

THE WALL STREET JOURNAL.

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WEDNESDAY, SEPTEMBER 26, 2018 ~ VOL. CCLXXII NO. 73

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What's News

Business & Finance

Big retailers, including Amazon and Target, are pushing for the right to reject some rewards credit cards, which typically carry higher fees for merchants. A1

◆ Consumer confidence hit an 18-year high in September, a positive sign for spending going into the holiday shopping season. A2

◆ Home-price gains in the U.S. slowed for the fourth straight month in July. A5

◆ Qualcomm accused Apple of funneling proprietary information about the chip supplier's technology to Intel. B1

◆ Verizon has offered early-retirement packages to thousands of staffers, including all of its management employees. B1

◆ Facebook now faces the challenge of keeping Instagram users and advertisers happy after the exit of the app's co-founders. B1

◆ CBS's board named Richard Parsons interim chairman, and two other longtime directors have resigned. B5

◆ The S&P 500 and the Dow slipped ahead of Wednesday's policy statement by the Fed. The Nasdaq rose. B14

◆ Novartis plans to cut more than 2,000 jobs as part of a global restructuring. B5

◆ Banco Santander named UBS's Andrea Orcel as its new chief executive. B13

◆ Inspire Brands, the owner of Arby's, said it is buying burger chain Sonic for \$2.3 billion, including debt. B1

◆ Dunkin' Brands Group is dropping the word "Donuts" from its flagship brand. B2

World-Wide

◆ The top U.S. trade negotiator threatened to move forward with a bilateral accord with Mexico amid a lack of progress with Canada on renegotiating Nafta. A1

◆ Senate GOP leaders are moving to expedite the final stages of Kavanaugh's nomination after Thursday's planned hearing. A1

◆ Trump criticized international organizations and alliances and defended his administration's trade policies in a speech at the U.N. A8

◆ The president told advisers that he is open to keeping Rosenstein on the job as deputy attorney general. A3

◆ A Pennsylvania judge sentenced comedian Bill Cosby to three to 10 years in state prison for aggravated indecent assault. A3

◆ FEMA's chief cost the government \$151,000 through unauthorized use of government vehicles, a report shows. A2

◆ The administration has canceled a contract to obtain fetal tissue for research and says it will review all federal studies using fetal tissue. A4

◆ Merkel's grip on power took a blow as her party's lawmakers ousted a close ally of the German chancellor as their parliamentary leader. A7

◆ Sweden's parliament moved to oust the prime minister, deepening the nation's political uncertainty. A7

◆ State officials expressed concerns about tech giants' market dominance and user-privacy practices at a meeting hosted by Sessions. A4

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WEDNESDAY, SEPTEMBER 26, 2018 ~ VOL. CCLXXII NO. 73

Laughter, and a Hard Line on Trade, at Trump's U.N. Address

ON CHINA

'Market distortions and the way they deal cannot be tolerated.'

ON TRADE

'Many would agree that the entire world trading system is in dire need of change.'

JOHN MOORE/GETTY IMAGES

ON OPEC

'Ripping off the rest of the world.'

ON LAUGHTER THAT ERUPTED DURING THE SPEECH

'I didn't expect that reaction, but that's OK.'

GLOBAL REACH: President Trump paused as his address Tuesday to the United Nations General Assembly was interrupted by laughter when he touted his own administration's achievements. He also criticized international alliances and organizations as unaccountable. A8

GOP Speeds Up Kavanaugh Vote

By NATALIE ANDREWS
AND PETER NICHOLAS

over the weekend, suggesting the chamber could take a procedural vote that would clear the way for a final, full-Senate vote early next week.

President Trump wants Judge Kavanaugh to take the seat of retired Justice Anthony Kennedy by Oct. 1, the start of the high court's next term. Republican lawmakers are also pressing to fill the lifetime appointment before the November midterm elections in which they are fighting to maintain their majorities in the House and Senate.

"I think that it's going to be pretty hard to move this along

without having votes on certainly Friday or Saturday, probably," said Sen. Orrin Hatch (R., Utah).

Christine Blasey Ford, the California college professor who has accused the judge of sexually assaulting her when they were in high school during the 1980s, is set to appear Thursday before the Senate Judiciary Committee. Judge Kavanaugh, who has denied Dr. Ford's claims, is also scheduled to appear Thursday before the committee.

Democrats are objecting to Republicans pushing forward on the nomination and vote

without first having the Federal Bureau of Investigation Dr. Ford's allegations.

"Republicans are already talking about rushing to a vote—before we even got to this hearing, before there is an investigation, and while women are sharing more stories," Sen. Patty Murray (D., Wash.) said on Twitter.

Committee rules require Chairman Chuck Grassley (R., Iowa) to issue a public notice of a meeting three days in advance. He also has the right to postpone it, which the committee did earlier this week as ne-

Please turn to page A2

Canada Warned On Nafta Revamp

U.S. trade negotiator says lack of progress could prompt bilateral deal with Mexico

BY WILLIAM MAULDIN

The Trump administration's top trade negotiator threatened to move forward with a bilateral accord with Mexico amid a lack of progress with Canada on renegotiating the North American Free Trade Agreement.

"Canada's not making concessions in areas we think are essential," U.S. Trade Representative Robert Lighthizer said on Tuesday at a conference on the sidelines of the United Nations General Assembly.

The shot across Canada's bow comes after the Trump administration in August said it had resolved differences with Mexico on a new version of Nafta, a 24-year-old treaty among the three countries. The White House in August sent Congress formal notice of intent to sign a deal—with or without Canada—in late November, before Mexico's new president takes office.

The Trump administration's threat raises uncertainties for business leaders and farmers, both of which have relied on duty-free trade since Nafta's inception in 1994. Many states along the U.S. border with Can-

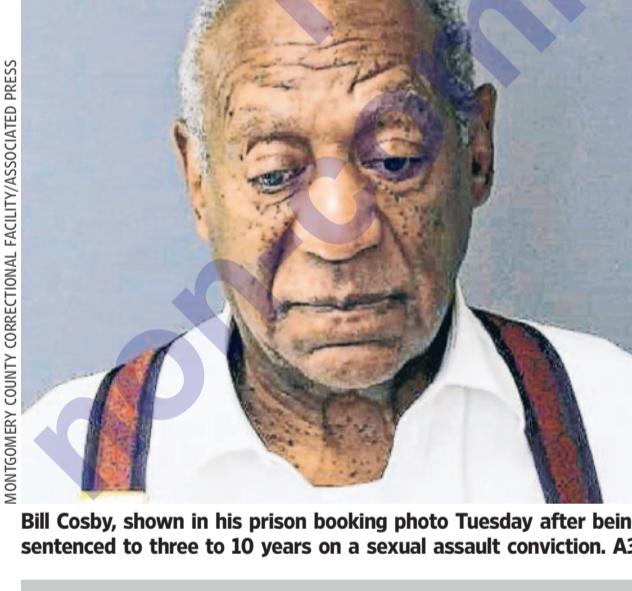
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Rosenstein Reversal?

Trump told advisers he is open to keeping No. 2 Justice official on the job A3

A Fallen Icon Is Jailed

MONTGOMERY COUNTY CORRECTIONAL FACILITY/ASSOCIATED PRESS



Bill Cosby, shown in his prison booking photo Tuesday after being sentenced to three to 10 years on a sexual assault conviction. A3

Battle Lines Form Over Low-Income Lending Rules

By RACHEL LOUISE ENSIGN AND RYAN TRACY

When Steven Mnuchin looked to sell his OneWest Bank for \$3.4 billion in 2014, a community group with an \$800,000 budget tried to block the deal. That led to a nine-hour public hearing where speakers compared the bank's executives to the ebola virus and called for their imprisonment. Others voiced support.

Afterward, Paulina Gonzalez, the head of the community group leading the charge, approached Mr. Mnuchin seeking a truce that included the bank setting aside billions of dollars more for lower-income communities, under a law called the Community Reinvestment Act, or CRA. "I hope we can figure this

out," she said.

"No. We're done," Ms. Gonzalez recalls. Mr. Mnuchin telling her before walking away. A spokeswoman for Mr. Mnuchin says he disputes saying that.

Four years later, Mr. Mnuchin is the Treasury secretary and his fellow executive at the bank, Joseph Otting, is now comptroller of the currency. And one of their big agenda items is an overhaul of the CRA, a law passed in 1977 to combat redlining, a practice where banks wouldn't lend in lower-income communities.

In the years since the law's passage, such lending grew, but so too did a thicket of rules and regulations related to the law. In the process, the CRA became a weapon for commu-

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Retailers Push Back On Cards With Perks

By ANNAMARIA ANDRIOTIS

Consumers have become addicted to credit cards with generous rewards programs. Retailers are trying to cut them off.

Large merchants including Amazon.com Inc., Target Corp. and Home Depot Inc. are pushing for the right to reject some rewards credit cards,

which typically carry higher fees for merchants. They are likely to opt out of a roughly \$6.2 billion settlement Visa Inc., Mastercard Inc. and several large banks recently reached with merchants and continue to make their case in court, according to people familiar with the matter.

The retailers are trying to end the card networks' "honor all cards" rule, which requires merchants that accept Visa-

Quick, Brush Your Hair—Your Phone Is Judging You

* * *
Makeup, shaved beards, haircuts are throwing off facial recognition systems

By TRIPP MICKLE

When Karen Cummings's new Microsoft Surface computer captured her image for its facial-recognition system, her blond hair was curled and her eyes were accentuated by mascara and green eyeliner.

Early the next morning—hair scraggly, makeup off, eye-glasses on—the computer looked again. It refused to unlock.

"The computer was like: 'Oh my God, girl. You got to go back and fix yourself up. You're looking bad,'" recalls Ms. Cummings, 72 years old, of Fryeburg, Maine. "When I get up in the morning, I know I look bad, but I don't want the computer telling me that."

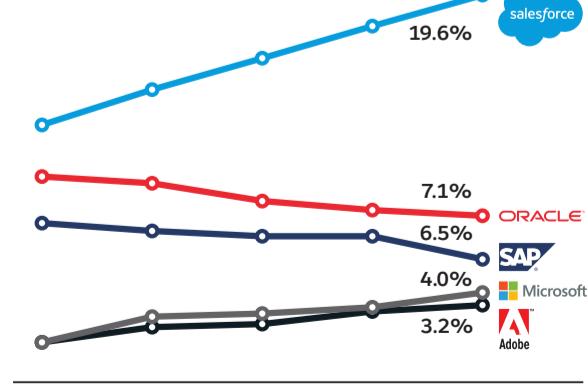
The rise of facial-recognition technology such as Microsoft Corp.'s Windows Hello and Apple Inc.'s Face ID means computers now seem to be passing judgment on users' appearances. When a face doesn't measure up, people are left to ponder whether they look their best, whether they use too much makeup, why they changed their hairstyle—and perhaps whether they even look like themselves.

Users report their devices won't unlock unless they wear the same makeup as when they set it up. Others complain it can't identify them in the morning when they first tilt

Please turn to page A10

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



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



salesforce.com/number1CRM

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U.S. NEWS

FEMA Chief's Personal Travel Cost \$151,000

By MICHAEL C. BENDER

WASHINGTON—President Trump's top disaster official cost the government \$151,000 through the unauthorized use of government vehicles that included travel to his home in North Carolina, according to an internal investigation.

Brock Long, the head of the Federal Emergency Management Agency, also relied on government vehicles and employees to drive him and his family around Hawaii during a trip that included official functions and a vacation, according to the Department of Homeland Security's inspector general.

Mr. Long's use of government vehicles and staff cost \$94,000 in salary, \$55,000 in travel expenditures and \$2,000 in maintenance-related costs, according to a portion of the inspector general's report obtained by The Wall Street Journal.

Kirstjen Nielsen, the DHS



Brock Long at a briefing on Hurricane Florence in North Carolina

secretary, released a statement Friday night saying that she had ordered Mr. Long to repay the government "as appropriate." A spokesman for Ms. Nielsen said Tuesday that the secretary and Mr. Long hadn't yet agreed on the total that would be repaid.

In the same statement on Friday, Mr. Long said he would

"accept full responsibility for any mistakes that were made by me." He didn't specify what those mistakes were. A spokeswoman declined to comment Tuesday.

Mr. Long traveled to Hawaii in the spring to meet with federal and military officials who would be involved in respond-

ing to an emergency, said people familiar with the trip.

After meeting with officials, Mr. Long remained in Hawaii for several days with his family, the people said. According to the inspector general, a FEMA aide "provided transportation to Long and his family in a vehicle rented by the U.S. government."

That aide, Keith LaFoucade, destroyed evidence of the trip in an attempt to thwart the investigation, according to the report. Mr. LaFoucade has been suspended, said a person familiar with the matter. Mr. LaFoucade couldn't be reached for comment.

John Veatch, a senior FEMA official who oversaw the agency's continuity programs, has also been suspended due to his involvement in Mr. Long's travel, according to people familiar with the matter. Politico earlier reported Mr. Veatch's suspension.

The trip to Hawaii coincided

with a family vacation, according to people familiar with the matter. Mr. Long scheduled the trip in March 2017, during a week that coincided with spring break for his two young sons, according to a publicly available school calendar.

Mr. Long's official trip was never publicly announced. A FEMA spokeswoman said it was scheduled to meet with local officials about the Pacific hurricane season, which was three months away, and to discuss the false missile alarm in the state that had unnerved residents, which occurred two months earlier.

Mr. Long was in Hawaii for about a week, traveling to and from the tropical archipelago from his home in North Carolina, according to a person familiar with the matter. That trip happened after Mr. Long left Washington on March 23, a Friday. He returned to the capital on April 3, a Tuesday, the person said.

Consumer Sentiment Is Highest In 18 Years

By HARRIET TORY

Consumer confidence hit an 18-year high in September, a positive indicator for spending going into the holiday shopping season, as robust job growth and a strong economic outlook bolstered Americans' expectations for the future.

The Conference Board, a private research group, said Tuesday its index of consumer confidence rose to 138.4, up from 134.7 in August—the highest level since September 2000 during the late stages of the 1990s technology boom.

The report was one of the final economic indicators that Federal Reserve officials will read before making a decision on interest rates Wednesday. Officials are widely expected to raise short-term rates by another quarter percentage point at the meeting, bringing their benchmark rate to between 2% and 2.25%.

The Fed has been nudging up borrowing costs in response to strong growth in the economy and in employment.

If the economy grows too fast, officials believe, it can cause inflation, which is now near the Fed's 2% year-over-year target.

Higher rates help to moderate growth, and might also prevent a repeat of the kind of financial bubble in stocks or real estate that ended the last two expansions.

Economists have voiced concerns that Trump administration trade disputes with other countries, and tit-for-tat tariffs pose another risk to the economic outlook over the next 12 months. U.S. tariffs on imports from China, in particular, could push up prices for a wide range of consumer goods.

For most households, however, that issue isn't registering yet.

Nike Inc. on Tuesday reported a 10% rise in sales during the three months ended Aug. 31, the latest evidence of strong consumer confidence. (See related article on page B3.)

"We are kind of in a little bit of a Goldilocks moment in the economy. I think things are really strong for the consumer," said David Jaffe, chief executive of Ascena Retail Group Inc., during an earnings call Monday.

The company, a women's clothing retailer with brands like Dressbarn and Ann Taylor, reported its first positive quarter of overall comparable-stores sales growth in more than three years on Monday.

"The tariffs, while it's not going to impact apparel very much, haven't really hit yet. We've seen unemployment go down. What we're seeing, I think, is maybe a little bit of a rebound due to a lack of shopping for apparel over the last couple of years," Mr. Jaffe said.

—Khadeeja Safdar contributed to this article.

GOP Seeks Kavanaugh Vote Friday

Continued from Page One
negotiations for Thursday's hearing showed progress.

Mr. Trump is frustrated by the delay in the vote, a White House official said Tuesday. The president spoke with the Senate majority leader over the weekend, with Mr. McConnell explaining he had to accommodate certain senators who wanted to ensure that Dr. Ford gets a hearing, the official said.

It wasn't clear if Republicans have the 50 votes needed to confirm Judge Kavanaugh. Republicans have a 51-49 majority in the Senate. To prevail, they can afford no more than one defection, assuming all Democratic caucus members oppose the nomination. If they lose one vote, they could then have Vice President Mike Pence break a tie.

"I am not going to speculate on where I am. Our meetings certainly went well. He certainly has the credentials," Sen. Susan Collins (R., Maine) said Tuesday. "But we now have a serious allegation made and I look forward to the hearing on Thursday."

Earlier Tuesday, the White House said it was open to congressional testimony from a second woman, who has accused Judge Kavanaugh of sexual aggression when he was a college student. There was no indication Senate Republicans would go along with that as a Thursday hearing set to include Dr. Ford and Judge Kavanaugh approached.

"We would be open to that, and that process could take place on Thursday," White House spokeswoman Sarah Sanders said on ABC's "Good Morning America," when asked whether the president wanted to hear from Deborah Ramirez, a Yale University classmate of the nominee.

Ms. Ramirez's attorney, John Clune, told CNN on Tuesday that he was in contact



Sen. Susan Collins (R, Maine), above right, and other senators have been told by Sen. Mitch McConnell to be available this weekend.

Woman Is Hired To Do Questioning

WASHINGTON—Republicans on the Senate Judiciary Committee have hired Rachel Mitchell, an Arizona-based sex-crimes prosecutor, to question Supreme Court nominee Brett Kavanaugh and the woman accusing him of sexual assault.

wrote on Twitter Tuesday morning, "Perhaps Brett Kavanaugh was a virgin for many years after high school. But he claimed otherwise in a conversation with me during our freshman year in Lawrence Hall at Yale, in the living room of my suite."

Mr. Kantrowitz said via email Tuesday that he posted the tweet because of the importance of "honest and integrity" in serving as a justice,

Committee Chairman Chuck Grassley (R., Iowa) said Ms. Mitchell is taking a leave from her position as deputy county attorney in the Maricopa County Attorney's Office in Phoenix. She served as the division chief of the Special Victims Division, which covers sex crimes and family-violence crimes. She has been a prosecutor since 1993.

Mr. Grassley said in a state-

ment that Ms. Mitchell was selected for her legal experience and objectivity and that by having one person question Christine Blasey Ford and Judge Kavanaugh it would depoliticize the process. Republican lawmakers also sought to hire a woman to do the questioning so the 11 men on the Judiciary Committee didn't ask a woman about a deeply personal experience.

—Natalie Andrews

and he remembered the conversation because it was surprising. Kerri Kupec, a White House spokeswoman, said Judge Kavanaugh spoke "honestly and forthrightly" in the Fox interview.

"The press has been carrying Democrats' and Dr. Ford's narrative," a White House official said Tuesday. "They haven't carried forward the clarity of the judge's denials. We thought having him on TV and

presenting that to the country was important. That was the goal and that was what he accomplished."

After viewing the interview, people close to Judge Kavanaugh's nomination are recommending he show more feistiness in the hearing on Thursday and they have made that point to him.

—Vivian Salama, Andrew Duehren and Jess Bravin contributed to this article.

CALIFORNIA

Crack in Beam Closes New Transit Center

A newly opened \$2.26 billion transit center in the heart of San Francisco's trendy South of Market neighborhood was shut down Tuesday after engineers determined a steel beam in the structure was cracked.

The closing of the Salesforce Transit Center comes after cost overruns and delays had hampered the project. It had opened publicly Aug. 11. The center is named after the software company Salesforce, which bought the naming rights of the terminal last year and has its headquarters about five blocks away.

Mark Zabaneh, executive director of the Transbay Joint Powers Authority, which oversees the terminal, said engineers would be inspecting the structure Tuesday night to see if any other part of the building was affected. The building was

closed out of "an abundance of caution," Mr. Zabaneh said.

—Alejandro Lazo

NEW MEXICO

Former Priest Jailed Pending Abuse Trial

A former priest, who fled the U.S. decades ago amid allegations of child sex abuse, appeared in U.S. District Court on Tuesday and a federal magistrate decided to keep the 80-year-old behind bars pending trial.

Defense Attorney Samuel Winder argued that Arthur Perrault wasn't a flight risk since he had no passport, no family and no means of leaving the country.

Prosecutors described him as a danger to the community.

Mr. Perrault was extradited to New Mexico last week from Morocco in connection with sexual-abuse cases that are said to have taken place between 1991 and 1992 at Kirt-

land Air Force Base and Santa Fe National Cemetery.

He has been charged in a federal indictment with seven counts of aggravated sexual abuse and abusive sexual contact.

Mr. Perrault pleaded not guilty in his first court appearance Friday.

Court documents filed late last week said victims described Mr. Perrault showering them with gifts and meals before abusing them.

—Associated Press

MARYLAND

Ex-NSA Employee Sentenced to Prison

A former National Security Agency employee has been sentenced to 5½ years in prison for taking top secret U.S. defense materials back to his Maryland home.

Nghia Hoang Pho of Ellicott City, Md., had earlier pleaded guilty to willful retention of national defense information.

At his Tuesday sentencing, Mr. Pho said he took copies of U.S. government documents and writings containing national defense information so that he could work from home.

Mr. Pho was born in Vietnam and is a naturalized U.S. citizen. He worked as a developer in the National Security Agency's Tailored Access Operations unit, which is involved in cyber operations.

The charges carried a maximum sentence of 10 years.

—Associated Press

MICHIGAN

Former Rep. Dingell Is Out of Hospital

Former Rep. John Dingell was released from a Detroit-area hospital Tuesday, eight days after suffering a heart attack.

The 92-year-old Democrat served in Congress for nearly 60 years, the longest in history.

—Associated Press

is available at WSJ.com/Corrections.

