of gross domestic product in 2019 from a projected 2.6% this year. That will involve implementing a tax on exports, cutting the number of ministries and reducing spending on public-works projects and the government's payroll, moves that will be politically risky as Argentina heads into an election next year.

Argentina's currency is reeling, and its interest rates have been raised to 60%, pummeling investors who piled into the country in recent years after it cured a debt default.

Confidence in Argentina began to wane after the government increased its inflation target in December, raising questions among investors about the independence of the central bank. That uncertainty was compounded when the central bank cut its interest rate in January, despite inflation being well above the new target range. With pressure increasing on the peso, the central bank began to dip into its reserves to support the currency, selling \$1.47 billion on April 25, the biggest intervention in the spot market in years. That had little impact, however, and over the course

How many pesos one U.S. dollar buys



Sources: Tullett Prebon Information (peso); National Institute of Statistics and Censuses (inflation, debt, reserves); Management & Fit survey, most recent of 1,600 people conducted July 11-26; margin of error: +/- 2.5 pct. pts. (approval rating); FactSet (indexes)

of eight days the central bank unexpectedly raised its interest rate, pushing it to 40% in early May.

To stem the currency crisis, President Mauricio Macri sought financial support from the IMF. In June, the government and IMF agreed to a \$50 billion credit line, while the central-bank president, Federico Sturzenegger, resigned and was succeeded by Luis Caputo. While the move was initially supported by investors, Argentina's peso continued to depreciate amid a rout in emerging-market currencies, making payments on the country's foreign debt more expensive. Catching investors by surprise, Mr. Macri last week went on TV to request that the IMF speed up disbursements of the

bailout package to cover next year's debt payments, causing the peso to plummet even further and the central bank to raise its interest rate to 60%. This week, Mr. Dujovne plans to meet in Washington with the IMF to request the funds after announcing spending cuts and new taxes.

Beginning in 2016, Argentina rapidly took on debt to reinforce

capital into a beleaguered economy to finance a gradual approach to unraveling the free-spending policies of Mr. Macri's predecessor, Cristina Kirchner. That approach was intended to avoid social unrest as a result of steep spending cuts.

But investors say the government delayed unpopular fiscal tightening measures that would have made Argentina

less reliant on outside capital.

Mr. Macri's popularity is sinking amid soaring inflation and an expected recession. His government's austerity measures are politically risky ahead of next year's election as Argentines are already upset about higher utility prices and opposed to new taxes, while powerful unions will oppose cuts to government jobs.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

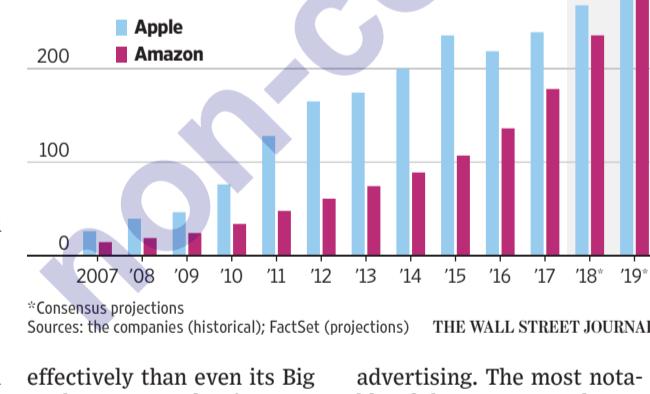
WSJ.com/Heard

Email: heard@wsj.com

Apple Won't Be Biggest for Long

Catch Up

Revenue per calendar year



Sources: the companies (historical); FactSet (projections)

THE WALL STREET JOURNAL.

effectively than even its Big Tech peers. Apple's impressive growth over the past decade has come primarily from the iPhone. None of the other products the company has launched since have had anywhere near the same impact.

Amazon, meanwhile, has managed to both significantly boost its already huge retail business while also building sizable new ventures in devices, media and

advertising. The most notable of those ventures has been its cloud service, which now accounts for more than 11% of total revenue and most of its operating profit.

As a result, Amazon's revenue growth since 2007 has averaged 28% a year compared with 22% for Apple and 20% for Google. Amazon also has managed to fatten up its notoriously thin bottom line in the process. Operating income in the first

six months of this year totaled \$4.9 billion—triple that of the year-earlier period. Wall Street also expects Amazon to pass Apple in annual sales for calendar year 2019, according to analyst consensus figures compiled by FactSet.