In the Dividend Changes table in Saturday's edition, Mobile TeleSystems ADR's dividend yield of 1.8% was incorrectly given as 17.5%. In addition, the semiannual dividend notation was omitted.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

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U.S. NEWS

Rosenstein Could Stay On

President Trump is considering keeping No. 2 Justice official on the job, advisers say

BY MICHAEL C. BENDER
AND SADIE GURMAN

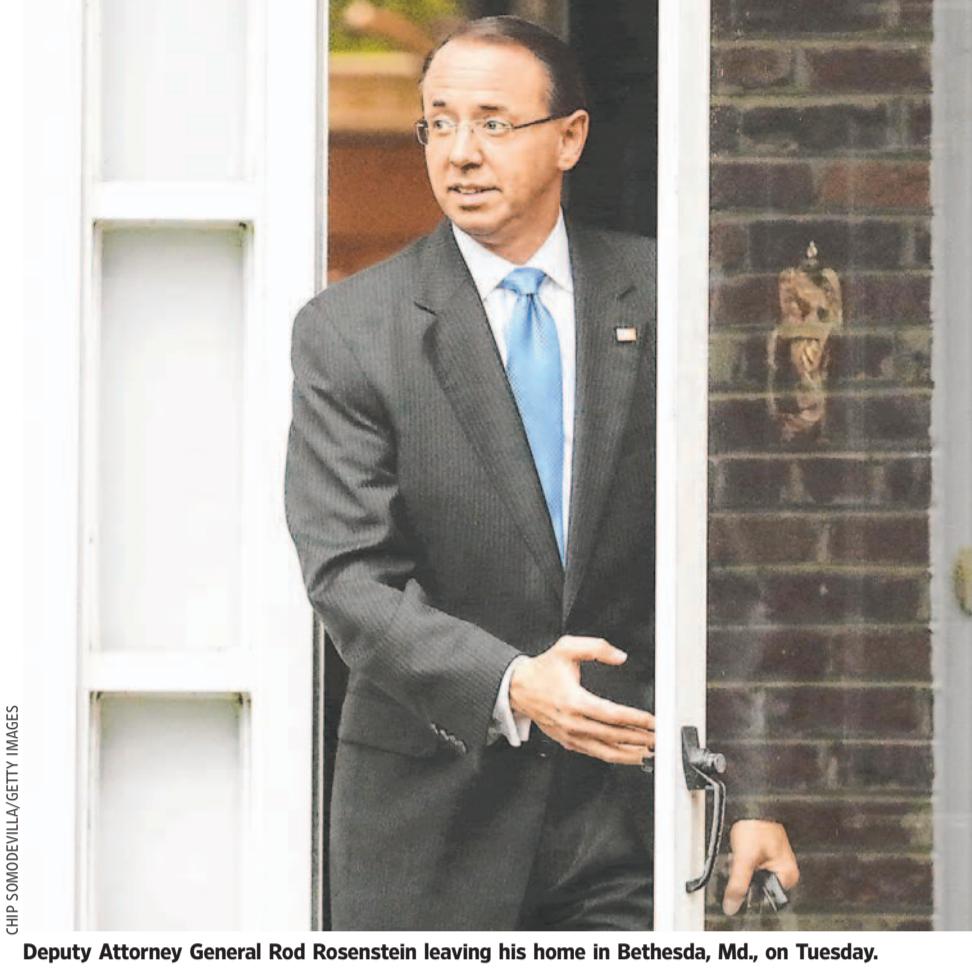
WASHINGTON—President Trump told advisers he is open to keeping Deputy Attorney General Rod Rosenstein on the job, and allies of the No. 2 Justice Department official said Tuesday he has given them the impression he doesn't plan to quit.

That raised at least the possibility that a roller coaster of a week could end with no major shake-up in the top ranks of the Justice Department, even as White House and Justice officials cautioned that it was impossible to know for sure what Mr. Trump would do. Mr. Rosenstein oversees special counsel Robert Mueller's investigation into Russian meddling in the 2016 election and any links to Trump campaign officials. Mr. Trump has dismissed the probe as "a witch hunt."

The president has told advisers that he wants to hear directly from Mr. Rosenstein about reports that he discussed secretly recording the president and recruiting cabinet members to remove him from office, according to people who have spoken to the president. That meeting is scheduled for Thursday afternoon.

The president's willingness to hear out Mr. Rosenstein signaled to advisers that he harbors doubts about whether the top official in fact sought to have him ousted from the Oval Office, these people said. The issue arose after the New York Times reported that Mr. Rosenstein floated the idea in early 2017, something he has strongly denied.

Republicans in the House were preparing a subpoena for memos allegedly detailing Mr. Rosenstein's comments on surreptitiously recording the president, according to a person familiar with the matter.



Deputy Attorney General Rod Rosenstein leaving his home in Bethesda, Md., on Tuesday.

CHIP SOMODEVILLA/GETTY IMAGES

Mr. Rosenstein has been a target of the president's ire as part of his disdain for Mr. Mueller's investigation, but those tensions eased in recent months, White House officials said. According to people familiar with the matter, aides have counseled the president that Mr. Rosenstein is cut from a different cloth than James Comey or Andrew McCabe, two former FBI officials who have been sharply criticized by Mr. Trump.

"The president is genuinely conflicted," said one person who has spoken to the president. "He's got an open mind about whether Rod really tried to orchestrate this."

The should-he-stay-or-should-he-go speculation over Mr. Rosenstein has gripped Washington because of the implications of ousting the man overseeing the Mueller probe.

White House officials said Thursday's meeting between the two men could focus on terms of a resignation, which they said Mr. Rosenstein offered to White House chief of staff John Kelly last week. During a meeting with Mr. Kelly on Monday, Mr. Rosenstein said he wanted to speak with the president about why he would step down and discuss how his exit would be publicly described, according to people familiar with the matter.

People close to Mr. Rosenstein took issue with this depiction of Thursday's agenda, however. And as Mr. Rosenstein talked to White House officials over the weekend about his possible departure, he spoke to friends who came away with the impression he had no immediate plans to step down.

White House officials said there was a real possibility that the president would decide to keep Mr. Rosenstein in his job after the meeting. "We're ready for any and all possibilities," one official said.

The Justice Department declined to comment Tuesday on what Mr. Rosenstein planned to tell Mr. Trump at the meeting.

Rudy Giuliani, a lawyer for Mr. Trump, said regardless of whether Mr. Rosenstein stays in his job, the Mueller probe should be paused and examined "in the interest of fairness."

"I'm not sure they should get rid of him," Mr. Giuliani said of Mr. Rosenstein. "But I do think they should take a serious look at whether he should be the decision maker." Among other factors, he said, Mr. Rosenstein was a witness in the investigation, given his role in the president's May 2017 decision to fire Mr. Comey as FBI director.

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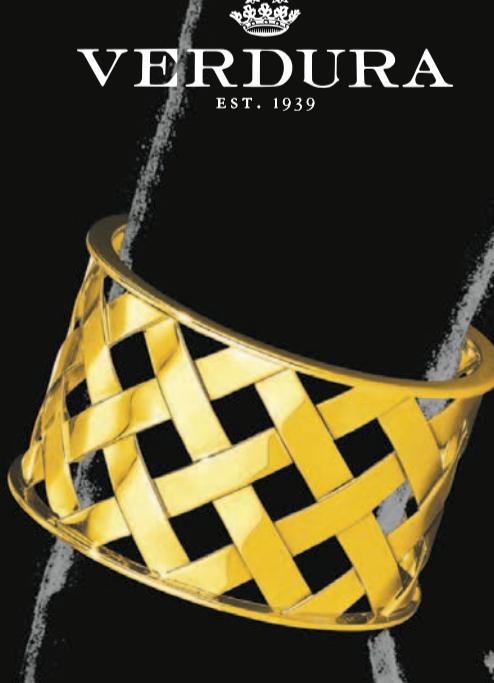
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A judge denied a request from Bill Cosby's lawyers to keep him free on bail pending an appeal. Below, Andrea Constand after the sentencing.

Cosby Gets 3 to 10 Years in Prison

BY KRIS MAHER

A Pennsylvania judge sentenced Bill Cosby to three to 10 years in state prison for aggravated indecent assault in the only criminal case to emerge from dozens of allegations against the comedian in recent years.

He was convicted in April of drugging and molesting former Temple University administrator Andrea Constand in his suburban Philadelphia home in 2004.

Before the sentencing on Tuesday, Judge Steven O'Neill classified Mr. Cosby as a "sexually violent predator."

With that designation, the 81-year-old entertainer will have to undergo lifetime counseling and will be listed on a sex-offender registry.

Mr. Cosby, who has said he is legally blind, has maintained his innocence and said that he had a romantic relationship with Ms. Constand.

Judge O'Neill denied Mr. Cosby's lawyers' request that their client remain free on bail pending an appeal. Instead, Mr. Cosby, who has been a powerful world-wide celebrity



for decades, will soon occupy a prison cell.

He handed over his watch and other belongings in the courtroom before being led away in handcuffs.

"Finally Bill Cosby has been unmasked, and we have seen the real man as he's headed off to prison," said Montgomery County District Attorney Kevin Steele.

Andrew Wyatt, a spokesman for Mr. Cosby, said the prosecution was racially biased and alleged that prosecutors used a doctored audio recording of Mr. Cosby at trial.

"Mr. Cosby has clearly been denied his right to a fair trial," Mr. Wyatt said.

The former star of "The Cosby Show" and other television series is the first celebrity convicted since a wave of sexual-misconduct allegations against powerful men emerged last year, ushering in the #MeToo movement.

Mr. Cosby's first trial on the charges in 2017 ended in a hung jury and mistrial.

At the retrial in Montgomery County Court, prosecutors portrayed him as a serial predator. They said he used

his fame to win the trust of young women before drugging and assaulting them.

Ms. Constand testified the comedian gave her wine and pills that incapacitated her and then groped her. Prosecutors called five other women to testify in a bid to support Ms. Constand by indicating a pattern of behavior by Mr. Cosby. The other women's allegations against him were too old to prosecute.

At the first trial, only one additional accuser testified. Legal experts said Mr. Cosby's attorneys will likely argue on appeal that the judge erred by allowing more accusers to speak at the retrial.

Ms. Constand's five-page victim impact statement was released Tuesday before the sentencing. "Bill Cosby took my beautiful, healthy, young spirit & crushed it," she wrote. "He robbed me of my health & vitality, my open nature, and my trust in myself & others."

More than 60 women have accused Mr. Cosby of sexual misconduct that goes back decades. He has denied the allegations, nearly all of which are outside the statute of limitations.

U.S. NEWS

States Weigh Joint Big Tech Probes

By JOHN D. MCKINNON
AND CAMERON MCWHIRTER

WASHINGTON—State officials expressed concerns about technology giants' market dominance and user-privacy practices at a meeting hosted by U.S. Attorney General Jeff Sessions, with some indicating Tuesday that they would be open to pursuing joint investigations of companies such as Google and Facebook Inc.

One attendee, Republican Attorney General Doug Peterson of Nebraska, said officials would look at the possibility of a formal multistate investigation of major tech platforms, focusing on both consumer-protection issues such as privacy and potential antitrust concerns.

"There's certainly enough interest expressed by the attorneys general who were there today, and I think [we] will continue to move forward," Mr. Peterson said in an interview.

Google and Facebook declined to comment.

Tech giants have faced growing calls for oversight amid bipartisan worries about the companies' size and influence. Any moves by the states would open another regulatory battlefield.

In the meeting, much of the focus from officials was on the large amounts of personal data tech companies collect from their users, and the adequacy and transparency of their terms of use. Some officials also wanted to take a closer look at the market power of firms such as Facebook and Google, a unit of Alphabet Inc. A third issue, potential political bias by major platforms, got relatively little attention in the meeting, participants said.

The Justice Department said the discussion focused on consumer protection and data privacy issues, and that many of the participants "shared the view that it is essential for federal and state law enforcement authorities to work to-



District of Columbia Attorney General Karl Racine, right, says officials likely will focus on data concerns.

Twitter to Ban Some Toxic Content

Twitter Inc. is planning to expand its rules to no longer allow content that treats others as subhuman in its latest attempt to replace toxic speech on the platform with healthier discourse.

The new policy will home in on "dehumanizing" speech because "language that makes someone less than human can have repercussions off the service, including normalizing seri-

ous violence," Twitter executives wrote in a blog post on Tuesday. The new rule would ban content that "dehumanizes others based on their membership in an identifiable group, even when the material does not include a direct target."

Unlike previous rule changes, the company is asking the public for feedback on this proposed rule before making the change official, such as how it would play out in different communities and cultures.

For years, Twitter has been criticized for hosting vitriolic content on its platform. The

company has amended its rules over time, but gaps in those rules and uneven enforcement policies have allowed some potentially offensive language to persist. The new policy aims to target some of that trouble-some content.

Dehumanizing language can include content that compares "groups to animals and viruses" or "reducing groups to their genitalia," according to Tuesday's blog post.

A Twitter spokeswoman declined to comment beyond the blog post.

—Yoree Koh

gether to ensure that these challenges are addressed responsibly and effectively."

The Justice Department said it would review the information shared by the state attorneys general and "expects this dialogue will continue in the near future," although no future federal-state meetings were announced. In all, nine states' attorneys general attended the meeting in person

or by phone, along with representatives of five other states.

State participants stopped short of saying a joint federal-state investigation would commence, but several state attorneys general said the issues deserve more attention.

"There are growing concerns that the [tech] sector is moving in spaces that most people couldn't have thought of or imagined," particularly in use of

way deal would bring strong opposition from Republican and Democratic lawmakers.

The U.S. Chamber of Commerce, Business Roundtable and National Association of Manufacturers last week sent a letter to Mr. Lighthizer asking for Nafta's trilateral architecture to be preserved.

It would likely take the Trump administration well into next year to win such approval from Congress—if it is able to do so at all. As such, many observers consider Mr. Lighthizer's warnings as part of the administration's efforts to take a tough negotiating position ahead of the end-of-the-month deadline, and that a deal without Canada is unrealistic.

"Don't assume that just because they miss this deadline that they'll stop the negotiations with the Canadians," said Myron Brilliant, the head of international relations at the Chamber of Commerce who interviewed Mr. Lighthizer on Tuesday. "A bilateral between Mexico and Canada is not likely to win over the business community or Congress; that's going to be problematic for the administration."

Indeed, Mr. Lighthizer seemed to nod to this possibility on Tuesday. "If Canada comes along later, then that's what will happen," he said.

Canada seems in little hurry to bend to U.S. pressure, perhaps because Canadian consumers are a significant export

market for particularly U.S. agricultural goods. Canadian buyers in 2017 purchased \$20.6 billion of food and farm products from U.S. producers, according to the U.S. Department of Agriculture. Beef cattle cross the U.S.-Canada border in both directions, with Canadian imports of U.S.-raised beef cattle hitting a 10-year high in 2017.

Dropping Canada from a new Nafta would face opposition from businesses.

"We know that Canada's interests are what we have to stand up for, and we will," Canadian Prime Minister Justin Trudeau said Tuesday morning at an event in New York, adding that it is possible to build upon the deal that the U.S. and Mexico cut. A spokesman for Canadian Foreign Minister Chrystia Freeland said the country "will only sign a good deal. Our focus is the substance, not timelines."

President Trump campaigned for office on a promise to renegotiate Nafta, claiming it hurt American workers by sending jobs across borders. While his administration cut a deal to redo the U.S.-Mexican portion of the treaty, such a deal with Can-

ada has been elusive, and tensions have remained high with Mr. Trump using Twitter to attack Mr. Trudeau in June following the Group of Seven summit in Quebec.

Politics are complicating the talks, and Canada's second-most populous province of Quebec faces elections on Oct. 1, right around the deadline. Some people following the talks say Mr. Trudeau may be reluctant to make major concessions to the U.S., especially on dairy trade, ahead of that vote.

On the U.S. side, midterm elections are a reason for the Trump administration to reach a three-way Nafta deal he can present as a win for Republicans, officials and congressional aides say. Meanwhile, if Democrats take over one or both chambers of Congress, it could weigh on efforts for Mr. Trump to win passage of a new Nafta.

Another complicating factor is the tariffs Mr. Trump imposed on imported steel and aluminum on national-security grounds, as well as a threat to place duties on cars and auto-part imports. Mr. Lighthizer said Mexico and Canada want to be excluded from any auto-industry tariffs, but he said negotiations on lifting the metals duties would come in the next stage of trade talks, following the new Nafta deal.

—Paul Vieira in Ottawa, Chester Dawson in Detroit, and Jacob Bunge in Chicago contributed to this article.

Contract For Fetal Tissue Is Dropped

By STEPHANIE ARMOUR AND THOMAS M. BURTON

The Trump administration has canceled a contract to obtain fetal tissue for research and says it will review all federal studies using fetal tissue, a move long desired by anti-abortion groups, who nonetheless said Tuesday the move didn't go far enough.

The action rekindles a longstanding and emotional debate over the use of fetal tissue in research. Conservative evangelical voters, who are among the GOP's strongest supporters, strongly oppose the use of such tissue when it comes from abortions.

Research groups, however, say the use of fetal tissue is vital to medical advances because it has qualities that adult tissue doesn't have.

The debate over abortion, they add, should be kept separate from the question of whether such tissue should be used.

Some conservatives say most such tissue comes from abortions, which they consider an immoral procedure, making the research itself immoral. A group of conservatives asked Health and Human Services Secretary Alex Azar in September to end the federal association with providers of fetal tissue.

They raised concerns in particular over a \$16,000 Food and Drug Administration contract with Advanced Biosciences Resources, a tissue-procurement company. HHS issued a statement this week saying the agency had canceled the contract. The tissue was to be implanted into mice to create a human-like immune system.

HHS said it "was not sufficiently assured that the contract included the appropriate protections applicable to tissue research or met all procurement requirements."

The agency also said it would audit all acquisitions involving fetal tissue and would review all such research, as well as scrutinize whether adequate alternatives exist to the use of human fetal tissue in HHS-funded research.

Some anti-abortion groups said the step was insufficient. "Unfortunately, HHS's response does very little to alleviate the outrage," Susan B. Anthony List, an anti-abortion group, said.

The organization called on Mr. Azar to issue an immediate moratorium on funding for fetal-tissue research procured from abortions.

Science groups said the decision had been made for political reasons rather than sound scientific ones.

"I'm concerned that they're politicizing science," said Andrew A. Rosenberg, director of the Center for Science and Democracy at the Union of Concerned Scientists. "What's good science, if it fully complies with the law, is not a question."

Anti-abortion groups have long sought an end to all federal acquisition and research involving fetal tissue from abortions.

They have renewed their push in recent months, as President Trump's Republican Party heads into a tough congressional election with religious conservatives as some of its strongest backers.

The issue polarized lawmakers in 2015 after an anti-abortion group released undercover videos showing Planned Parenthood Federation of America officials discussing tissue obtained from abortions for use in medical research.

Women sometimes donate fetal tissue for medical research after miscarriages, or embryonic tissue after in vitro fertilization procedures.

The tissue is valued in part because it contains healthy early-stage cells that could potentially function in ways that older cells no longer can.

Other possible alternatives to fetal tissue include adult skin cells that can be reprogrammed to take on embryo-like qualities.

U.S. Warns Canada on Nafta Talks

Continued from Page One

ada rely heavily on trade with neighboring Canadian provinces, and the treaty has allowed automobile makers and other industries to create supply chains that span the continent.

A bilateral trade deal would disrupt those supply chains and raise the possibility of an eventual price increase for U.S. car buyers, because of the tar-

iffs that would be imposed on Canadian-made cars and auto parts. About 1.8 million cars sold in the U.S. were built in Canada last year, according to LMC Automotive. Car makers, such as General Motors Co. and Fiat Chrysler Automobiles NV, would be among the hardest hit by any import duty because they manufacture popular vehicles in Canada that are then shipped to the U.S.

Dropping Canada from a new Nafta would face opposition from businesses and their allies in Congress, which must ratify any renegotiated treaty before it can take effect. Big business groups and labor unions want Canada to stay in the trade agreement, so a two-

way deal would bring strong opposition from Republican and Democratic lawmakers.

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U.S. Trade Representative Robert Lighthizer criticized Canada for a lack of concessions.

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U.S. NEWS

IRS Faces Criticism Over Move to Deny Corporate Refunds

By RICHARD RUBIN

WASHINGTON—That sick-in-the-stomach taxpayer feeling—waiting for an IRS refund that doesn't come—is hitting corporate America.

Multinational companies, backed by the Chamber of Commerce, accountants and an in-house critic at the Internal Revenue Service, say the government is incorrectly denying them refunds on their 2017 tax returns.

The IRS, in a decision announced earlier this year, said it would apply those corporate refunds to future installments of a new one-time tax on past foreign profits. Under the tax bill passed by Congress last year, companies get eight interest-free years to pay that tax on accumulated foreign profits. Because they have time to pay that bill, many executives argue that the IRS shouldn't assign this year's refund to that purpose.

At least tens of millions of dollars are caught up in the dispute, though there is no government or private data available on the stakes.

"We're hearing it from companies of all sizes," said Jonathan Horn, a senior manager and tax specialist at the American Institute of Certified Public Accountants. "They're losing the benefit that was intended."

The IRS signaled it would take the step in April, then began denying refunds and released a legal memorandum upholding the decision in August. Companies have been pressing the IRS and Treasury Department to reverse the decision, but so far, the government hasn't budged.

Normally, U.S. corporations pay their taxes quarterly, estimating what they owe and settling up by the time they file their returns. They some-

times overpay by millions of dollars to avoid penalties and interest. They also can overpay if profits deteriorate toward the end of the year or if they lower their taxes in ways they hadn't planned.

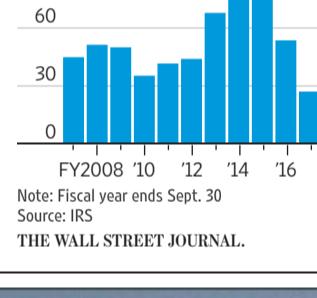
Because of the new tax law, 2017 was unusual. On top of regular taxes, multinational companies—and individuals who own foreign businesses—had to pay a one-time tax on profits they accumulated abroad under the previous tax system. That tax is 15.5% on cash and other liquid assets and 8% on everything else including the value of factories and other hard assets.

To avoid hitting companies with a single large tax bill, Congress gave them eight years to pay. Those payments are backloaded, so companies owe only 8% of their totals for each of the first five years.

Because the one-time tax is technically part of the 2017 tax liability, the IRS determined that overpayments from 2017 can't be refunded or applied to 2018 taxes for companies that owe the new levy. Instead, the government is applying that money toward future installments of the one-time tax.

Payback

Business income-tax refunds



THE WALL STREET JOURNAL.

Home-Price Gains Slowed in July

By LAURA KUSISTO

Home-price gains slowed for the fourth straight month in July, as higher mortgage rates begin acting as a brake on rapid price growth, offering some respite for buyers.

The S&P CoreLogic Case-Shiller National Home Price Index, which measures average home prices in major metropolitan areas across the nation, rose 6% in July compared with a year earlier, down from a 6.2% year-over-year increase in June.

Price gains accelerated for most of the past two years, growing significantly faster than both incomes and inflation. But in recent months price growth has begun to taper, as interest rates have risen and inventory in some markets has been growing.

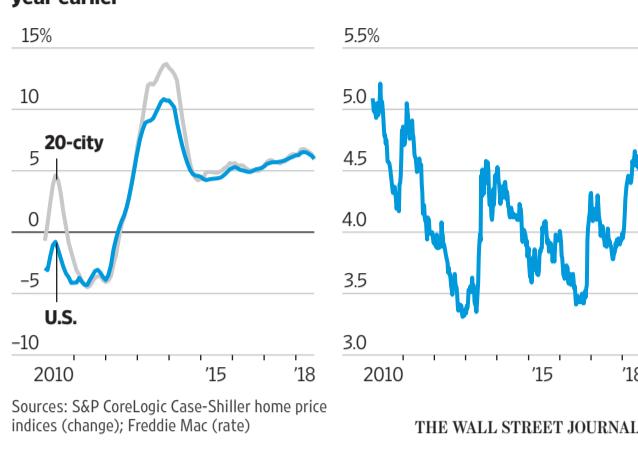
"The slowing in the market is widespread," said David Blitz, managing director at S&P Dow Jones Indices.

The Case-Shiller 10-city index gained 5.5% over the year, down from 6% in June. The

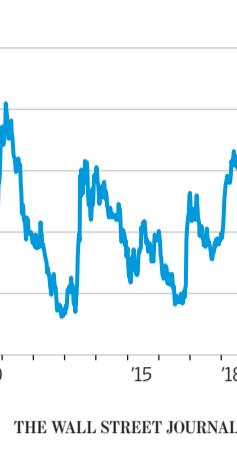
Damping Effect

The rise in home prices has been tempered somewhat by higher mortgage rates.

Case-Shiller National Home Price Index, change from a year earlier



30-year fixed mortgage rates, weekly



tle, which dropped to second place in recent months, saw prices grow 12.1% in the year ended in July. Buoyed by a strong tech economy, San Francisco's already high home prices grew 10.8% in July from a year earlier.

More than five years of rapidly rising prices, combined with higher mortgage rates are making homes less affordable. Rates have climbed back near the seven-year high they hit in May, with rates for a 30-year mortgage averaging 4.65% last week, Freddie Mac said Thursday.

A paper released by the Federal Housing Finance Agency shows a drop in the affordability index, which measures the share of homes that households can afford with a typical down payment. A household making the median income could afford 62% of homes on the market in the second quarter, down from 64% in the prior quarter and the three-decade high of 79% of homes in late 2012.

More Flooding Expected in South Carolina

By JON KAMP

Parts of South Carolina continued to deal with severe flooding Tuesday while bracing for more to come, 11 days after Hurricane Florence made landfall.

The slow-moving storm dumped trillions of gallons of rain across the Carolinas, and the water continued to make its way down swollen rivers back to the ocean. Though North Carolina took the heaviest hit from the deadly storm, some of the most flooded rivers there drain through the northeastern part of South Carolina.

Many roads around the region remained closed Tuesday, and children stayed home as authorities prepared to use schools as shelters.

The Waccamaw River in Conway, S.C., a city of about 23,000

people, was projected to crest at a record level on Wednesday, according to the National Weather Service. The water levels were expected to top the peaks set by Hurricanes Matthew and Floyd by 3 to 4 feet, the weather service said.

Downstream in coastal Georgetown County, S.C., officials urged residents in vulnerable areas to evacuate while bracing for waters to crest on Thursday or Friday. This included areas along the Intracoastal Waterway, Waccamaw and Pee Dee rivers, and places that could become isolated by deteriorating road conditions, the county said.

"You need to prepare to leave if you live in these areas," Georgetown County Administrator Sel Hemingway said during a news conference.

The storm has taken at least 46 lives in the Carolinas and

Virginia, authorities said. North Carolina alone has seen 36 storm-related fatalities, according to a recent state tally.

In Conway, authorities posted a video on Facebook on Tuesday from a boat ride down a swollen waterway that showed homes and parking

Children stayed home Tuesday as authorities prepared to use schools as shelters.

lots swallowed by floodwaters.

The school district in Horry County, where Conway is located, said it needed to keep schools closed all week. In Georgetown County, schools were closed until further notice

due to the impending flooding.

In North Carolina, authorities are assessing water conditions on the Cape Fear River after rising waters there submerged a coal-ash basin near a Duke Energy Corp. power plant.

Burning coal creates ash that can contain arsenic, selenium, lead and mercury. Duke said another waste product called cenospheres—lightweight, hollow beads of alumina and silica—did get into the river. A Duke spokeswoman said the company can't rule out that a small amount of ash might have also gotten into the river but that water-quality tests the company commissioned show the flooding incident at the plant hasn't harmed the river.

The state is waiting for results from its own water-quality tests.

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WORLD NEWS

Lawmakers Reject Key Merkel Ally

German chancellor's 'right-hand man' in parliament goes down as her authority ebbs

By BOJAN PANCEVSKI
AND ANDREA THOMAS

BERLIN—Angela Merkel's grip on power took a severe blow Tuesday when her party's lawmakers ousted a close ally of the German chancellor as their parliamentary leader and replaced him with a candidate she had refused to endorse.

The affront—Ms. Merkel's protégé had been the conservatives' parliamentary floor leader for all 13 years of her successive terms—is the latest and most telling sign of the erosion in the chancellor's authority since she delivered her party's worst performance in seven decades at last year's general election.

Volker Kauder, who was voted out as leader of Ms. Merkel's conservative bloc in parliament, had been a key instrument of the chancellor's rule. Appointed a day before she first became chancellor in 2005, he was responsible for marshaling majorities ahead of important legislative votes and defusing rebellions among conservative lawmakers, including over the bailouts of Greece during the eurozone crisis and the chancellor's open-door refugee policy of 2015-16.

As the chancellor shifted toward the center after her first successful election, abolishing compulsory military service, accelerating a phase-out of nuclear power, lowering retirement age for some workers and paving the way for same-sex marriages, Mr. Kauder was the man to keep her troops in line.

"Merkel's power basis is melting away and she is severely weakened," said Thorsten Benner, director of the Global Public Policy Institute, a leading Berlin-based political



German Chancellor Angela Merkel on Tuesday lost the floor leader who helped marshal parliamentary majorities for her since 2005.

think tank. "Legislators clearly no longer want to be silent supporters of Merkel's agenda and they have decided to end the consensus."

Since the chancellor's controversial decision to open Germany's borders in 2015 resulted in over 1.5 million asylum seekers entering the country, Ms. Merkel has faced mounting criticism from within her own conservative alliance, largely mirroring a steady erosion of its poll numbers.

The decline, and the gains scored by the nationalist Alternative for Germany, have unnerved conservative grassroots members of Ms. Merkel's bloc. Tuesday's vote showed

that unease has percolated up to the parliamentary group. An Emnid poll released on Sunday put support for the bloc at 28%, down from the 32.9% it scored at the election a year ago—the party's worst result since 1949.

Minutes before Tuesday's vote, Ms. Merkel held an impassioned speech urging conservative lawmakers to support Mr. Kauder, who had never faced a rival in the annual vote. "We must send a signal, that we are able to keep governing in a stable manner," she said.

Rejecting the plea, a majority of representatives cast their vote for Ralph Brinkhaus,

Mr. Kauder's low-key rival. Mr. Brinkhaus isn't a member of the small group of conservative lawmakers who have been outspoken critics of Ms. Merkel. But he decided to proceed with his candidacy even after failing to win her endorsement, banking on support from the conservative wing that had become frustrated with her gradual drift toward the center-left.

"This is the hour of democracy—and that includes moments of defeat, and there is no reason to pretend otherwise," Ms. Merkel said after the vote.

Having lost Mr. Kauder, often referred to by the media as the chancellor's "right-hand

man," Ms. Merkel is likely to find it harder to get support from her conservative bloc for parliament compromises demanded by her left-leaning coalition partner, the Social Democrats. Mr. Brinkhaus, a strong critic of French President Emmanuel Macron's efforts to enlist Germany's support for a common fiscal policy to shore up the euro, could also complicate any effort by the chancellor to make compromises to strengthen the European Union.

"This means more power for parliament and a new impulse for legislators," Mr. Brenner said. "This coalition is unlikely to ever govern in peace."

Sweden's Parliament Votes Out Leader

By DOMINIC CHOPPING

STOCKHOLM — Sweden's parliament moved to oust Prime Minister Stefan Löfven in a vote of confidence Tuesday, deepening the nation's political uncertainty in the aftermath of an inconclusive election.

Of parliament's 349 members, 204 voted against Mr. Löfven remaining in his position. He will lead a transitional government until a new one can be formed, but that process could take months.

The vote was a direct consequence of the Sept. 9 election, in which no single party secured a clear majority and Mr. Löfven's Social Democrats lost support amid a surge in popularity for the nationalist Sweden Democrats.

That rise is the latest example of how the growing prominence of anti-immigration groups has shaken up the region's political order in recent years. Europe's political landscape is now more fractured than ever, with many countries having struggled to form stable governments able to make bold policy choices.

Sweden—an affluent and politically stable nation, known for its consensual politics and generous welfare state—is now entering uncharted territory.

The Sweden Democrats' swell in support—securing 62 seats in the election—means it will play a pivotal role in the nation's political outlook, but all of the other parties have refused to collaborate with it.

Unless an unlikely grand coalition of the left and right is forged, support from the Sweden Democrats would be needed to form a government.

—Bojan Pancevski contributed to this article.



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WORLD NEWS

Trump Defends Hard-Line Trade Policies

U.S. doubles down on adversarial tone, as world leaders reject unilateral approach

BY VIVIAN SALAMA

UNITED NATIONS—President Trump criticized international organizations and alliances as unaccountable and defended his administration's hard-line trade policies, urging fellow world leaders to chart their own paths toward sovereignty.

Mr. Trump, speaking Tuesday to the United Nations General Assembly, offered a more subdued, but equally adversarial performance to his first U.N. address last year, saying that he won't entertain trade deals that aren't fair and reciprocal, and don't stand to benefit the American people.

"We will not allow our workers to be victimized, our companies to be cheated, and our wealth to be plundered and transferred," he said. "America will never apologize for protecting our citizens."

Since his last appearance here, Mr. Trump has revised several global pacts and severed others. His unconventional attitude toward international treaties and multilateral alliances has rattled many countries, provoking questions on how a globalized world can cope with a protectionist U.S.

A stream of world leaders who spoke after Mr. Trump drew a contrast with the U.S. leader's vision.

Iranian President Hassan Rouhani, whose government Mr. Trump attacked repeatedly



Mr. Trump, waiting to speak Tuesday to the U.N. General Assembly, found himself at odds with both adversaries like Iran and allies like France.

JENNIFER MOON/BLOOMBERG NEWS

during his speech, said the Islamic Republic was a peaceful nation committed to its international obligations, while the U.S. has disregarded global norms and used its power to bully others.

"The question of international security is not a toy in the hands of the U.S. administration. The U.N. is not in the hands of the U.S. administration," Mr. Rouhani said.

He lashed out against Mr. Trump's decision this year to

withdraw the U.S. from a 2015 international nuclear pact and said new American sanctions on Iran amounted to "economic terrorism."

Mr. Trump broadly outlined his efforts to crack down on Iran to both deny the country nuclear weapons and curb its adversarial power in the region.

"Iran's leaders plunder the nation's resources to enrich themselves and spread mayhem in the Middle East and far beyond," Mr. Trump said.

"The Iranian people are rightly outraged."

But European leaders have stood against Mr. Trump's approach on Iran. On Monday, as the U.S. leader met with French President Emmanuel Macron and other world leaders, the European Union said it would establish a special payment channel to allow companies to legally make financial transactions with Iran while avoiding exposure to U.S. sanctions.

Mr. Macron, in his speech, denounced the rise of nationalist forces that he said had plunged the system of international cooperation into crisis. He warned of a "certain nationalism we're seeing today, brandishing sovereignty as a way of attacking others."

He defended a host of multilateral agreements—including the Paris climate agreement, which Mr. Trump also withdrew from—as forms of cooperation that ensured

world peace.

In an apparent reference to the U.S., he criticized the rise of trade disputes that he said would lead to isolationism and greater inequality. "The law of the strongest will only exacerbate tensions and violence," Mr. Macron said.

Turkish President Recep Tayyip Erdogan said that "some countries are persistently trying to create chaos," an apparent reference to the tariffs and sanctions the U.S. imposed on Turkey this year.

The Turkish leader said his country favored free trade. "Every regression will have negative repercussions for generations," Mr. Erdogan said. "Trade wars have harmed humanity in every age."

Mexican President Enrique Peña Nieto countered many of Mr. Trump's views on international relations.

"Today on the international stage, we see trends we thought we had overcome, which in the past were shown to be against development," Mr. Peña Nieto said, citing "the return to protectionist trade policies and the questioning and erosion of multilateralism."

Mr. Trump arrived late for his speech, prompting organizers to reorder the addresses. Moments into his speech, Mr. Trump was met with an eruption of laughter from the General Assembly hall when he said his administration had "accomplished more than almost any administration in the history of our country."

Looking around the room, Mr. Trump said, "I didn't expect that reaction." He added, "But that's OK," a line that was met with applause.

Europe's Proposal to Salvage Iran Deal Faces Limits

The European Union's announcement that it would establish a special payments channel to maintain economic ties with Iran sent a clear message to Tehran and Washington: Europe is intent on trying to save the 2015 nuclear deal.

By Farnaz Fassihi
at the United Nations
and Laurence Norman
in Brussels

The special-payment channel is intended to bolster those in Iran arguing Tehran should keep honoring the deal's terms. Iranian officials have been warning for months they would follow the Trump administration in quitting the pact if the economic benefits of the 2015 deal stop flowing.

Under the agreement announced Monday by EU foreign-policy chief Federica Mogherini, the bloc agreed with other parties to the 2015

nuclear deal that it would set up a legal entity "to facilitate legitimate financial transactions with Iran and this will allow European companies to continue trade with Iran."

The special purpose vehicle would be open to all other countries to participate, including Russia and China, who helped negotiate the accord.

The mechanism will complicate Washington's efforts to isolate Tehran diplomatically, a campaign that U.S. hopes to press home at this week's United Nations meetings.

Yet most sanctions experts said Tuesday that it would do little to blunt U.S. economic pressure on the Iranian regime and wouldn't prevent European companies abandoning Iranian oil imports, underscoring the constraints the EU faces in trying to stop the U.S. from sinking the deal.

For now, details on how the mechanism would work are scanty. A European Commiss-



Iranian President Hassan Rouhani arrived at the U.N. General Assembly on Tuesday in New York.

ion spokesman said Tuesday that there was neither a fixed launch date nor details on how it would work. Technical discussions will continue in coming days.

European officials have been looking for months at ways to blunt the impact of U.S. sanctions, which are being reimposed in two stages after

Mr. Trump's May decision to leave the deal. Washington gave countries six months to begin unwinding oil imports. Mr. Trump called again at the U.N. on Tuesday for countries to substantially reduce their purchases of Iranian oil.

"We are not backing down [on the Iran nuclear agreement]," said a European diplo-

mat. He said the speeches of European leaders at a Security Council meeting Mr. Trump is hosting on Wednesday on non-proliferation, including Iran, will reflect the Monday statement.

Secretary of State Mike Pompeo criticized the move to set up a special payments channel, addressing the issue

at a meeting Tuesday on the sidelines of the General Assembly that was devoted to a review of Iran's weapons programs and support for regional militant movements.

"I was disturbed, and indeed, deeply disappointed," Mr. Pompeo said.

Large European companies have been flocking out of Iran's market and ending contracts despite the promises of European officials that they were working on solutions.

The risk of losing access to the \$20 trillion U.S. economy and being cut off from the Western financial system was too great. Iran's economy, in turn, has stumbled as the U.S. sanctions have been phased in, with the currency dropping almost daily against the U.S. dollar.

The establishment of a euro-denominated payments system is aimed at allowing companies to send and receive money from Iran.

U.S. Sanctions Venezuelan Officials

BY SAMUEL RUBENFELD
AND KEJAL VYAS

The U.S. and several South American countries on Tuesday sharpened their stance toward Venezuela's government, with Washington imposing sanctions on the country's first lady and three top officials as the country's neighbors ready a push for an international investigation into its alleged crimes against humanity.

President Trump called the situation in Venezuela—where hyperinflation, spreading hunger and the government's growing authoritarianism are forcing millions to flee—a "human tragedy" during his speech before the United Nations General Assembly. He urged other countries to join in ratcheting up pressure against a "repressive regime."

Mr. Trump's comments followed new legislation from a bipartisan group of senators that would grant more \$50 million toward efforts to restore democracy in Venezuela, most of it for humanitarian assistance. The proposal would also expand sanctions on Venezuelan government officials, codify U.S. measures targeting Venezuela's oil-backed cryptocurrency and require the U.S. State Department to encourage Latin American governments to establish their own sanctions programs.

President Nicolás Maduro, who last week said he

wouldn't attend the U.N. summit because he feared for his life, dismissed the new round of sanctions, calling them part of a Washington-led conspiracy to destabilize his leftist administration.

"I'm surrounded by sanctioned people," Mr. Maduro said in a televised address. "Thank you, Donald Trump, for surrounding me with so much dignity."

In remarks to reporters following his speech, Mr. Trump didn't rule out a military option against the Maduro administration. While declining to answer questions on whether any military plan existed, he said: "It's a regime that, frankly, could be toppled very quickly by the military, if the military decides to do that."

Mr. Trump also referred to

members of the Venezuelan armed forces seen on video running last month from a military parade where Mr. Maduro survived a purported assassination attempt using drones packed with bombs.

"That military was running for cover," he said. "That's not good. I don't think the Marines would have run."

Tuesday's actions against Venezuela reflect how concerned and frustrated countries are with the government in Caracas, said José Miguel Vivanco, Americas director for the New York-based advocacy group Human Rights Watch. "All of this is very revealing of the political isolation of the government of Maduro and their lack of legitimacy," he said.

The U.S. on Tuesday added Cilia Flores, Mr. Maduro's wife,

to its list of sanctioned individuals, as well as Vice President Delcy Rodríguez; Jorge Rodríguez, the communications minister; and Vladimir Padrino, the defense minister.

The U.S. also identified a Gulfstream private jet in Florida as blocked property, saying the aircraft was bought for \$20 million in 2008 by a blacklisted frontman of a top Maduro ally, also under U.S. sanctions, through a hidden ownership network. The U.S. on Tuesday also put that ownership network on its sanctions list.

The sanctions freeze the targets' American assets, and U.S. persons and companies are barred from engaging in transactions with them. Foreign financial institutions also generally abide by U.S. sanctions, further squeezing the U.S. targets.

Argentina, Chile, Colombia, Paraguay and Peru are preparing a petition requesting that The Hague-based International Criminal Court—best known for prosecuting dozens of African rights violators including Libyan Col. Moammar Gadhafi and Congolese warlords—investigate the Venezuelan government, according to people familiar with the matter. It would be the first such effort by signatory nations to initiate action against another ICC signatory, Mr. Vivanco said. The ICC didn't respond to requests to comment.

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WORLD NEWS

Manila Arrests Critic of Duterte

BY JAKE MAXWELL WATTS

Philippines police arrested the most prominent critic of President Rodrigo Duterte, capping a three-week showdown that has tested the limits of Mr. Duterte's power and thrown into question the country's judicial independence.

Antonio Trillanes IV, a serving senator, was arrested Tuesday inside the Senate building, where he had been holed up since Mr. Duterte voided an amnesty and ordered the police and military to arrest him. The amnesty had been granted by a previous president for the senator's role in a failed military uprising when he was a navy lieutenant.

Opponents of Mr. Duterte say that he has strong-armed the country's institutions into silencing Mr. Trillanes, singling him out from among more than 300 people granted amnesty after the 2003 revolt and another incident in which Mr. Trillanes and others occupied a luxury hotel.

The government says it respects the rule of law and that the amnesty was voided because there was no evidence that Mr. Trillanes had properly applied for it eight years ago. A court on Tuesday agreed, issuing an arrest warrant on the basis that Mr. Trillanes's amnesty application couldn't be found.

"The court has spoken," presidential spokesman Harry Roque said in a statement. He called for Mr. Trillanes to address his defense to the courts to "allow the legal process to take its course."

Mr. Duterte, 73 years old, has employed an authoritarian style since assuming the presidency in 2016, notably with a bloody campaign against drug crime. He has distanced the Philippines from its traditional ally Washington, warming to China instead.



Antonio Trillanes IV posting bail on Tuesday. Mr. Trillanes is the second serving senator and Duterte critic to face prison time.



A Marine Corps pilot flying a Lockheed Martin F-35B stealth fighter prepared to land on the USS Wasp off Okinawa in March.

China Bars U.S. Navy Ship

BY NANCY A. YOUSSEF
AND GORDON LUBOLD

WASHINGTON—The Chinese government denied a U.S. Navy ship permission for a port visit to Hong Kong in October, U.S. military officials said, a decision issued as Beijing also canceled a high-level naval meeting in the U.S.

The rebuffs come as tensions build between the two countries over a range of military and economic differences.

Last week, the State Department imposed sanctions on a Chinese military agency for buying Russia's SU-35 combat aircraft and S-400 surface-to-air missile system, leading China to formally complain to the U.S. ambassador and acting defense attaché.

Also last week, the Trump administration announced plans to impose a 10% tariff on \$200 billion of Chinese goods, which China immediately countered by announcing tariffs on \$60 billion of U.S. goods. Both sets of tariffs took effect on Monday.

Chinese officials this week refused to grant permission for the amphibious assault ship USS Wasp to make a port visit to Hong Kong, U.S. officials said. Beijing also abruptly recalled Vice Adm. Shen Jinlong during a visit to the U.S.