This is one of those times when investors count all the money they could have made if only they had bought or not sold, but Amazon was no sure thing during its ascent and is still no low-risk bet. A market value of \$1 trillion puts the stock a little over 100 times forward earnings compared with 17 times for Apple. Apple's current multiple is the highest the stock has fetched since 2010, though, while Amazon's has fallen by nearly 40% since the start of the year thanks to the company's rising bottom line.

Amazon's investors have never been terribly sensitive about valuation anyway. The company's proven ability to keep delivering the goods has been well worth the price.

—Dan Gallagher

OVERHEARD

Vedanta Resources has come full-circle. The miner was the first Indian company to list on the London Stock Exchange 15 years ago. Next month it will delist following Chairman **Anil Agarwal's** move to take the company private in a deal valuing it at around \$3 billion.

It is the end of an era. Vedanta was one of several mining companies from emerging markets that listed in London during the commodities boom, aiming to tap into the city's deep capital wells. When things were good for such companies, they were very good: Vedanta hired Lionel Richie to sing when it celebrated a decade of being listed. Yet corporate-governance concerns were never far away for some, while the end of the commodities boom earlier this decade was another blow.

Was it all worth it? Perhaps early on, but its cumulative total return since the IPO amounts to 268% compared with 1,919% for the FTSE All-Share Index.

Fed Doesn't Have Reason To Step Back

Welcome back from summer vacation! As far as the Federal Reserve is concerned, not much happened while you were gone. That leaves them on track to keep tightening.

Oh sure, there was news. Trade tensions simmered. Turkey and Argentina ran into the shoals. British politicians allowed that next year's Brexit will be very serious. Controversies swirled around President Trump and were stirred by him.

But the types of big worries that have rattled markets in summers past weren't there and the existing, mostly benign trends were. The economy keeps powering along and corporate profits, with the extra sweetener of this year's tax cut, continue to swell. Inflation is trending right at the Fed's 2% target, and the unemployment rate keeps drifting lower.

Anybody who on Memorial Day thought the Fed might find a reason to hit the pause button on rate increases needs to update his or her thinking. Investors have done that to some extent. Fed funds futures imply the chances of two more Fed rate increases this year are about 70%. That compares with about 50% after the June meeting when the Fed last raised rates.

Investors may need to raise those estimates as they return to work refreshed. While there are some uncertainties hanging over the economy, the chances of it materially slowing down this year seem slim.

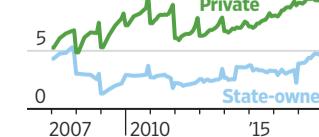
Next year, when the tax-cut stimulus starts to fade, tariff effects become more pronounced and Brexit is scheduled to occur, could be a different matter. But that is next year.

—Justin Lahart

Chinese Companies Chug Ahead Despite Risks to Growth

Trading Places

Profits as multiple of interest payments for Chinese industrial companies



by market capitalization—finance, industrials and materials—are heavily backed by Beijing.

The government has given two huge shots in the arm to the country's biggest public

companies in the past 18 months—largely at the expense of non-state-owned companies, often unlisted, which account for about two-thirds of economic output.

Forced factory closures in heavy industry, aimed at cutting overcapacity, have hit small, private businesses hard. But they have helped boost profits at listed state-owned competitors like Baoshan Iron & Steel Co., which have gained both market share and pricing power. Healthier balance sheets for the likes of Baoshan have in turn helped the state-owned banks that hold their debt.

Beijing's crackdown on

shadow finance has given an additional boost for the big state-owned banks—and another slap in the face for small private firms, which often have trouble securing bank loans at reasonable rates through official channels.

As shadow-bank lending evaporated early this year, weighted average lending rates for traditional bank loans hit nearly 6%, their highest since mid-2015. With deposit rates still low and wholesale funding costs drifting down, bank profits have roared back: Their average earnings per share rose over 4% on the year in early 2018, according to Wind, the

best performance since 2014. Meanwhile, the private sector's financing problems have worsened: Private industrial firms' profits were equivalent to nine times interest payments in late 2017, but had shrunk to just seven times by mid-2018.

Chinese stock markets now look cheap on the fundamentals, but better finances for state-owned companies have come at a steep cost for the economy as a whole—by crimping the more vibrant private sector. That bill is still likely to come due in the form of significantly slower growth in the quarters ahead.

—Nathaniel Taplin