Adm. Shen had been attending the International Seapower Symposium, a gathering of global navy officials, at the Naval War College in Newport, R.I. He was on his way to Washington to meet with his U.S. counterpart, Chief of Naval Operations Adm. John Richardson, at the Pentagon on Monday, but

Beijing Aims to Fix Australia Relations

CANBERRA, Australia—China has offered to repair strained trade and diplomatic ties with U.S. ally Australia, now under new leadership.

Beijing hopes relations can "return to a healthy development track," Chinese Foreign Minister Wang Yi said after meeting his Australian counterpart, Marise Payne, on the sidelines of the United Nations General Assembly.

Under former Prime Minister Malcolm Turnbull—ousted in August by Scott Morrison, giving Australia its sixth leader in a decade—tensions between Australia and China, its largest export market, heightened last year. The flashpoints included

that visit was canceled.

"We were informed that Vice Adm. Shen Jinlong has been recalled to China and won't conduct a visit with Adm. Richardson. We have no additional information at this time," said Army Lt. Col. David Eastburn, a Pentagon spokesman. Chinese officials acknowledged through an embassy representative in Washington that the dialogue had been halted.

China's ministry of defense said on its website that Beijing would immediately recall Vice Adm. Shen and postpone the second meeting of a communication mechanism for the joint staff departments of China

sures," the ministry quoted Gen. Huang as saying.

The Australian government passed laws to counter interference by China and other countries in Australian politics, university campuses and media. Canberra, Mr. Turnbull declared, was prepared to stand up to Beijing.

After meeting Ms. Payne, Mr. Wang said the countries' common interests outweigh diplomatic and security differences. Two-way trade between the two countries last year was valued at about \$132 billion, nearly three times the value of Australia-U.S. trade and about a quarter of Australia's total.

The olive branch is being extended as a trade dispute between Washington and Beijing worsens.

—Rob Taylor

and the U.S., scheduled for Sept. 25-27 in Beijing.

The ministry quoted Maj. Gen. Huang Xueping, deputy head of the Central Military Commission Office for International Military Cooperation, as saying China's military cooperation with Russia complied with international law.

Gen. Huang called the U.S. sanctions a "blatant violation of basic norms of international relations" and "a stark show of hegemony," the ministry said.

"China demands the U.S. side immediately correct its mistake and withdraw the sanctions, and the Chinese military reserves the right to take further countermea-

asures," the ministry quoted Gen. Huang as saying.

In its response to the Russia-related sanctions, the Chinese government also said it had summoned the U.S. ambassador to China, Terry Branstad, and the acting defense attaché, David Menser, on Saturday to protest.

Chinese officials didn't offer an explanation for refusing the port visit, one U.S. official said.

"We have a long track record of successful port visits to Hong Kong, and we expect that will continue," the State Department said in a statement. "We refer you to the Chinese Government for further information."

Beijing approves ship visits on a case-by-case basis, Geng Shuang, a Chinese government spokesman, said on Tuesday.

The U.S. military often heralds its relationship with other militaries around the world as immune to the political ups and downs between nations. But the denial of a request by a Navy ship to make a port visit to Hong Kong and the recall of the Navy official could presage a new chill to the U.S.-China military relationship.

These incidents followed the Pentagon's decision in May to disinvite China from a major Pacific exercise over Beijing's refusal to discontinue military activities on islands it claims in the South China Sea.

Also in May, the U.S. complained to Beijing after a series of laser incidents directed against American air crews near a base in Djibouti, where Chinese personnel operate.

—Jeremy Page in Beijing contributed to this article.

WORLD WATCH

BREXIT

Labour Party Opens Door to Second Vote

The U.K.'s main opposition Labour Party opened the door on Tuesday for a second referendum that could reverse Brexit if talks with the European Union collapse.

Labour members ratified a proposal for the party to consider a second referendum if talks with the EU fail—or if Parliament rejects the settlement Prime Minister Theresa May is negotiating.

Labour's Brexit spokesman, Keir Starmer, said Labour would likely vote against the Brexit deal Mrs. May is trying to reach. Mr. Starmer said if there is no subsequent general election following a defeat, the Labour proposal would pave the way for the party to campaign for a second referendum on the Brexit terms. He said "options must include campaigning for a public vote, and nobody is ruling out remain as an option."

With six months to go until the U.K. is set to quit the EU, some analysts say the lack of an exit deal could create economic chaos.

—Max Colchester

ARGENTINA

Central-Bank Chief Quits Amid Upheaval

Argentine central-bank President Luis Caputo resigned less than four months into his post as the government struggles to contain economic turmoil and social unrest while it renegotiates a bailout with the International Monetary Fund.

Mr. Caputo on Tuesday cited personal reasons for his departure amid reports of disputes with the IMF over Argentina's



CLOSING IN: A forest fire burning near the Italian city of Pisa on Tuesday. Officials said the fire, in which arson is suspected, has forced at least 700 people from their homes.

exchange-rate policy.

He will be succeeded by Guido Sandleris, a top Finance Ministry official who has a Ph.D. from Columbia University specializing in finance, macroeconomics and the international economy. Mr. Sandleris had previously taught at Torcuato di Tella University in Buenos Aires and was a visiting researcher at the Federal Reserve Bank of Minneapolis and the IMF.

Mr. Caputo's unexpected resignation comes as President Mauricio Macri is facing a growing backlash at home amid a

sharp economic contraction and double-digit inflation. On Tuesday, union workers held a strike opposing the government's plans to cut public spending as analysts say the economy is heading for a recession after gross domestic product contracted 4.2% in the second quarter.

The Argentine currency weakened about 2.7% after the announcement of Mr. Caputo's departure. The peso, which had shed about half of its value in the year through Aug. 31, had been relatively stable in recent weeks.

—Jeffrey T. Lewis

MEXICO

'Common Crimes' Increased in 2017

The level of "common crime" in Mexico increased in 2017 from the previous year, the National Statistics Institute said Tuesday.

The nationwide survey conducted at more than 102,000 homes serves to estimate the number of crimes such as kidnappings, muggings, theft and assault.

There were 33.6 million crimes committed in 2017, or 39,369 per

100,000 inhabitants, up from 31.1 million, or 37,017 per 100,000 inhabitants, in 2016. The number of victims age 18 or older rose to 25.4 million from 24.2 million.

The year was the second consecutive in which crime rose, although the rate was below that of 2014. The survey doesn't include the drug trade or migrant trafficking, nor homicides, which last year reached their highest level in decades and have continued rising in 2018.

Crime rates and public perception of insecurity have been "depressingly stable," said Alejandro Hope, a security analyst

and former Mexican intelligence officer. "If you look at the numbers going back to 2010, there isn't much variation in nearly a decade of data."

"The ocean of crimes is much bigger than what we report," Mr. Hope said. "It's systemic. The government changes, and the situation doesn't vary much."

The cost of rising crime to households was an estimated \$15.8 billion last year, equivalent to 1.7% of gross domestic product, according to the survey, up from 1.1% of GDP in 2016.

—Anthony Harrup

GABRIEL MASIERO/EPA/SHUTTERSTOCK

FROM PAGE ONE

Facial Recognition Goes Awry

Continued from Page One
phone to face on the pillow. Men who shave their beards say their phones suddenly treat them like a passing stranger.

"It's a big decision to shave your beard. You're emotionally attached to it, and next thing you know, your phone doesn't recognize you," said Mason Estep, a 25-year-old entrepreneur whose iPhone refused to unlock when he looked at it after shaving his thick, dark beard in July. "It was an existential crisis."

Josh Engroff, 49, discovered a hairy issue when his barber shook up his hairstyle last summer, shortening the sides and reversing his part to sweep from right to the left. Friends and family complimented his

new look, but his Face ID refused to unlock his iPhone for three straight days, forcing him to resort to using his passcode.

"So maybe my haircut wasn't so good after all," said Mr. Engroff, who finally reset the system to account for his new look.

Kelly Coon, 40, a young-adult novelist outside Tampa, Fla., began to reassess how much makeup she uses after her Microsoft Surface didn't recognize her without mascara, eyeliner and lipstick. "I definitely slap some paint on the old barn door, but I wouldn't say it's a ridiculous amount. Or at least, I didn't think it was," she said.

Facial-recognition technology, which generally takes just minutes to set up, is now available on more than 20 smartphone models world-wide, according to research firm IHS Markit. After introducing Face ID last year on the iPhone X, Apple released two new iPhones with the system last week; another is due out next month.

The technology led Toronto-area plastic surgeon Philip Solo-



Mason Estep's phone didn't recognize him after he shaved his beard.

mon to devote a page on his website to the crucial question: "Will getting facial plastic surgery alter the facial recognition of the iPhone X?" Those who get Botox, neck lifts or chin implants likely needn't worry, the page says. Those contemplating eyelid surgery, cheek implants or fat transfers to the face may

need to take more drastic measures.

"The people we've done nose jobs for have gone back and done a reset," said Dr. Solomon.

Windows Hello aims to balance security with usability, said Dave Bossio, a Microsoft program manager. An algorithm uses the infrared camera on lap-

tops and other devices to create a mathematical model based on facial "landmarks" like the eyes, nose and mouth. Makeup, glasses, beards, lighting and other factors can affect the system, and widening the range of acceptability too much creates a security risk, he said.

To avoid the makeup problem, Apple's engineers designed a camera system that projects 30,000 infrared dots across a user's face to create a 3-D model stored on the phone, according to people familiar with the project. Apple said the chances the iPhone X could be unlocked by a random person's face are one in a million. (The probabilities change for family members such as twins or other siblings.) That compares with one in 50,000 for Touch ID, the fingerprint sensor used by previous iPhone models.

Shortly after the iPhone X was released last November, makeup artist James Charles took to his YouTube channel to test how much makeup he needed to apply before his

phone no longer recognized him. He contoured his cheeks, glued on huge "drag lashes," applied blue lipstick and donned a Marilyn-Monroe-style wig. His iPhone X continued to recognize him throughout the process.

"I really thought [I] was going to have Apple quaking as soon as I got to the nose contour," he said.

Torri Lovett of Bushnell, Fla., successfully unlocked her mother's new iPhone X with her own face late last year—upending the way she saw herself.

Most of her life, friends and family told the 20-year-old photographer that she looked like her father. The iPhone revelation validated what people, including her mother, had been saying more recently: You're starting to look like your mom.

Her mother found it funny, said Ms. Lovett. "She had gotten annoyed that all her kids looked like my dad. She was like, 'I told you that you look like me,'" Ms. Lovett said. "It was so cool. My mom's beautiful and hardly ages."

Greenlining Institute, another anti-redlining organization, Mr. Otting said groups opposing the merger couldn't expect any donations from the bank, Greenlining's director says. The group sent a public letter to then-Federal Reserve chief Janet Yellen and other top Fed officials urging them to "investigate and verify Mr. Otting's threat." Mr. Otting declined to comment.

Ms. Gonzalez's group met with OneWest. CRC wanted the bank to commit more than 25% of its California deposits to CRA loans, investments and grants, or about \$3.6 billion annually. It eventually cut its request to around 20% of deposits—in line with what some other banks planning mergers had committed after discussions with CRC.

Mr. Otting told the activists there was no way the bank could commit that much. OneWest executives felt they couldn't ramp up lending volume that quickly. With no deal in sight, CRC decided to fight.

It led a group of protesters to the bank's headquarters. CRC and other groups started petitions against the merger that got more than 22,000 signatures. Regulators started asking questions about the activists' allegations.

Mr. Otting set up a website for people to send a form letter to bank regulators supporting the merger. About 2,100 were sent, including one from Mr. Otting's mother.

CRC pushed regulators for a public hearing. A few weeks before it was held, the banks released a new plan promising to make \$5 billion in CRA loans, investments and grants at the combined bank over four years. It was less than what the activists wanted.

Regulators eventually approved the merger on the condition the bank submit a revised CRA plan that gave more detail about how the merged operation would provide the \$5 billion in funding over four years.

Later, when President Trump nominated Messrs. Mnuchin and Otting to their government positions, CRC protested.

After Mr. Mnuchin became Treasury secretary, his staff started drafting a report to set the Trump administration's agenda for bank regulation. It initially focused on rolling back parts of the 2010 Dodd-Frank Act, people familiar with the matter say.

Mr. Mnuchin instructed staff to add a section on updating CRA rules, these people say. A later Treasury report on CRA ordered up by Mr. Mnuchin suggested changes that, among other things, could strip community groups of their leverage around deals.

Community groups and banks alike want the CRA updated, but they disagree on what the changes should be.

In public remarks and in the August document that formally began the rule-change process, Mr. Otting has outlined plans for standardized CRA scores.

They would be reported regularly like other metrics, such as loans and deposits. If the scores are above a certain level, banks would be considered compliant.

That could deprive community groups leverage to extract concessions.

The OCC also floated ideas for expanding the activities that qualify for CRA credit and changing the geographic scope of the tests. Such changes could transform the way banks make loans, investments and donations in lower-income areas.

Battle Brews Over Bank Rules

Continued from Page One
nity groups looking to force banks to commit even more funds to poorer areas. Banks grumbled, but they usually paid up, sometimes giving money to the community groups themselves. Messrs. Mnuchin and Otting were the rare bankers to fight back.

Community groups agree the regulations need to be updated, but worry changes could mean lower-income borrowers would have less access to loans and banking services. Ms. Gonzalez, executive director of the California Reinvestment Coalition, says the plans are driven by the two officials' personal experience.

"It's very much done through the lens of two bankers who came out of California and a battle with communities in which they always put their needs last," she says.

Bankers view the CRA as outdated and overly subjective, and support the proposed revamp, which is expected to include changes to many aspects of the rules. Mr. Otting cites his personal experience in his drive to change the law and says that will help him develop changes that make the rules work "better, both for banks and those nonprofits."

'Difficult period'

"I went through a very difficult period with some community groups that didn't support our community, who came in at the bottom of the ninth inning, that tried to change the direction of our merger," he said at a banking conference in April. "And so I have very strong viewpoints."

Part of their plan, Mr. Otting said earlier this year, would make it harder for community groups to "pole vault in and hold [bankers] hostage" when deals are up for regulatory approval.

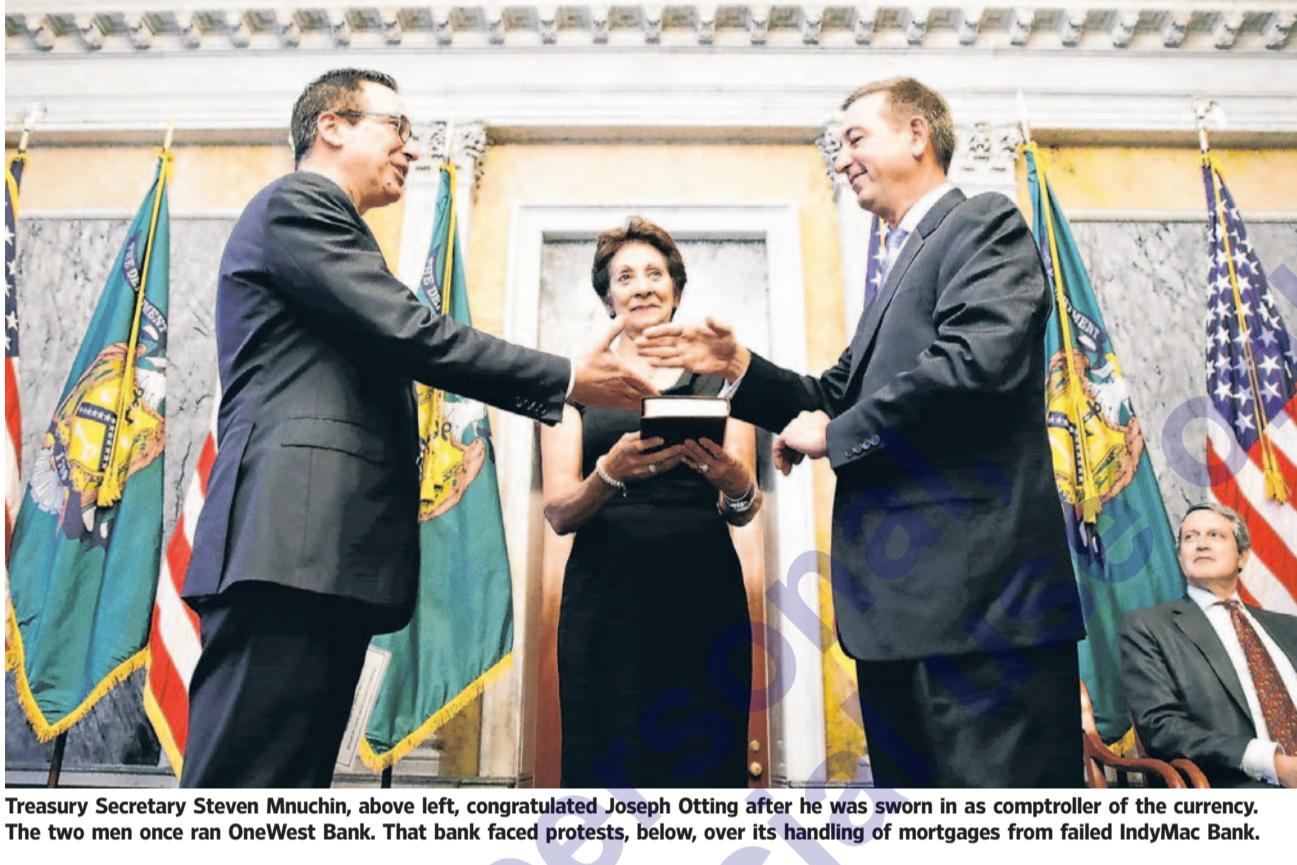
At a congressional hearing in July, Mr. Mnuchin said his time running a bank motivated him to revise CRA rules. He said the effort wasn't "about weakening CRA in any way," but about "making it more effective for communities."

The changes being outlined by Messrs. Mnuchin and Otting have both sides girding for battle.

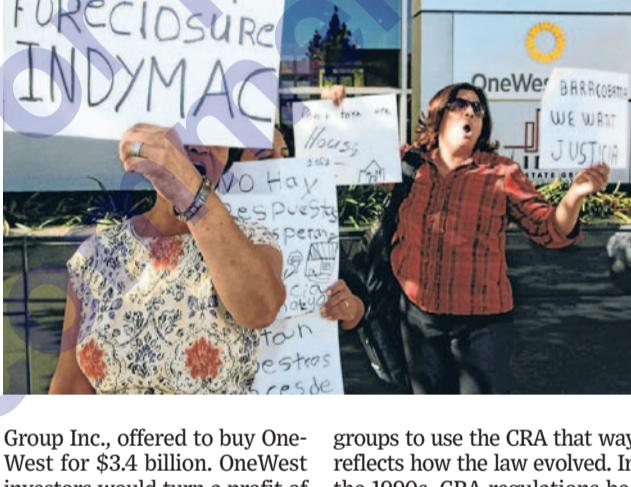
Late last month, Mr. Otting, who runs the Office of the Comptroller of the Currency, started the process of changing the rules on his own without fellow regulators the Federal Reserve or Federal Deposit Insurance Corp. It is unusual for one regulator to alter CRA rules unilaterally, although the Fed and FDIC could join the OCC effort at a later date.

Regulators conducting CRA exams evaluate dozens of variables, including the percentage of mortgages a bank makes to lower-income borrowers—those earning less than 80% of the area's median income—whether it invests in affordable-housing vehicles and if it has branches in poorer neighborhoods. Each exam results in a final grade ranging from "substantial non-compliance" to "outstanding."

Banks developed methods for fulfilling huge CRA promises and ticking the boxes on the law's requirements. They



FROM TOP: ALEX BRANDON/ASSOCIATED PRESS; DAMIAN DOVARGANE/ASSOCIATED PRESS



Group Inc., offered to buy OneWest for \$3.4 billion. OneWest investors would turn a profit of more than \$3 billion, including dividends.

That's when Ms. Gonzalez and the California Reinvestment Coalition, or CRC, got involved. In a recent interview, Ms. Gonzalez said she viewed the pending merger as an opportunity to get the bank to give more to poor Californians.

OneWest thought it was doing enough. Mr. Otting met with local religious leaders and groups representing minorities.

The bank also opened its checkbook. In a 2012 CRA evaluation, regulators said OneWest committed \$1.4 million to Los Angeles-area groups providing affordable housing and other services. OneWest received a grade of "satisfactory."

CRC, one of the most prominent of the groups that negotiate around bank mergers, said OneWest was spending less money on CRA than peers.

The ability of community

groups to use the CRA that way reflects how the law evolved. In the 1990s, CRA regulations became tougher, requiring the extensive, public exam with an overall grade. A bad grade effectively prohibits mergers.

Around that time, a rollback of laws prohibiting banking across state lines led to a wave of mergers, making good CRA grades especially important.

Each deal needed regulatory approval. Community groups had clout, and it became the norm for banks to negotiate with them in exchange for support for deals—or at least dropping noisy opposition.

Since 1977, banks have made about \$6 trillion in CRA commitments, according to the National Community Reinvestment Coalition, an umbrella organization.

Most of the money promised in the agreements is for profitable loans and investments, generally benefiting lower-income people or areas.

Regulators require the loans to

Community Lending

As mortgage lending by U.S. banks has declined, many loans still go to low- and moderate-income borrowers.

- Mortgages to low- and moderate-income borrowers
- Other mortgages

8 million mortgages



Note: Mortgages by depository institutions with \$10 billion in assets or more, including some large credit unions.

Source: LendingPatterns.com

THE WALL STREET JOURNAL.

be low-risk, but they wouldn't necessarily all be made otherwise.

According to a 2000 study from the Harvard Joint Center for Housing Studies, growth of loans to lower-income communities would be 20% lower if it weren't for CRA. Donations are often a part of the agreements, though generally a small one.

Sometimes, the agreements can lead to money going to groups connected to the organizations who lobbied for them.

In August 2014, for instance, when Banc of California Inc. wanted to buy 20 Popular Community Bank branches, CRC got the acquirer to commit 20% of deposits to CRA activities. That included a \$500,000 investment in NeighborWorks Orange County, a CRC member. CRC says it is up to banks to decide where to put their CRA funds.

Merger Commitments

Many large bank deals have come with sizable financial commitments under the Community Reinvestment Act.

YEAR	MERGER	COMMITMENT	PERIOD
2012	Capital One/ING Direct	\$180 Billion	10 years
2015	CIT/OneWest	\$5B	4 years
2015	Royal Bank of Canada/City National	\$11B	5 years
2016	Huntington/FirstMerit	\$16B	5 years
2017	CIBC/PrivateBancorp	\$3B	3 years

Source: the banks

THE WALL STREET JOURNAL.

OneWest and CIT realized early on that their merger—one of the largest since the crisis—could run into CRA problems. They invited groups including CRC to an event in California to discuss the deal.

OneWest executives gave PowerPoint presentations on the bank's mortgage modifications. They didn't make any specific CRA commitments for the combined bank.

In the following weeks, the bankers held more meetings.

At one meeting with the

GREATER NEW YORK

Advocates Push to Protect Playgrounds

More than 260 green spaces aren't official parks and vulnerable to developments

BY KATIE HONAN

Zebadiah Nelson spends nearly every afternoon at the Marx Brothers Playground in Manhattan's East Harlem, practicing baseball and football with his friends.

It is one of the few open spaces near Renaissance Charter High School for Innovation, which the 17-year-old senior attends. The 1.4-acre playground—with its spacious baseball and soccer fields—has been around since 1947, but if the city and a developer get their way, it will become part of a 700-foot residential tower.

"I'd hate to see it go," Mr. Nelson said. "There's not much else around here. With the park, we have another place that we can always go."

While Mr. Nelson and others who enjoy Marx Brothers Playground consider it a park, it technically isn't. The playground and more than 260 other green spaces in the city are known as "jointly operated playgrounds." These playgrounds don't have state designation as official parks and, in turn, don't enjoy the state protections against develop-



The Marx Brothers Playground on East 96th Street in Manhattan is in litigation about whether a development project can proceed.

ment that official parks do.

In 2017, the city announced a plan for a large residential tower with about 1,000 apartments, including more than 300 affordable units, on an entire block in East Harlem. Part of that development would be on the current Marx Brothers Playground site.

The city plan has met with opposition from neighbors and park-advocacy groups. They say the city has no right to build private developments on these open spaces and have filed a lawsuit to stop the plan. Oral arguments in the case are set for December.

The park advocates also

have raised concerns that city officials—who are eager to build more affordable apartments to alleviate a housing crisis—could identify other jointly operated playgrounds as sites for future developments.

"It's no surprise that the city is looking for creative ways to expand on some of the

more important uses and needs in the city," said Lynn Kelly, executive director of New Yorkers for Parks. "We support wanting and needing housing and additional school seats, but it shouldn't be at the expense of scarce and critical open space."

Ms. Kelly testified last week at a New York City Council

hearing about the use of jointly operated playgrounds and urged lawmakers to protect them from development.

The developer, AvalonBay Communities Inc., couldn't be reached for comment. But it previously has said it is working with elected officials and the community to improve East Harlem and a new playground to replace Marx Brothers.

Mayor Bill de Blasio said at an unrelated news conference that the city should use some playgrounds to create new school classrooms or other development projects, so long as the community gets public space. "We want to keep the same recreation opportunities for the community," he said.

Jointly operated playgrounds were first built in the 1940s, usually next to schools on land owned by the city Department of Education. There currently are 263 across the city; Brooklyn has the most, with 86, while Queens has 82.

Councilman Barry Grodenchik, chairman of the council's parks committee, said after the hearing on the playgrounds that the city is looking for ways to protect them from further development.

Elizabeth Goldstein, the president of the Municipal Art Society, said removing even one playground "highlights the actual vulnerability of these places across the city."

Fewer Affordable Units Since 2005

BY KATIE HONAN

New York City has lost more than 1 million affordable apartments since 2005, leaving working-class residents with fewer options as rents continue to rise, according to a report released Tuesday by New York City Comptroller Scott Stringer.

During the past 12 years, the city's rental market has shifted from lower-cost units to middle-class and luxury apartments—with the number of residences renting for more than \$2,700 a month increasing by 238,000, according to the report.

At the same time, the city lost more than 1 million apartments that rent for \$900 or less, according to the

showed that the city added about 76,000 new rental units to the housing stock between 2005 and 2017.

During that same time, the city lost more than 88,000 rent-stabilized apartments, the report said. These residences, which generally are considered affordable units, have their rents regulated by state law.

The report said the biggest cause of the loss of these units was high-rent vacancy deregulation, a state law which allows an unoccupied rent-stabilized apartment to become market rate when the rent reaches a certain threshold, mostly recently \$2,734.

John H. Banks—the president of the Real Estate Board of New York, a real-estate-industry trade group—noted that there was a net increase in the number of rent-regulated apartments in the city in 2017.

He also pointed out the steady decline in the quality of public housing under the New York City Housing Authority, which has been a longstanding provider of affordable apartments.

NYCHA is under a federal monitor following an investigation by U.S. prosecutors into significant health and safety violations at its public-housing developments.

Mr. Banks warned that changes to current rent regulations "will send New York City's private sector multifamily rental housing down the same road as NYCHA" in terms of apartment quality.

Mr. Stringer and advocacy group Upstate/Downstate Housing Alliance said the state needs to eliminate vacancy decontrol.

"We can't let the entrance fee to the city become a luxury condo, or we will stop being the city we know and love," the comptroller said.

Mr. Stringer's report also

88K

Rent-stabilized apartments the city lost between 2005 and 2017

comptroller's office.

"Our city is losing low-rent apartments every day, and it's putting whole communities at risk," Mr. Stringer said in a statement.

The report, which analyzed data from the Housing Vacancy Survey done by the U.S. Census Bureau on behalf of the city, is an update to his 2014 report on the city's growing affordable housing problems.

The rise of empty apartments also increased, the report found. These units—which could be deemed "unavailable" because they are under renovation, or are being held for occasional, seasonal, or recreational use—increased by 51%, from 164,467 in 2011 to 247,977 in 2017.

Mr. Stringer's report also

Councilman Seeks Queens DA Job

BY CORINNE RAMEY

New York City Councilman Rory Lancman said Wednesday he is running for Queens district attorney, raising the possibility the borough's longtime top prosecutor may face a significant challenge for the first time in nearly three decades.

Mr. Lancman, a Democrat who represents parts of Queens, is the first candidate to announce a bid for next year's election for the post. The incumbent, Democrat Richard Brown, said in a statement he would "make no decision about the future until sometime next year."

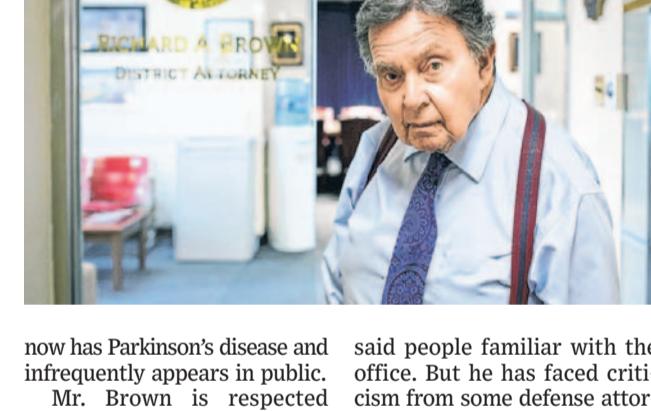
In an interview and campaign video, Mr. Lancman positioned himself as a left-leaning reformer, saying he would decline to prosecute turnstile-jumping and low-level marijuana offenses. If he is elected, he said, prosecutors wouldn't ask for cash bail, and the office would start a conviction-review unit.

"For years, I've had a front-row seat to a criminal-justice system that is dysfunctional, discriminatory and unaccountable," said Mr. Lancman, who is 49 years old and previously chaired the City Council's courts and legal services committee. He said he would push for "radical" changes in Queens.

Mr. Brown, an 85-year-old former judge who has held his post since 1991, is the city's longest-serving district attorney. While he was once known for showing up at crime scenes, he



Rory Lancman, above, is the first to announce a bid for the Queens district attorney post. Queens District Attorney Richard Brown, below, says he hasn't decided whether to seek re-election.



now has Parkinson's disease and infrequently appears in public.

Mr. Brown is respected within the city's legal community and his office has a good relationship with the police,

said people familiar with the office. But he has faced criticism from some defense attorneys and criminal-justice advocates for not shifting left along with other prosecutors,

such as those in Brooklyn and Manhattan, who have relaxed prosecutions of marijuana offenses and turnstile jumpers.

The Queens office "has had an old-fashioned approach to law enforcement," said Redmond Haskins, a spokesman for public-defender group the Legal Aid Society. "His policies haven't kept up."

A spokeswoman for Mr. Brown's office said, "If enforcing the law and keeping the people of Queens safe is old fashioned maybe we are...except we also have some of the most innovative and effective alternatives to incarceration programs."

Mr. Lancman, who was born in Queens, has been a member of the City Council since 2014 and previously served in the state Assembly.

While Mr. Lancman is the first to officially announce his candidacy, other names have been floated as possible contenders including Queens Borough President Melinda Katz, Judge Peter Vallone Jr., former judge Gregory Lasak, state Sen. Michael Gianaris and Judge George Grasso.

Ms. Katz and Judge Vallone didn't respond to requests for comment. A spokesman for the state court system said Mr. Lasak, who couldn't be reached for comment, had retired on Sept. 14. The state court spokesman said any discussion regarding Judge Grasso was premature.

Basquiat Musical Is Headed to Broadway

BY CHARLES PASSY

In his short life, the New York-born artist Jean-Michel Basquiat made his way from the streets of Brooklyn and the Lower East Side to the international gallery world. Since his death at age 27 in 1988, his fame has grown exponentially—one of his works sold for \$110.5 million at auction last year, a record for an American artist.

And now comes the inevitable next step in cultural can-

ization: a Broadway musical.

Veteran Broadway producers Alan D. Marks and Barbara Marks announced Tuesday that they are developing a yet-untitled show based on Basquiat's life and art. The husband-and-wife duo has assembled a prominent creative team. Jon Batiste, best known as the bandleader of "The Late Show with Stephen Colbert," has written the music and lyrics. Tony Award-winner John Doyle is slated to direct.

The producers haven't set a date for when the show, which they are developing in cooperation with the Basquiat estate, might arrive on Broadway.

They also declined to say how much they expect the production to cost.

The musical, they said, will go beyond Basquiat's own life to explore New York's emergence as a grimy yet creative hub in the late '70s and early '80s. At the same time, the show will celebrate Basquiat's

visual legacy, Ms. Marks said. "The opportunity to have that art as part of the background is going to take [the production] to the next level."

The Basquiat musical isn't the only show about an artist being readied for Broadway. "Lempicka," about the Polish-born painter Tamara de Lempicka, is in the works. Greg Nobile, a lead producer said the musical isn't likely to open on Broadway this season, but will arrive in the "not-too-distant future."

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GREATER NEW YORK

METRO MONEY | By Anne Kadet

A Tab Based on Trust? I'll Drink to That



At the Drug Store, a new shop in Manhattan carrying a single line of soft drinks, the prices are so high—\$10 for a 16-ounce bottle—you might be tempted to steal one. And that would be easy enough. At this store, there is no cashier. Not even a payment kiosk. It runs on the honor system.

The company behind this store is Dirty Lemon Beverages, a local beverage maker that sells what it markets as health-enhancing drinks directly to customers through text messaging.

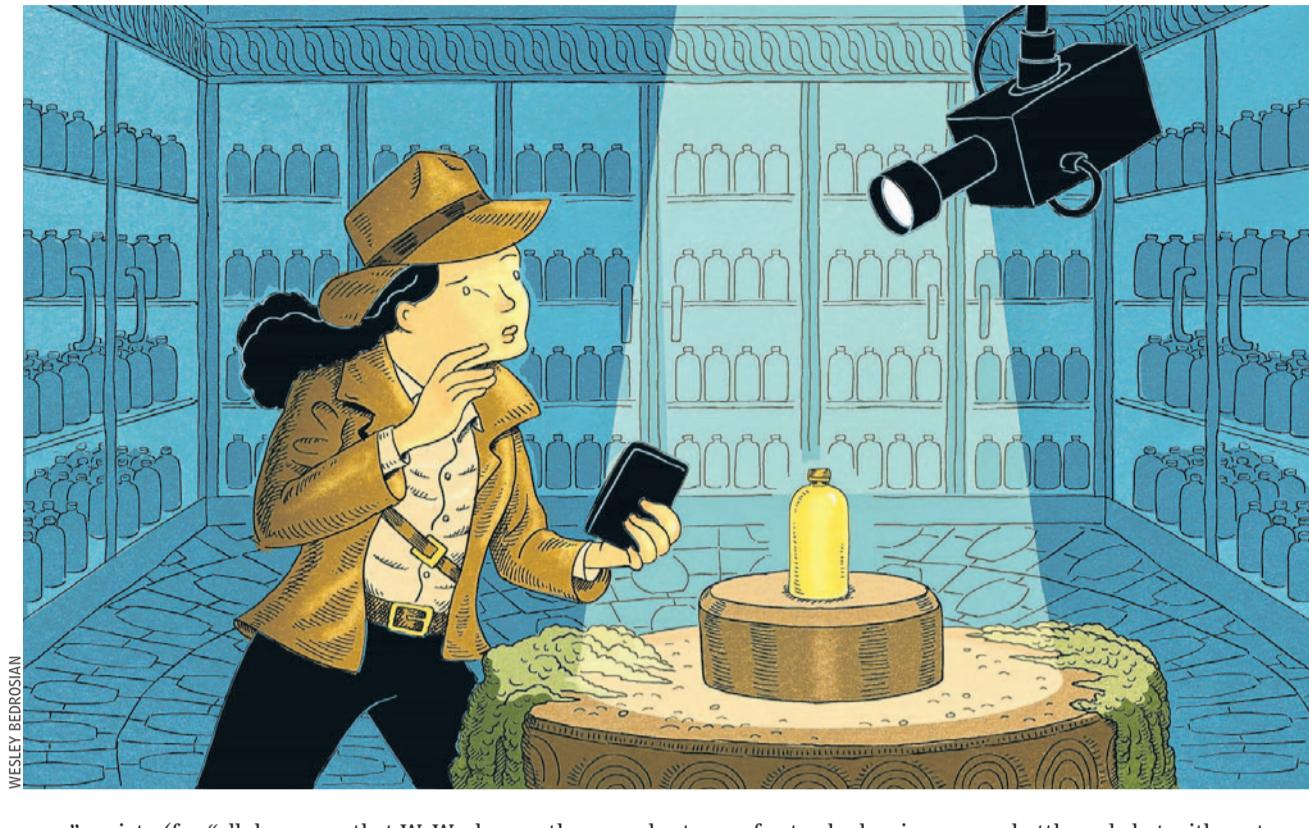
Dirty Lemon, which launched in 2015 with a website, already delivers cases directly to more than 100,000 customers, including 25,000 in New York City.

Chief Executive Officer Zak Normandin said he decided to operate his first store on the honor system because it is the most convenient way to serve customers. "No one likes standing in line," he said.

The Drug Store is a tiny storefront on Church Street in Tribeca. The high-ceilinged space, decorated with old-fashioned black-and-white tile, features a three-door refrigerator case and a 5-foot plant. A digital display mounted on the wall says, "Grab a bottle and txt us," followed by the store's phone number.

You can flick through the display's touch screen to learn about the eight available varieties of drinks and view photos of beautiful young ladies. A shot of a woman snuggling in bed with a handsome fellow, for example, illustrates the benefits of the "sleep" version with "calming magnesium."

I took a bottle of the "gin-



seng" variety (for "all day energy") and shot off a text.

"Hello!" I wrote.

I got an instant response: "Hey."

"I am at your store in Tribeca," I replied. "Are you a bot?"

"Real person," wrote the agent.

"Me too!" I replied.

The agent told me to take a bottle and report which variety I chose. After providing my name, email and card information, I got a payment confirmation and left with my drink. It was super sour, but when I added a packet of Splenda, it tasted like Gatorade.

Honor systems aren't new, of course. Co-working giant WeWork has been operating "Honest Markets" in most of its locations for years.

Members pay for drinks and snacks by swiping a card at an unmanned payment kiosk.

The system worked so well

that WeWork recently opened "WeMRKT" stores at four New York City locations with an expanded selection of merchandise, including candles, umbrellas and desk plants.

And you can still find unattended farm stands upstate. Doug Davenport, co-owner of Robert O. Davenport and Sons, a big farm in Kingston, N.Y., says he doesn't have problems with the unmanned stand he opened five years ago to sell produce. Patrons just drop cash in a lockbox.

"Our customers really like it. They really enjoy that trust," he said. "They do comment that this wouldn't work in New York City."

Actually, judging by the results of one experiment, New Yorkers aren't especially sticky-fingered. In 2016, beverage maker Honest Tea set up unmanned kiosks in 24 U.S. cities and asked people

to pay for tea by leaving a dollar. New Yorkers performed at the national average, with 93% leaving a buck.

Mr. Normandin said he isn't worried about shoplifting at the Drug Store. The shop has cameras and heat sensors to track foot traffic. He said there have been no reports of theft at the store since its opening on Sept. 13.

Elie Katz, president and CEO of National Retail Solutions, a point-of-sale systems provider, says offering small-ticket items on the honor system isn't as risky as it sounds. Soft drinks don't cost much to make, so an occasional theft is no big deal.

The larger problem with honor systems, he says, is service.

"Unattended means loss of information," he says.

"There's no one there to interface with the customer."

Indeed, on a return visit to the Drug Store to buy another

bottle and chat with customers, I found many leaving empty-handed for a peculiar reason: They couldn't figure out how to buy a drink. "The instructions are not very clear," said Juana Tormey, a tourist who left without making a purchase.

Mr. Normandin, who maintains that the price of what he calls the "premium product" is dictated by the inclusion of "highest quality ingredients," says he recognizes the company may need to provide some training to first-time shoppers.

But Janet Isa, who lives nearby, told me that even after figuring out how the store works, she won't be buying: "The drink cost is a bit steep."

"I was going to steal your drink," she teased. "But I could steal one inside, so forget it!"

anne.kadet@wsj.com

GREATER NEW YORK WATCH

COURTS

Judge Grants Silver A Prison Reprieve

The former leader of New York's Assembly can stay out of prison until a judicial panel decides whether he can remain free on bail while he appeals his sentence for public corruption, a federal appeals judge said Tuesday.

Sheldon Silver was supposed to report to prison Oct. 5, but Judge Peter W. Hall of the Second Circuit Court of Appeals said he can wait to begin his seven-year prison term until after the judicial panel in Manhattan decides the issue. That process usually takes a few weeks.

Mr. Silver's lawyers contend the Democrat should remain free on bail because his second trial earlier this year raises some of the same issues as a 2015 trial whose outcome was reversed on appeal. Mr. Silver, 74 years old, was convicted of illegally collecting nearly \$4 million in fees from a cancer researcher and real-estate developers who benefited from his clout in state government.

—Associated Press

NEW JERSEY

Ex-Governor Presses Opioid Overhaul

Former New Jersey Gov. Jim McGreevey on Tuesday called on the state to revamp how it deals with opioid addiction treatment.

Mr. McGreevey, a former Democratic governor who resigned from office in 2004, chairs the Jersey City-based New Jersey Reentry Corporation. He has been a prominent figure in the state urging the public sector to address the overdose crisis, which is on pace to claim 3,000 lives this year.

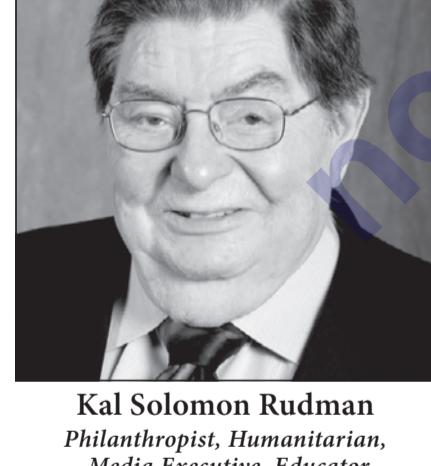
The organization unveiled a 35-page report that includes lengthening the period in which insurance covers treatment, from 28 days to up to a year. It is unclear what costs would be incurred, but the report estimates that about \$1.2 billion a year is lost in productivity because of the epidemic.

—Associated Press



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Kal Solomon Rudman

Philanthropist, Humanitarian,
Media Executive, Educator

The Kal and Lucille Rudman Foundation

career in show business, which included appearances as a co-host on "The Merv Griffin Show" and as a music expert on "The Today Show" and "The Tomorrow Show" with Tom Snyder.

Although Mr. Rudman found success as a broadcaster and publisher, he has always been most concerned with finding ways to help people. In an effort to serve the community, Mr. Rudman and his wife established the Kal and Lucille Rudman Foundation, a philanthropic organization that provides support to programs and causes, primarily in the fields of education and public safety. One of the foundation's most significant contributions came as a series of gifts to Temple University, totaling almost \$4 million, to establish, develop, and enhance a state-of-the-art digital media production center, a cable TV station, and a website.

Previously, the Rudmans provided \$1,000,000 to establish the Kal and Lucille Rudman Institute for Entertainment Industry Studies at the College of Media Arts & Design of Drexel University. The Rudmans have also, to date, donated \$350,000 in scholarships to Olney High School graduates of the "Health Tech" career development program. The program takes deserving students from some of the most dangerous neighborhoods in the city and gives them the opportunity to work with health professionals, who double as mentors. The program was called "the most successful program of its kind that I have ever been involved with" by a former Philadelphia superintendent of schools.

Since 2010, the Rudmans have provided scholarships to more than 300 Philadelphia police officers to attend the Community College of Philadelphia. The Rudmans also sponsor classes for individuals in need to become licensed nurses' aides, and provide scholarships to high school students enrolled in special summer sessions at the University of the Arts.

In 2017, the Rudmans established the RAISE (Recognizing Achievement and Inspiring Student Excellence) program at the Rowan University School of Osteopathic Medicine (RowanSOM), giving top South Jersey high school students hands-on experience.

As a member of the Board of Directors of the Variety Club, Mr. Rudman has twice sponsored the Variety Club Celebrity Pro Am Golf Tournament for Handicapped Children and served as co-host and entertainment director on the Easterseals and Arthritis Telethons.

In recognition of his professional and philanthropic efforts, Mr. Rudman has been awarded honorary doctorates from Drexel University, the University of the Arts, and Holy Family University. He is also an Honorary Philadelphia Fire Commissioner and Honorary Deputy Police Commissioner for the city.

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LIFE & ARTS

TELEVISION

Adult Swim Tests New Waters

With bands, comedians and virtual reality, the network hopes to extend its off-kilter sensibility to a weekend festival

BY JOHN JURGENSEN

A LIVE, WEEKEND-LONG festival organized by a television network, with admission fees as high as \$255.

On paper, the concept sounds like a tough sell. Adult Swim, however, seemingly able to glide through the currents challenging most other cable networks, sees it as a potential new profit center, inspired by the success of events as disparate as Coachella and Comic-Con.

In the 17 years since it began as the nighttime sibling of the Turner-owned Cartoon Network, Adult Swim has created an identity for itself with cheeky TV shows like "Rick and Morty," "Robot Chicken" and "Aqua Teen Hunger Force." As the No. 1 basic cable channel in total day ratings among adults under 35, it established a bond with a young audience, as well as the scores of musicians and artists it features during commercial breaks.

Now it is bringing them all together for its first Adult Swim Festival, set for Oct. 5-7 in Los Angeles.

Other TV outlets have explored commercial events, including sister network Turner Classic Movies, which mounts its 10th annual film festival next April and plans a ticketed cruise next year. Adult Swim has promoted itself in the past with live stunts and installations, including several college campus tours.

Now its challenge is to transform events from marketing expenses to moneymakers. Tickets to its festival cost up to \$80 a day, or \$255 for the whole weekend. The network declined to say how many tickets it has sold but pointed out that 40% of buyers so far have purchased weekend passes.

Depending on how the inaugural event pans out, Adult Swim is planning future iterations of the festival or spinoff tours. "There's a real business model here and one we believe we have a right to be in. We have a multiyear plan to make sure we grow this business in a controlled way," says Christina Miller, Turner's president of Cartoon Network, Adult Swim and classic-car-toon channel Boomerang.

The festival features about 40 music acts, including the headlining metal band Mastodon and rap duo Run the Jewels, plus stand-up comedians such as Hannibal Buress (a co-host of Adult Swim's anarchic talk show "The Eric Andre Show"). Adult Swim's biggest hit, the animated sci-fi comedy "Rick and Morty," will get a live showcase as its composer Ryan Elder leads a 37-piece orchestra through



TURNER BROADCASTING SYSTEM INC. (3)

Adult Swim has previously hosted events such as a Comic-Con screening, above, of its hit animated series 'Rick and Morty.' For its coming festival, the offstage attractions include a hot-dog ride, below right, that bucks like a mechanical bull.



musical highlights from the show.

A list of offstage attractions hints at the outré bent of the Adult Swim brand: A hot-dog ride that bucks like a mechanical bull. A rope ladder challenge in which climbers try to whack the uvula of a giant inflatable cat. A virtual-reality experience inspired by "Dream Corp LLC," its show about the goings-on at a sketchy dreamtherapy facility.

The network's ties with the music industry are critical to its festival strategy. Adult Swim makes extensive use of songs licensed from

indie artists and labels, playing them during its signature "bumps"—written jokes, announcements, weird observations and other messages that appear on-screen during program breaks.

Working with sponsors, Adult Swim has released more than 150 free songs online over the past eight years, with at least one a week coming out through next year. All of the musical acts on the festival lineup have been featured in this release program or on the channel.

"We built up enough of a stable of regular partner musicians that

we can cover a whole bunch of different genres at the festival with people who are our buddies," says Jason DeMarco, a senior vice president and creative director at Adult Swim.

As a TV executive who selects much of the on-air music and writes the checks to use it, Mr. DeMarco is a rare kind of industry middleman. In 2011, he introduced the members of Run the Jewels, rappers El-P and Killer Mike, because he had a hunch their musical agendas and personalities would mesh. They went on to release

three critically acclaimed albums together and hit a high gear in their careers.

El-P, aka Jaime Meline, a 43-year-old rapper and producer who ran his own record label for a decade, describes Mr. DeMarco and Adult Swim as creative allies—an unlikely endorsement given Run the Jewels's antiestablishment raps.

"There's an edict that comes down through the company to treat artists well," he says. "Adult Swim's product is not your music. Their product is that they're making this cool TV channel."

El-P draws parallels between music fans and the following that Adult Swim has attracted with its off-kilter sensibility. "For them to base their whole roster on empowering crazy people with ideas is really similar to the music world in a sense."

Adult Swim will show some festival performances and scene highlights on its digital platforms but will avoid "carpet-bombing" the TV channel so as not to annoy viewers, Mr. DeMarco says.

By attempting an unusual lineup and an Instagram-ready atmosphere for attendees, Adult Swim is working off a blueprint created by music and culture festivals, not TV networks. El-P says, "The ESPN Weekend Festival or the CNBC Jubilee wouldn't go over quite as cool."



MUSIC

YOUR FAVORITE BANDS, CUT DOWN TO SIZE

BY CHRIS KORNELIS

MARK MOSLEY CAN'T LISTEN to Stevie Nicks without hearing a goat.

He doesn't think the Beatles have contributed anything to pop music except that "they paved the way for all your favorite boy bands." To Tyler Mahan Coe, Steely Dan's music sounds like it was made to be played in a nursing home.

Since late 2017, Messrs. Mosley and Coe have been assailing some of Earth's most beloved musical acts in their podcast, "Your

Favorite Band Sucks." (Fleetwood Mac's publicist declined to comment, and representatives for the Beatles and Steely Dan didn't respond to requests for comment.)

Each episode is dedicated to skewering a different group, the hosts say. The point is to blow up the idea that one person's favorite is some kind of barometer of his or her character.

"If you've ever worked in a record store or you've ever been in a band, you've done exactly what we're doing," says Mr. Coe, 33, who also hosts the country-music podcast, "Cocaine & Rhinestones," and spent 13 years

Mark Mosley and Tyler Mahan Coe host the music-skewering podcast 'Your Favorite Band Sucks.'

on the road playing guitar with his father, the country artist David Allan Coe.

Their screeds have been met with anger. One Grateful Dead fan wrote: "im truly sorry you let your prejudices, preconceived notions and clichéd stereotypes precluded you from having a fantastic communal experience with spiritual, often free form, fluid music that Unites as opposed to dividing (what seems to be your stick in trade)."

Yet Messrs. Coe and Mosley say most of the feedback is positive. They hear from listeners whose friends never gave credence to their unpopular opinions and fans who laugh along knowingly to takedowns of the music they love.

Erin "Taffy" Vargo is among the latter when it comes to Fleetwood Mac, but she reluctantly agrees with many of the podcast's points.

"The songwriting was kind of crap," says Ms. Vargo, 48, a writer and costume designer. "While I might in my car be singing along, I have to agree that some of it is just a bunch of silliness."

Tucked into their rants are nuggets of history and critiques that acts usually aren't subjected to in other music forums. The problem with the Grateful Dead, the hosts say, is the band's audience allowed them to get complacent.

"No matter what this band does or doesn't do, there is a population the size of a small country that is always going to keep buying tickets," Mr. Coe says in one episode. "They can't kill it." A representative for sev-



'Your Favorite Band Sucks' On...

Steely Dan, above: If you ever find yourself liking Steely Dan, then in that moment you become a dad.'

Fleetwood Mac: 'A trash fire'

Radiohead: 'Coldplay is this band's fault.'

eral former band members, including founders Bob Weir and Bill Kreutzmann, didn't respond to a request for comment.

Christian Brandmeyer, the manager of Sublime With Rome—a band formed by surviving members of Sublime after the death of lead singer Bradley Nowell—says he thinks the podcast is hilarious, even though in one episode Mr. Coe called Sublime "a terrible band from start to finish."

"I've spent half my life having these exact conversations," Mr. Brandmeyer said in an email.

"Everyone's entitled to their own opinion and these guys have some very interesting insight."

Less than a year into its run, "Your Favorite Band Sucks" has garnered about 10,000 subscribers with no promotion or marketing, according to Mr. Coe.

"Your Favorite Band Sucks" was born from Mr. Mosley, a 39-year-old concert promoter in Nashville, getting tired of hearing people name the Beatles as their favorite band, a choice that seems like a safe, self-conscious pick. He hopes the podcast helps listeners feel like they can disregard what they don't like, and embrace what they enjoy, even if it's one that they—or anyone else—slams.

"Our podcast is almost a way for people to just be OK not liking something that everyone around them tells them that they should like and also just being OK liking whatever they like," says Mr. Mosley. "They should be able to listen to our podcast, maybe even an episode about a band that they love, and still come out the other side going: 'I don't care, I still love this band.'"

LIFE & ARTS



The hearse's original Packard steering wheel, above, and hood ornament, below. The vehicle has five doors.



MY RIDE | By A.J. Baime

This 1939 Hearse Refuses to Die

Dennis R. Murphy, 70, a funeral director at the Hennessy Funeral Home & Crematory in Spokane, Wash., on his 1939 Henney Packard hearse, as told to A.J. Baime.

For many years during the middle of the 20th century, the Henney Motor Co. of Freeport, Ill., built hearses out of Packard cars. The one you see here was commissioned by an upscale funeral home in Virginia and was delivered in 1939. The funeral home used it until 1963, at which point it became a rock-band car. The person who owned it before me found it in a wrecking yard in the 1970s and kept it in his backyard in Pennsylvania for 23 years.

One day in 1998, I saw an ad for it in Hemmings Motor News. I bought it for \$900 and the seller told me that if I restored it, he would give me the \$900 back. He eventually did, so in essence, I got this car for free. Don't even ask me what I put into the restoration. It was not cheap.

This is one of five 1939 Packards I own. (I have a limousine and an ambulance, among them.) To me, the year 1939 was Packard at its peak. The car is essentially a



mashup of two models, with a hearse built on top. It has a Packard Twelve frame with Packard Twelve wheels and brakes, Packard Twelve suspension on the front, Packard Super Eight suspension on the back, with a Super Eight engine.

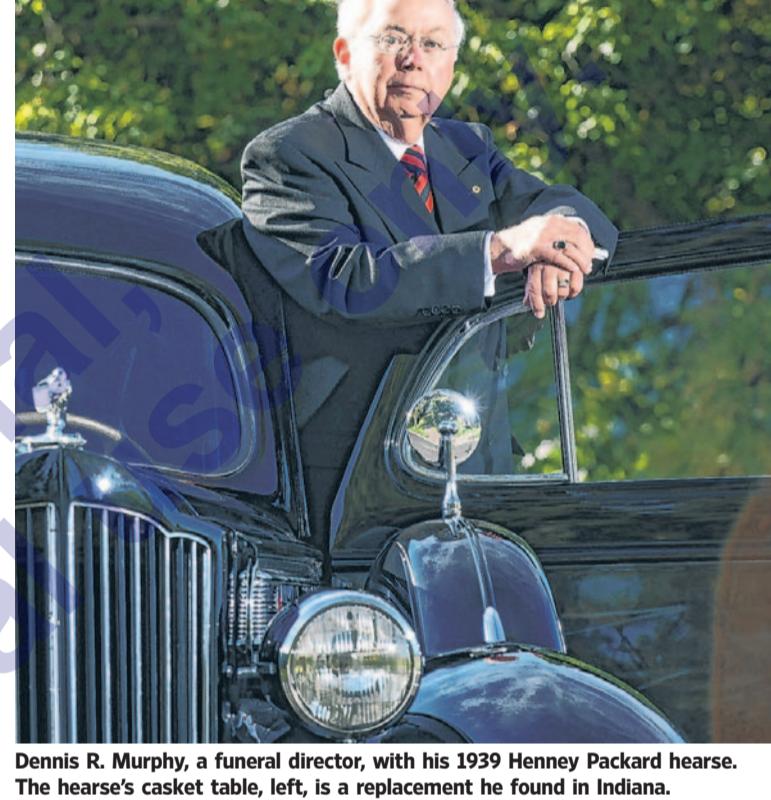
I hired a local company called Hein's Hot Rods to do the restoration. It took 12 years. Most of the car is original, but we did have to search the nation to find a casket table for the back. We ended up finding one in Indiana.

The hearse was built to cruise at 14 mph, because that is the tra-

ditional speed of a funeral procession. If the road is smooth, however, this car wants to go faster. It has a lot of torque and it will climb a tree if you try.

I take it to car shows, and we also have a historical automobile society that meets at the funeral home where I work. Members of the society sometimes use this hearse for their loved ones, so I am proud to say that it still gets used for the purpose for which it was built, nearly 80 years ago.

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



Dennis R. Murphy, a funeral director, with his 1939 Henney Packard hearse. The hearse's casket table, left, is a replacement he found in Indiana.

LIDO VIZZUTTI FOR THE WALL STREET JOURNAL

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Middle Seat columnist Scott McCartney answers reader questions about the world of travel.

Q: One thing I've wondered about is why the laws continue to have ashtrays when smoking has been outlawed on most if not all flights? I could understand a "legacy" ashtray, but not one in a new or newly refurbished plane. I've asked flight attendants but they did not know. Would you know?

—Michael J. Hanlon,
Montreal

A: Yes, it's because federal regulations still require them. The regulations state: "Regardless of whether smoking is allowed in any other part of the airplane, lavatories must have self-contained, removable ashtrays located conspicuously on or near the entry side of each lavatory door..."

As strange as that might seem, there is some logic to this. If someone sneaks a cigarette in the bathroom, violating federal law, that stealthy smoker still needs a place to dispose of it safely. There's a huge danger of just dropping a smoldering butt in a wastebasket full of paper. That could start a fire. So even federal criminals need an ashtray in the sky.

Q: I travel for business and live near BWI, so Southwest is generally the only game in town. I am A-List [Southwest's first elite frequent-flier tier], so about a third of the time I am able to snag an exit-row aisle



seat. My question is, when I don't get that seat, where is the best place to sit? I am not a small guy and need some space to work on the flight. I can never decide if middle or window exit row is better. Or try and move to the back, grab an aisle seat and hope for an empty seat next to me? Rarely happens, but hope springs eternal.

Finally, I tend to sit in the back to increase odds of an empty seat next to me, but do you think the front is better to get off the plane sooner? I have been traveling for 20 years, but have never decided what the "right" decision is.

—Bill Gross, Easton, Md.

A: I'd go for window exit row as second choice, but avoid the middle seat. As A-List, you should always have better choices than middle-

seat exit row, since the worst you'll ever board is the end of the A group. After that, I'd go aisle seat fairly close to the front of the plane. I think as people board in the C group, they get on with hope of finding a decent seat and will keep moving back.

In addition, overhead bins that are already full definitely push the late boarders toward the back of the plane. There are some who get on with one bag or no bags and will jump at the first middle seat they see. So I think the sweet spot is about rows 8 to 15 or so. By the time people get there, they will keep going, and empty middle seats will exist most often in the middle of the plane.

Got a question for Scott McCartney? Write him at middleseat@wsj.com

LIFE & ARTS

EXHIBITION REVIEW

Holy Objects That Transcend Religion

An exhibition examines the impetus behind votives, ultimately arguing that it exceeds the confines of any single faith

BY LEE LAWRENCE

New York HEADS AND LIMBS carved of wood bound for a room of miracles in a Brazilian church. Two 19th-century figures: one from the Kongo kingdom, each leather strip of its dress a vow to the power spirit it houses; the other a lifelike wax boy displayed in a Bavarian church with thanks to the Holy Trinity. Engraved mother-of-pearl and 13th-century coins affixed to the cover of an Armenian Gospel from around 1675-1725. These are but a few of the more than 300 objects in "Agents of Faith: Votive Objects in Time and Place," a show at the Bard Graduate Center Gallery that roams widely to explore deeply.

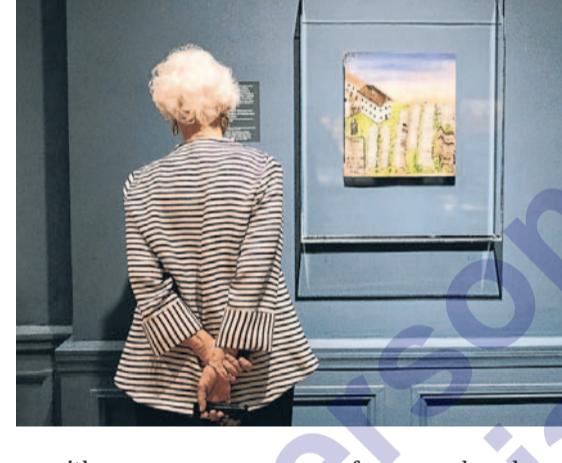
The term votive—from the Latin *ex voto suscepto*, or "from the vow made"—has its roots in Roman Catholic practices such as lighting candles before the statue of Mary as a request for help or in gratitude for a blessing. Many of the works reflect aspects of Catholic tradition, but a sizable number do not. The show—curated by Ittai Weinryb of the Bard Graduate Center, with the help of chief curator Marianne Lamonaca and associate curator Caroline Hannah—examines the impetus behind votives, ultimately arguing that it exceeds the confines of any single religion, even of religion itself.

Poignant stories abound, and while the catalog delves into fascinating case studies, the exhibition delineates recurring patterns. Health and physical safety, for example, are enduring concerns. Displays of replicas of lungs and wombs point to the scourge of tuberculosis and the perils of childbirth, just as depictions of livestock highlight the dangers of epidemics, accidents and theft. A touching 1882 painting of Michael and Maria Sammeneir of Anham (Lower Bavaria, Germany) shows their farm and inventory of livestock—sheep, pigs, cows, bulls and horses lined up in neat rows—along with their pledge to God.

In some instances, the show focuses our attention on where people place the votives. Many were displayed prominently, thereby proclaiming the efficacy of a saint



JUAN CESPEDES (3)



or faith. Silver plaques with eyes, breasts, legs and other body parts turn their chapels into gleaming testimonials. Similarly, in Iran, an 18th-century silver standard in the shape of a hand covered in Quranic verses and prayers rises above the crowd in Shiite processions.

Other votives were sequestered. A life-size Virgin and Child from mid-14th-century Italy has a rosary and lace embedded in Mary's gesso robe. And a terra-cotta female fig-

ure was one of many such goddesses that people in the third to second centuries B.C. buried in northern India in the prayerful hope this would guarantee the soil's fertility.

Whether you start on the third floor of the gallery or the ground floor, the journey is bookended by contemporary manifestations of this age-old practice. On the top floor, wood plaques collected this year from Shinto shrines and Buddhist

temples in Japan hang opposite poignant paintings on metal sheets by Mexicans pinning their hopes on migrating to the U.S. On the ground floor, a gallery is devoted to the Vietnam Veterans Memorial in Washington, where visitors have been leaving items since it opened to the public in 1982.

Sections of the black granite monument are reproduced here, their cascade of etched names amplifying the impact of the dog tags, toys and memorabilia. Some offerings, like the Olde Bourbon that Billy Clay left for "Terry Albright, cousin (brother)," express a vow in the manner of Catholic ex-votos. Mr. Clay brought the drink, he explains in a 1992 letter taped to the bottle, "The same as you promised me if it was the other way around. I think of you everyday of my life. You will never be forgotten!" Many, however, express only the longing, regret and sadness of mourning.

Significantly, all these items and messages are offered to deceased

and missing service members. Not to deities or nature spirits or intercessory ancestors or saints. Yet, while the show's definition of votive may occasionally feel stretched, it does not here. These offerings resonate with the same impulse behind the Etruscan sculpture of a young man, his belly sliced open to expose an ailment to divine ministrations; sacred images that Buddhists mold to accumulate merit that will serve them after death; and any number of silver plaques people placed in synagogues and churches to transmit their thanks to God—a human impulse to create ritual objects through which to reach beyond our physical, time-tethered boundaries.

Agents of Faith: Votive Objects in Time and Place

Bard Graduate Center Gallery, through Jan. 6, 2019

Ms. Lawrence writes about Asian and Islamic art for the Journal.

BY MARC MYERS

IN MAY 1981, Bobbie Gentry appeared on NBC's "An All-Star Salute to Mother's Day" and sang a song to her mother, seated in the studio audience. When the two-hour TV special ended, viewers had witnessed Ms. Gentry's last public performance.

Without warning, the 38-year-old Ms. Gentry abruptly gave up performing. Except for attending the Academy of Country Music Awards the following year, she became the music business's most enigmatic recluse. Since her retirement 36 years ago, Ms. Gentry has led a J.D. Salinger-like existence. Requests for public appearances and media interviews are ignored, and sightings have been rare.

As a result, Ms. Gentry today is barely remembered for her haunting No. 1 pop hit in 1967—"Ode to Billie Joe." The song about a teenage boy's love-sick leap off Mississippi's Tallahatchie Bridge won two Grammys, Ms. Gentry won one, and the single was inducted into the Grammy Hall of Fame in 1999. It even inspired a 1976 film.

Now Capitol/UMe in the U.K., where Ms. Gentry still has a following, is releasing "Bobbie Gentry: The Girl From Chickasaw County—The Complete Capitol Masters," an eight-CD set due in the U.S. on Oct. 12. The box includes remastered versions of Ms. Gentry's seven studio albums, as well as 75 previously unreleased demos, variety-show appearances and live tracks from her BBC TV show in 1968, 1969 and 1971.

The set's 177 tracks trace an uneven recording career that began in 1967 and ended in 1972, when Ms. Gentry shifted to Las Vegas and TV performances over the next 10 years. Listening to the set's expansive cross-section of material, one is struck by the warm, whispery quality of Ms. Gentry's voice.

While Ms. Gentry was among the first female pop artists to



compose and record her own songs, only a handful of them after "Ode to Billie Joe" became hits on Billboard's pop and country charts. This may have had something to do with the abundance of quirky, twangy material about Southern rural life. Too many sounded alike and were saddled with uninspired arrangements. Unlike Dolly Parton and Loretta Lynn, who soared to success in the late 1960s with confessional hardship songs from the hills and hollows, Ms. Gentry's

two-steppers revealed little about her.

Fortunately, Ms. Gentry's misfires represent a small percentage of the new set's content. The balance is glorious and makes one wonder why her natural talent for ballads wasn't fully realized and exploited. At her best, Ms. Gentry was a masterly writer and singer of slow songs delivered in a gentle, dry voice. In this regard, she was country's Julie London, with an easy ability to capitalize on the

drama of space and breath.

Original songs such as "Sunday Best"; "Hurry, Tuesday Child"; "Refractions"; "Jessye' Lisabeth"; and "Seasons Come, Seasons Go" feature Ms. Gentry in her prime.

There also are a wealth of smart pop covers, ranging from "God Bless the Child," "Here's That Rainy Day" and Mose Allison's "The Seventh Son" to "Stormy," "This Girl's in Love With You," and "In the Ghetto." All are delivered with Delta soul.

Born Roberta Streeter in 1942 on a small farm near Woodland, Miss., Ms. Gentry endured a lonely childhood. Soon after her birth, her parents divorced, and she was raised by her father's parents in rural seclusion.

Ms. Gentry learned to sing in church. After her grandmother traded a cow for a piano, she began pecking out tunes she heard on the radio. She wrote her first song at age 7.

While living with her father and stepmother in Greenwood, Miss., Ms. Gentry learned to play guitar and banjo. At 13 she moved to Palm Springs, Calif., to live with her mother, Ruby. Ms. Gentry took her stage name from the 1952 film "Ruby Gentry."

In 1968, after her first album, "Ode to Billie Joe," knocked the Beatles' "Sgt. Pepper" out of Billboard's No. 1 album slot, Capitol released "The Delta Sweete" and "Local Gentry." Both fared poorly.

Then Ms. Gentry was paired with Glen Campbell, who by late 1968 was a superstar with four consecutive No. 1 country albums. The result was "Bobbie Gentry and Glen Campbell," which quickly reached No. 1 on the country chart. Her next two albums, "Touch 'Em With Love" (1969) and "Fancy" (1970), featured mostly covers of pop songs. Both did moderately well.

But it is Ms. Gentry's final album, "Patchwork," that remains her most ambitious and triumphant work. An autobiographical concept album with brief instrumental interludes between tracks, "Patchwork" is a collection of country tales.

The album works because Ms. Gentry's beckoning voice is framed by sophisticated arrangements by John Cameron, Larry Muhoberac, George Tipton and Jerry Toth. Interestingly, the album was the only one produced by Ms. Gentry.

Mr. Myers, the author of "Anatomy of a Song" (Grove), is a regular Wall Street Journal contributor.

A COUNTRY TALENT, FULLY RECOGNIZED

MUSIC REVIEW

A COUNTRY TALENT, FULLY RECOGNIZED

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SPORTS

THE COUNT

NOT-SO SUPER VIKINGS

BY MICHAEL SALFINO

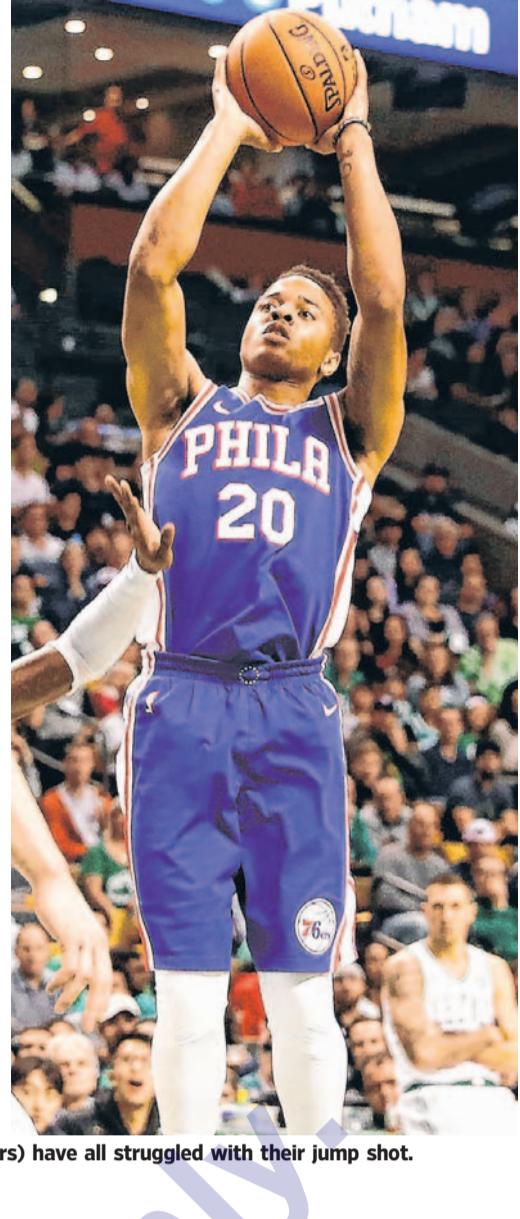
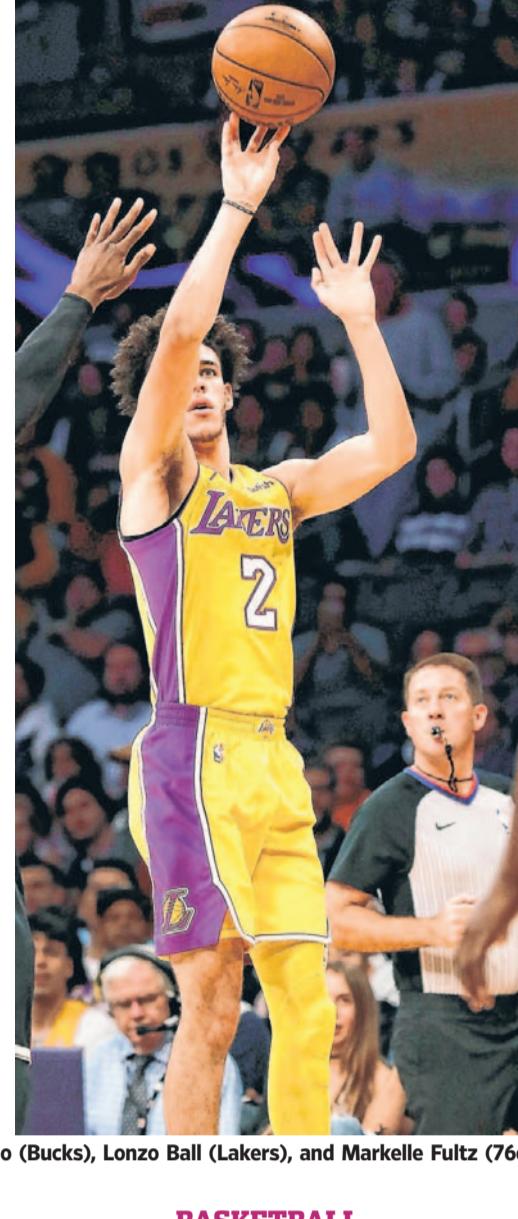
ODDSMAKERS VIEWED this past Sunday's game between the Minnesota Vikings and Buffalo Bills as the biggest mismatch of the early NFL season, with the Vikings pegged as 16.5-point favorites against the winless Bills.

The spread was the second biggest early-season line in nearly four decades, according to Pro-Football-Reference. By now, you probably know the Bills pulled off a 27-6 upset.

Of the 45 teams to be favored by at least two touchdowns in the first four weeks of the season, the Vikings are only the eighth team to lose the game outright. The good news for Minnesota: the other seven teams to suffer the shock defeats all finished the season with winning records.

It looks like oddsmakers have quickly turned on the Vikings. The Vikings are a touchdown underdog Thursday night in Los Angeles against the unbeaten Rams.

That 23.5-point swing in point spread is reminiscent of what happened with the 1978 Patriots, who followed up a 34-27 loss to the Baltimore Colts as 17.5-point favorites in Week 3 by being installed as a 6.5-point underdog in Oakland. After falling behind 14-0 in the first quarter, New England prevailed 21-14.



From left to right, Giannis Antetokounmpo (Bucks), Lonzo Ball (Lakers), and Markelle Fultz (76ers) have all struggled with their jump shot.

BASKETBALL

NBA Players Take Their Best Shot

The premium on 3-pointers made almost everyone work on their shooting this summer

BY BEN COHEN

THE FIRST QUESTION of his first official day of work in the NBA was one that Dallas Mavericks rookie Luka Doncic handled like he'd heard it many times before: What were his impressions of his Mavericks teammate Dennis Smith Jr. after spending time with him this summer?

"He's really improving his shot," Doncic said.

He could have been talking about pretty much anyone in the league. NBA players once came to preseason camp and bragged about being in the best shape of their lives. But that is so last season.

Now, in addition to rising and grinding and doing yoga and going vegan and losing weight but getting stronger and putting in work because they're going to surprise people this season, it seems like almost everyone in the NBA somehow found time before this season to fix their shots.

They're not shy about their sud-

denly enhanced shooting abilities. All you have to do is ask them.

"My shot feels..." said Boston Celtics forward Semi Ojeleye, pausing to find precisely the right word. "To be honest, it feels amazing."

"I'm ready to take some threes, man!" said New York Knicks forward Enes Kanter, who made zero threes last year. "That was my main focus this summer."

"I've been working on it," said Milwaukee Bucks star Giannis Antetokounmpo of his 3-point shooting touch.

Washington Wizards center Dwight Howard repeated the peculiar question to himself: "Do I envision shooting any threes?" He considered his answer by closing his eyes and soaking himself in uncomfortable silence. And then he smiled. It turned out he spent his summer working on his imaginary shooting, too. "I just shot three of them," he informed the reporters who'd been in front of him the whole time. "I'm three for three."

"I'm very confident going into this season," said Philadelphia

76ers guard Markelle Fultz, "both with my shot and confidence-wise."

Fultz was confident in neither his shot nor his confidence last season. As the No. 1 pick in the NBA draft, he faced astronomical expectations, but he struggled through a shoulder injury that made a hot mess of his shooting mechanics and sidelined him for most of his rookie year. In his limited action, Fultz was 0-for-1 from beyond the arc.

Fultz took a spectacular number of shots this summer. To be more specific, he took 150,000 shots, at least according to Sixers coach Brett Brown's estimates. Fultz says he was in the gym for as many as three workouts per day, and that's about all he wants to say at this point. He may be one of the few people in the league who doesn't want to elaborate about his shot.

If you've had your ear to the ground recently, perhaps you've heard that NBA players are shooting more 3-pointers. What you may not have known is that they're also

making them at a higher rate. The average NBA player shot 36.2% from beyond the arc last season—the best shooting year in nearly a decade. NBA teams attempted 18.1 threes per game the last time they had a rate that high, but they shot 29 threes per game last season, which amounts to a 62% increase in volume while maintaining the same efficiency.

If you can't shoot, you can't play in today's NBA. Which is why it's awfully convenient that every NBA player can now shoot.

There are some exceptions, the brave NBA players who reported to camp without making promises about their shots. 76ers star Ben Simmons was one of them. "I'm not going to come in and hit threes this season," said Simmons, who was 0-for-11 on threes last year and hasn't made one in a game since Nov. 30, 2015, when he was still in college.

And yet he was still confident.

"I've been working all summer," he said. "I'm very confident what I've been putting my work into."



Vikings receiver Stefon Diggs.

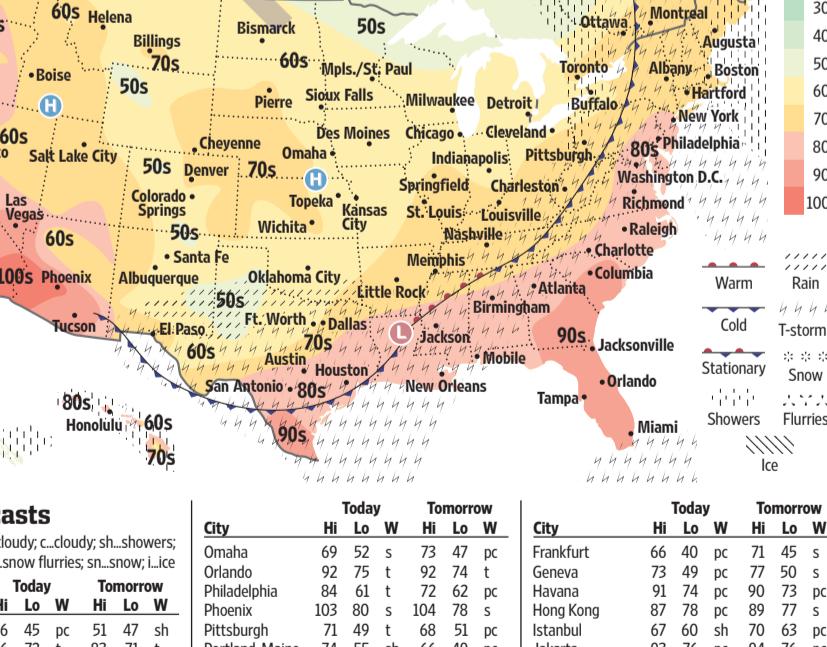
Against All Odds

Since 1978, the biggest upsets in the first four weeks of the NFL season:

YEAR	SPREAD	GAME
1978	+17.5	BAL 34, NE 27
2018	+16.5	BUF 27, MIN 6
1985	+16	NO 20, SF 17
1994	+14.5	RAM 16, K.C. 0
2001	+14.5	ARI 21, PHI 20
1988	+14	ATL 34, SF 17
1985	+14	PHI 19, WAS 6
2003	+14	HOU 21, MIA 20

Source: Pro-Football-Reference

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

Anchorage 56 45 pc 51 47 sh

Atlanta 86 72 t 83 71 t

Austin 86 66 t 78 68 t

Baltimore 83 61 t 69 61 c

Boise 76 47 pc 50 50 s

Boston 79 60 c 66 56 pc

Burlington 77 50 t 67 50 s

Charlotte 87 70 t 80 67 t

Chicago 65 47 pc 70 50 pc

Cleveland 69 51 sh 69 51 pc

Dallas 72 59 r 73 65 pc

Denver 74 47 s 80 40 s

Detroit 68 46 pc 68 50 pc

Honolulu 87 74 sh 86 76 t

Houston 86 71 t 81 69 t

Indianapolis 68 50 pc 70 51 pc

Kansas City 67 46 s 73 50 s

Las Vegas 96 73 s 99 74 s

Little Rock 72 58 s 74 58 pc

Los Angeles 86 66 pc 89 67 s

Miami 91 81 pc 91 81 pc

Milwaukee 64 47 pc 67 50 pc

Minneapolis 61 51 pc 63 41 sh

Nashville 72 59 t 78 62 c

New Orleans 86 73 t 85 75 t

New York City 81 60 t 70 61 pc

Oklahoma City 62 51 sh 72 58 s

International

Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 64 53 pc 67 52 s

Athens 70 60 p 70 63 t

Baghdad 106 73 s 107 73 s

Bangkok 95 78 t 95 79 t

Beijing 75 57 pc 72 54 c

Berlin 62 51 pc 70 51 pc

Brussels 64 44 pc 69 48 s

Buenos Aires 71 52 pc 67 58 s

Dubai 99 84 s 102 87 s

Dublin 68 48 s 63 43 pc

Edinburgh 64 53 c 60 38 c

The WSJ Daily Crossword | Edited by Mike Shenk



C THROUGH | By Alan DerKazarian

- | | | |
|---|--|--|
| Across | 28 "This is a library!" | 62 Poi source |
| 1 Scratch or dent, say | 29 Printing goof | 63 Where Michael Phelps won the last five of his 23 gold medals |
| 4 Redden | 32 Chowderhead | 67 Source of \$5 Fill Ups |
| 9 Jeered | 35 Zoo heavyweight | 68 Go bonkers over ads |
| 14 Shakespeare title word | 39 Brand that ran "short shorts" ads | 69 Intellectual poseur, informally |
| 15 Front side of a book's leaf | 40 Source of a soundtrack, often | 70 Common Market, for short |
| 16 Esther of "Good Times" | 44 Shot in the arm | 71 Fills with cargo |
| 17 See 1-Down | 45 Device that once spewed out sticky sounds | 72 Many-headed monster slain by Hercules |
| 18 "The Andromeda Strain" threat | 46 High lines | 73 Arabic equivalent of C hidden in this puzzle's five longest answers |
| 20 Combine together | 47 Cowboy call | 74 Mouth watering |
| 22 "It's as plain as day!" | 50 Eve, originally | |
| 23 Fresh start? | 52 Ham, e.g. | |
| 24 Feature of some entertainment websites | 59 Clumsy clod | |

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

32 Far from ruddy
33 Eyelid problem
34 Goji berries or black garlic, some say

36 Little lap dog, for short

37 Course figure

38 Condition with rituals, in brief

41 Qatar's capital

42 On Earth

43 Ruler in 41-Down

48 Throws off

49 Thin but strong

51 Its wing membrane is called a patagium

53 Pizzazz

54 Mistake, cutely

55 Worked at

56 Sulu's portrayer

57 Monteverdi hero

58 Madonna's elder son

59 Intense exam

60 Verdi heroine

64 Bonanza find

65 Scalawag

66 Denomination that observes the Sabbath on Sat.

Previous Puzzle's Solution



OPINION

Sen. Feinstein, Clean Up Your Mess

BUSINESS WORLD
By Holman W. Jenkins, Jr.

Republicans and others who live in California and are appalled by the Senate's Brett Kavanaugh spectacle at least can do something about it. In November, they can hold their noses and pull the lever for Dianne Feinstein's ultraliberal challenger and thereby send the state's four-term Senate doyenne down to landslide defeat.

Mrs. Feinstein's ending an otherwise long and creditable career in humiliation and ignominy would be justice not only because of her culpable role in the Kavanaugh travesty. It would be poetic for her to finish under a real and recent cloud given actions that have cast a cloud over Judge Kavanaugh because of unprovable, last-minute claims about how he may have behaved in his teens.

Mrs. Feinstein could learn something from the New York Times in its own debunking of the latest ill-sourced Kavanaugh allegation, in which the paper says it contacted dozens of potential witnesses and found none who would verify a complaint floated Sunday in backhanded fashion by the New Yorker magazine.

Lesson: You don't need the FBI. Private investigators are available. Opposition researchers can be hired—just not the Fusion GPS kind, who specialize in producing anonymous, unsubstantiated slurs rather

than checking them out.

The Senate Judiciary Committee and the Democratic Party have ample resources. In fact, Democrats can still do something to repair the damage, in partnership with Senate Republicans. If Mrs. Feinstein weren't so narrowed by her life in politics that she can't see a bigger picture, she would already have owned up to her failure in this regard and tried to clean up the mess.

After all, she is the ranking Democrat on the Judiciary Committee. She could refuse to participate in Thursday's hearing. She could demand that it be called off. She could point out the obvious: A hearing in the absence of any attempt by the Senate to seek verifiable facts against which to measure the vague memories of accuser Christine Blasey Ford can only be a "he said, she said" travesty, a modern-day gladiatorial contest in which tribal loyalty and the loudest shouting will substitute for truth and justice.

Whatever the truth of Mr. Kavanaugh's teenage behavior, this is not a creditworthy exercise in advise and consent. Judge Kavanaugh evidently feels obliged to go along rather than have a refusal be interpreted as guilt. He will be subjected to cross-examination by Senate Democrats in which he will be forced to admit that he drank beer in high school and went to parties. This will be more than enough for Sen. Mazie Hirono, who has already determined that Judge Kavanaugh is a liar because he's a man,

and a rapist because as a judge he might uphold democratically enacted restrictions on abortion.

Republicans are stuck playing for the mildest possible political disaster, which means pushing through Judge Kavanaugh's confirmation even while the allegations remain unresolved. But Republicans won't, for fear of increasing their jeopardy with women, subject Ms. Ford to

Thursday's hearing should be canceled in favor of an agreed quick hunt for truth.

the cross-examination that would be requisite in any truly fact-finding forum. They likely won't even challenge her behavior since the allegations surfaced, which has clearly seemed more aimed at convenience. Democratic strategy in the midterms than at putting her testimony before the senators so they can assess it.

Mrs. Feinstein so far has behaved as we expect politicians to behave on most occasions: as if there is no consideration higher than what she must do to assure her re-election. But she's 85 years old. She doesn't need another term in the Senate. She doesn't need one more ritual of incumbency validation.

Since the glaring absence here is any context of facts in which her fellow senators can weigh the accusation that Sen. Feinstein allowed to be

sprung on Judge Kavanaugh at the last minute, she should be the one to request that the nomination be briefly put on hold. She should propose that Democrats and Republicans jointly sponsor an investigator to take a week or two to question anybody and everybody who might have been present at the alleged party or know anything about the history of Judge Kavanaugh and Ms. Ford.

Mrs. Feinstein could even agree, as a gesture of expiation and good faith, to support Judge Kavanaugh's confirmation if the investigation yields no information to support Ms. Ford's claim.

Failing that, the right thing to do is spare Judge Kavanaugh and Ms. Ford an awful, purposeless hearing that cannot be anything but a disgrace to the Senate. Republicans should vote up or down based on what is on the record. Ms. Ford is free to tell her story to any senator who wants to hear it. She is free to tell it to the media as many times as she wants; she is not being denied a right to be heard. The media are free to chase down every allegation that she or anybody cares to make about Brett Kavanaugh.

All this will not be satisfying, but it wouldn't get more satisfying as the result of Thursday's planned hearing. And at least the Senate will not be an agent of further disgracing itself in the process. Sen. Feinstein is the author of this abomination, whether she meant to be or not, and is the one who ought to call it off.

tell their stories. (I cannot say "completely" safe or free because the malefactors and their sympathizers will always find a way to harass those who come forward.) When serious allegations emerge, independent fact-finding inquiries should be standard, not optional, whether the venue is business, academia or the Senate.

Second, we can step back and allow those whose voices have been diminished to take the lead. Women constitute a growing share of the House of Representatives and many other institutions, including my own. We should support their efforts to transform these institutions.

Third and most important, we can help crystallize the current moment into new norms of conduct. For example, schools are critical norm-forming institutions, and they should instruct children and young people about appropriate conduct in classrooms, on playgrounds and at parties.

When I get to my office every morning, I look at the pictures of my grandchildren that adorn my bookshelves. In one of them, two of my little grandsons are wearing matching shirts that read "Boys will be boys: kind, caring, respectful." This is more than a wish: It's a prayer—my prayer. I'll do what I can to make it a reality.

Still, had any woman ever come to my office with a story of harassment, abuse or assault, I'd like to believe that I would have reacted strongly. It never happened. Only now I can begin to understand why it did not.

But now that people like me do know, we cannot remain on the sidelines. We have a responsibility to act. What can we do? How can we become part of the solution?

First, we can help bring about a situation in which the survivors of harassment and abuse feel safer and freer to

shock by the abuses can help foster better standards of conduct.

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Men, Step Up in Today's Sexual Upheaval

POLITICS & IDEAS
By William A. Galston

This is not a column about the accusations swirling around Brett Kavanaugh. It is not a column about Harvey Weinstein or Matt Lauer or Charlie Rose or Garrison Keillor or Bill Cosby.

It's a column about me and men like me. Many of us are well along in years (I'm 72). Some of us have occupied positions of authority. Most of us have had a wide variety of experiences.

Despite our differences, we have one thing in common: The revelations of the past year have come as a life-changing shock. Hard as it may be to believe, we did not know.

Let me be precise. We were aware of disrespectful behavior in the workplace—men talking over women in meetings, taking credit for their ideas and their work, paying them less than men doing the same jobs, and passing over them for assignments and promotions they deserved. As we too slowly became sensitive to these practices, we did our best to oppose them.

But we were not aware of gross indecency. I cannot imagine why a man would deliberately expose himself to a

woman—at a party, in a hotel room, anywhere. But it seems that this misconduct is not rare.

We were even less aware of the pervasive abuse of power to coerce unwanted sex. We had heard about Hollywood's casting couch. But those of us outside the entertainment industry had trouble distinguishing legend from fact. Because I had spent decades in academia, I knew of cases in which professors and students had entered into intimate relationships, and I supported rules that prohibited such relationships in a wide range of circumstances, even when they could reasonably be described as consensual.

But taking advantage of a hierarchical professional relationship to obtain sex is different. So is taking advantage of another's inebriation. So is pressuring a woman to drink too much, or to ingest drugs that make resistance impossible. So is scheduling an ostensibly professional meeting in a hotel room and creating an atmosphere of intimidation and fear. So, of course, is rape, and the attempt to commit it, whether or not it is successful.

No doubt others knew what was going on and chose to overlook or suppress it. Men like me were ignorant not because we stopped our ears or averted our gaze. We were clueless because fear and the

dynamics of unequal power created a zone of silence and a cone of darkness.

Several young women with whom I have discussed this column find it hard to believe that people like me were so unaware of what was going on around us. All I can say is, we were. There may well be a duty of care—which begins with active, willed awareness of our surroundings—that we failed to discharge. That we needed to be told may be an indicator of failure.

Those of us who are shocked by the abuses can help foster better standards of conduct.

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But now that people like me do know, we cannot remain on the sidelines. We have a responsibility to act. What can we do? How can we become part of the solution?

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A Cornell Scientist's Downfall

By David Randall

The irreproducibility crisis cost Brian Wansink his job. Over a 25-year career, Mr. Wansink developed an international reputation as an expert on eating behavior. He was the main popularizer of the notion that large portions lead inevitably to overeating. But Mr. Wansink resigned last week as head of the Food and Brand Lab at Cornell University and professor at the Cornell SC Johnson College of Business after an investigative faculty committee found he had committed a litany of academic breaches: "misreporting of research data, problematic statistical techniques, failure to properly document and preserve research results" and more.

Mr. Wansink defended himself to a reporter, claiming his work featured "no fraud, no intentional misreporting, no plagiarism, [and] no misappropriation." As of this week, however, he has ceased re-

search, and he will retire at the end of the academic year.

Mr. Wansink's fall from grace began with a 2016 blog post in which he blithely confessed to using improper research techniques known as p-hacking and HARKing. P-hacking involves running statistical analyses until they

Brian Wansink's tale shows that academic peer review is broken.

produce a statistically significant result; HARKing stands for "hypothesizing after the results are known." The post prompted a small group of skeptics to take a hard look at Mr. Wansink's past scholarship. Their analysis, published in January 2017, turned up an astonishing variety and quantity of errors in his statistical procedures and data.

In April 2017, Columbia University statistician Andrew

Gelman charged in his blog that Mr. Wansink was guilty of "serious research misconduct: either outright fraud by people in the lab, or such monumental sloppiness that data are entirely disconnected from context, with zero attempts to fix things when problems have been pointed out." Mr. Wansink has said he expects to be vindicated one day.

Cornell's public judgment on Mr. Wansink is a milestone in the campaign to change how science works. Academic institutions have been slow to accept the gravity of the so-called irreproducibility crisis—the wide use of faulty research techniques that regularly produce results other scientists can't replicate. Cornell is a force in the science world. Its actions are a sign that other academic institutions may at last be willing to change the culture of scientific research.

A generation of Mr. Wansink's journal editors and fel-

low scientists failed to notice anything wrong with his research—a powerful indictment of the current system of academic peer review, in which only subject-matter experts are invited to comment on a paper before publication. Mr. Wansink's resignation, on the other hand, points to the possibility of a cross-disciplinary approach to evaluating the reproducibility of scientific research. This new approach could even include criticism by nonscientists.

P-hacking, cherry-picking data and other arbitrary techniques have sadly become standard practices for scientists seeking publishable results. Many scientists do these things inadvertently, not realizing that the way they work is likely to lead to irreproducible results. Let something good come from Mr. Wansink's downfall.

Mr. Randall is director of research at the National Association of Scholars.

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Mr. Randall is director of research at the National Association of Scholars.

BOOKSHELF | By Edward Kosner

A Friendship Forged in Albany

Frank and Al

By Terry Golway
(St. Martin's, 322 pages, \$29.99)

There they stood at the gusty pinnacle—an odd couple of Democratic politicians surveying their domain. It was May 1, 1931, 18 months after the Wall Street crash, and Al Smith and Franklin D. Roosevelt were on the observation deck on opening day of the Empire State Building. Smith, the bantam Irish stalwart from the Lower East Side, with his fragrant cigar and jaunty brown derby, had been a four-term governor of New York. The first Roman Catholic to run for president, he had been crushed by Herbert Hoover in the 1928 landslide. Roosevelt, the Hudson Valley patrician, had succeeded him in Albany and soon would be the nation's unlikely savior in the Great Depression.

American politics has turned so rancid that it is often easy to forget that there were figures in even our recent history with brains, flair and convictions that transcended

the scuffle for personal glorification and self-enrichment. They were not born legends but grew into their greatness. Franklin Roosevelt—Teddy's unpromising fifth cousin—was written off as a rich, foppish lightweight with little more than an aristocratic accent and rich parents. Smith, an eighth-grade dropout who went to work at 15 to support his widowed mother, was deemed by most a coarse ward heeler beholden to the Tammany Hall satraps who anointed him.

Yet the collaboration between this mismatched team of ambitious pols in the first decades of the 20th century transformed the Democratic Party and paved the way for the New Deal that remade America.

Terry Golway, a prolific chronicler of the Irish in America, recounts their story in "Frank and Al." This is history told the old-fashioned way. The book is only as long as it needs to be, the adroit narrative full of heroes (Smith, Roosevelt, big-city Democratic bosses) and villains (William Randolph Hearst, William Jennings Bryan, the Ku Klux Klan). The scenes are vivid and the anecdotes plentiful. In an author's note, Mr. Golway confides that he has used his informed imagination at times to add texture to his tale, but all the crucial elements are endnoted, and his improvisations seem benign enough.

At the start, Smith was the senior hand. Boosted by Charles Francis Murphy, the saloon keeper who ruled Tammany, he was an established member of the New York State Assembly. The Albany pols thought of state Sen. Roosevelt as a Dutchess County dilettante, and Smith was dismissive. "Franklin," he told a pal, "just isn't the sort of man you can take into the pissroom and talk intimately with." Smith rose to be speaker of the Assembly and, with state (and later U.S.) Sen. Robert F. Wagner, pushed through innovative laws that prefigured today's social safety net.

Roosevelt soon left Albany to join Woodrow Wilson's administration as assistant secretary of the Navy—Teddy's old job—but he kept close watch on politics back home and dreamed of high office. He was a contender for the next gubernatorial nomination in 1918, but Boss Murphy awarded it to Smith. FDR dutifully pledged his support—the first of many services he would render over the years. Six years later, Roosevelt put Smith's name in nomination for president at the tumultuous 1924 Democratic convention.

The collaboration and rivalry between Franklin Roosevelt and Al Smith shaped the Democratic Party and helped pave the way for the New Deal.

"In making Al Smith's cause his own," Mr. Golway writes, "Roosevelt bridged a chasm between the party's elite progressives and its working-class liberals, between Hyde Park and the Lower East Side . . . and between the party of Grover Cleveland, who thought it improper to spend public money on a statue in New York Harbor, and the party of Al Smith, whose life story might as well have been written on the statue's pedestal."

As governor, Smith filled his staff with names that would become famous in Roosevelt's later New Deal, including Frances Perkins, the labor champion; Jim Farley, FDR's political maestro; Ed Flynn, the Bronx boss; and Samuel Rosenman, who wrote many of Roosevelt's most memorable speeches. The bills Smith enacted became models for Roosevelt's response to the Depression, including pensions for widows with children, the germ of the Social Security legislation signed by FDR in 1935.

By the time Smith sought the 1924 presidential nomination, Roosevelt was crippled by polio. His legs locked in 10-pound braces, he exercised in secret for months so he could "walk" to the podium to nominate Smith with a speech that christened him forever the "Happy Warrior." Smith lost after 104 ballots but prevailed four years later.

Anti-Catholic bigotry engulfed the 1928 campaign, one of the ugliest in history. White-sheeted Klansmen burned huge crosses across the country as Smith campaigned. FDR ran successfully for governor of New York in a failed stab at winning the state's big bloc of electoral votes for the Democratic ticket. Smith's zeal for the repeal of Prohibition, still popular in the heartland, didn't help either, and Hoover took 40 states and 84% of the electoral vote.

In the wreckage of the Depression, Roosevelt got the 1932 presidential nomination that Smith thought he himself deserved, and went on to trounce the hapless Hoover even worse than Hoover had beaten Smith. Then the trouble started, as Mr. Golway recounts. Making big money as head of the Empire State Building and a bank, Smith moved to Fifth Avenue and swapped his brown derby for a silk hat. He began denouncing FDR's "alphabet soup" of New Deal agencies and soon joined the virulently anti-Roosevelt American Liberty League, inveighing against "the foul breath of communistic Russia" that he sniffed everywhere. In 1936 he campaigned for Alf Landon against Roosevelt.

Roosevelt never held Smith's apostasy against him, and FDR's wartime leadership reconciled the two men. They always understood each other. In 1944, when both had only months to live, Smith mused about his old protégé, rival, antagonist and comrade. "He was the kindest man who ever lived," said Smith, "but don't ever get in his way."

Mr. Kosner is the former editor of Newsweek, New York, Esquire and the New York Daily News.

OPINION

REVIEW & OUTLOOK

Throttling the 5G Internet

The global race to 5G wireless Internet is on, but some U.S. cities are throttling deployment with extortionist fees. This self-serving behavior from local politicians has become so egregious that it's prompting welcome intervention by the Federal Communications Commission.

On Wednesday the FCC plans to vote on regulations that set a "shot clock" on small-cell site approvals and limit how much municipalities can charge carriers to build out their 5G networks. The next generation of wireless service will facilitate the "Internet of Things" including self-driving cars, remote surgery and smart homes. 5G speeds will be up to 100 times faster than today's LTE service, enabling devices to connect in ways that have yet to be conceived.

The rub is that 5G ultra-high frequency millimeter waves can't travel far, so hundreds of thousands more cell sites will be needed. Network performance will depend on cell-site density. Verizon estimates that 5G will require 10 to 100 times more antenna locations than currently exist, and more cell sites will need to be deployed in the next few years than over the past few decades.

Although mobile devices that run on 5G won't be available until sometime next year, carriers are already negotiating with local officials for public rights of way to attach small cell sites—typically the size of a backpack—to street poles. But some local politicians seem to think it is their right to squeeze carriers.

Electric utilities typically charge telecom companies about \$20 to attach to their poles. New York City has set a minimum \$4,200 annual rent for each cell pole attachment in Manhattan. But "proposers might wish to bid more than the minimum because the order of selection of individual poles within each zone will be based on the amount of pole compensation each proposer bids," the city says. Tony Soprano would be impressed.

San Jose, which wants annual rents between \$750 to \$2,500, has conditioned approvals on seven-figure donations to a "Digital Inclusion Fund" for low-income neighborhoods. The Los Angeles deputy chief information officer says the city will "need to see an equitable number of 5G permits in South L.A. and Watts" as in wealthier neighborhoods.

Cities claim to be charging "market rates," but they own a monopoly to public rights of way. New York and San Jose figure they can exploit competition among carriers and compel

high prices. If Verizon refuses to pony up, surely one of its competitors will.

Liberal politicians are loath to acknowledge policy trade-offs. But higher permitting fees will reduce the amount of capital that carriers can invest in smaller cities, suburbs and rural regions. Carriers can't finance 5G with cheap debt since they are

highly leveraged. Raising rates—which are typically set nationally—would reduce Internet access for lower income-folks while slowing 5G adoption.

* * *

Enter the FCC, which wants to limit local fees for small cell sites to "no greater than a reasonable approximation of their costs for processing applications and for managing deployments in the rights-of-way" and giving local officials 60 days to review permit applications. Cue the big government resistance.

The FCC order would make it harder "to safeguard public health and safety and protect neighborhood aesthetics," says San Francisco, the nation's homeless capital. The U.S. Conference of Mayors denounced the "efforts by this unelected federal regulatory agency to improperly invade state and local government authority by compelling local elected officials to subsidize, or 'gift' local public property."

Sorry, but the 1996 Telecommunications Act allows the FCC to override state and local rules that "have the effect of prohibiting" telecom and wireless service. The Trump FCC is adopting the Clinton-era standard that an effective prohibition "materially inhibits" a carrier's ability "to compete in a fair and balanced legal and regulatory environment."

Although the commission is interpreting the law broadly, the First, Second and Tenth Circuit Courts of Appeal have agreed that local fees can be prohibitive, especially when considered in aggregate across jurisdictions. This is why some 20 states have enacted legislation that limits local annual site charges ranging from \$40 in Oklahoma to \$270 in Texas. The FCC has proposed \$270 as a safe harbor for compliance, and cities with higher deployment costs can appeal to the commission.

What liberal big city politicians really want is to grab more revenue without soaking their constituents with ever higher wireless taxes that average around 19% in California and nearly 25% in New York. But their extortion would give an innovation edge to China in the 5G race and cost American businesses and consumers dearly.

Lighthizer's Nafta Bluff

Robert Lighthizer wants Canada to know he can pass a revised Nafta trade deal with Mexico whether or not the Canadians join, or so the U.S. Trade Rep claimed Monday. The question is whether this is a bluff, or if Mr. Lighthizer has some special political insight that no one else has.

Our guess is the former because he'd be taking some large political risks to send Congress a new trade deal with only Mexico. Mr. Lighthizer has been assuring President Trump that he has the political skills greased with the help of Big Labor, but don't be so sure.

Most Republicans hate a Mexican-only trade deal since they understand the economic benefits of an integrated North American market.

Europe's Bad Iran Bet

President Trump will lead a United Nations Security Council session Wednesday on weapons of mass destruction and

The U.S. Trade Rep thinks he can pass a deal without Canada. Uh oh.

for exchanging transaction messages between banks. Belgium-based Swift is likely to be included in the next U.S. sanctions, which would cut off Iran's banks from most of the world. But developing an alternative could make it harder for Europeans to track terror financing and money laundering.

There's no evidence that Monday's idea would work any better. Ms. Mogherini said technical experts are working on the details, but the special-purpose vehicle is supposed to facilitate barter in which Iran would exchange oil for foreign goods perhaps without using cash to settle the trades. This might dodge financial sanctions, but it is too cumbersome to handle much trade. And it would still antagonize Washington.

The puzzle is why Europe insists on sticking so doggedly with Barack Obama's 2015 nuclear deal. European leaders know the deal is flawed. French President Emmanuel Macron laid out many of the weaknesses in his visit to Washington this year: It ignores Tehran's ballistic-missile program, turns a blind eye to Iran's military adventurism, and includes a sunset after which Iran could sprint to a bomb. Apparently they can't bring themselves to agree on anything with the Trump Administration.

Europe would get better results—and maybe a better deal with Iran—if it coordinated with Washington to apply pressure on Iran to reopen the 2015 deal. Iran will refuse to talk as long as the mullahs think they have Europe on their side. Maybe Europeans think they can outlast Mr. Trump and restore the deal's terms with a new President in 2021. But opposition to Iran's nuclear and imperial ambitions is bipartisan in Washington. And there's always the chance that Mr. Trump could win again.

Like the mullahs, the Euros think they can outlast Donald Trump.

Sadanand Dhume's "For India, English Is a Cure, Not a Sickness" (East Is East, Sept. 21) on India and English reopened decades-long wounds in me inflicted by Hindi chauvinists. Growing up as a Tamil in the Hindi heartland required learning a thoroughly alien language and the ability to endure endless taunts about the "inferiority" of southerners owing to their generally darker skin. The relative wealth of the north added to their affected sense of superiority. Ironically, it is the facility with English and perhaps a greater propensity for academics for the southerners that has now reversed the economic landscape in their fa-

LETTERS TO THE EDITOR

The EB-5 Visa Program Is Worth Retaining

John Vecchione and Anne Weismann highlight instances of fraud as a reason to let the EB-5 Immigrant Investor Program expire ("No More Pay-to-Play Green Cards," op-ed, Sept. 19). That would be a mistake, as it would compromise America's competitiveness and pointlessly forgo a source of investment capital.

Any economic activity will produce some examples of fraud and abuse. Yet the presence of securities fraud, for instance, isn't an argument against the utility of the stock market. Likewise, some bad actors trying to take advantage of foreign investors isn't sufficient to justify abandoning EB-5, especially when those criminals are being caught and properly punished.

The Commerce Department estimated that EB-5 brought in \$5.8 billion for fiscal years 2012-13 and created an estimated 174,000 jobs. Another study places the influx of

capital at \$20 billion since 2008. Those figures would be higher if not for the extensive backlog that has accumulated, as well as the legal uncertainty hanging over the program.

America is hardly alone in offering citizenship to attract those willing and able to add to the domestic economy.

There are certainly opportunities to reform the EB-5 system and adopt additional integrity measures designed to further combat fraud. But they must be offered with an intent to streamline and enhance the program, not sabotage it. There must also be ways to prevent political interference and corruption without damaging the nation's ability to attract much-needed foreign investment.

DANIEL MITCHELL
Chairman
Center for Freedom and Prosperity
Fairfax, Va.

Time for Market-Based Interest Rates Again

Alan Blinder apparently believes in the misguided notion that continued progress toward interest-rate normalization should be cautious and dependent on clearer signs of rising inflation ("A Return to Normalcy Will Be the Fed's Biggest Test," op-ed, Sept. 11). This viewpoint ignores the serious distortions caused by a decade of artificially low interest rates: the punishment of risk-averse savers along with generous rewards for those who invested in stocks and real estate.

Federal Reserve policy has already caused rising inflation in such asset prices, though that isn't measured in the official price indexes. Meanwhile, the Fed has ignored the huge decline in interest paid on bank deposits from \$198 billion in 2007 to \$42 billion in 2017 (FDIC data). This has restrained increases in personal income and consumption, and reduced the expansionary effects of artificially low interest rates. Where is the Fed's analysis on this issue?

The economy is now booming and monetary policy is still needlessly accommodative—whether measured by

continued low interest rates or by the large supplies of bank excess reserves. Under these conditions, it would be monetary malpractice to delay normalization. The Fed should pay less attention to trends in inflation as these are often beyond its control because of independent supply-side factors (e.g., import competition, the "Amazon effect" and fluctuations in energy supplies).

EM. PROF. ROBERT F. STAUFFER
Roanoke College
Salem, Va.

The flaw in Prof. Blinder's piece is that there is virtually no correlation between the real fed-funds rate and real GDP. A regression analysis between the real fed-funds rate and real GDP from 1960 through present shows a statistically insignificant R-squared of 0.0389.

There is a reason Milton Friedman's famous dictum "Inflation is always and everywhere a monetary phenomenon" doesn't mention interest rates.

MICHAEL MORK
Healdsburg, Calif.

Enable Medical-Monitoring APPs Via Law

Regarding Sean Khozian and Paul Howard's "Open Your App and Say 'Ahh'" (op-ed, Sept. 20): I know doctors don't want huge streams of patient data clogging their health records. Further, no physician has time to pore over hundreds of heart tracings from thousands of smartphones, and doing so would add little value. However, here are two things doctors would find useful:

First, smartphone manufacturers should include an app that analyzes the data from the wearable device

and tells patients with cardiac

problems or diabetes when they're

fine and when they should contact

their physician. Doctors using these

devices could set the parameters

(acceptable readings) for each indi-

vidual. Hospitals are packed with

monitors that serve this function.

Today, tech companies fear the le-

gal ramifications and liability

should a patient have a problem.

Second, electronic health record

(EHR) manufacturers should be

forced to open their APIs (applica-

tion programming interfaces) to third-party developers. This would assist in the creation of tools that allow patients to safely and easily transfer their medical information from one doctor or hospital's EHR to the next. But they won't. Once providers buy an EHR system today, switching to a different one is problematic since the patient information on it can only be transferred manually. If the APIs were open, this wouldn't be an issue, but manufacturers fear their market share would erode.

Patients should be able to control their own medical information, participate in their own care and be assured the totality of their health-care data is available to all of the physicians who care for them.

The FDA and Congress could make this possible by reducing lia-

bility issues for smartphone makers and requiring EHR manufacturers to open their APIs.

ROBERT PEARL, M.D.
Palo Alto, Calif.

vor as the IT boom centered in the Indian states of Tamil Nadu and Kar-

nataka demonstrates.

Venkaiah Naidu, the Indian vice president who referred to English as a disease, is from a southern state but nevertheless is a Hindi zealot. Like other votaries of Hindi he doesn't want for hypocrisy and has ensured access to an English-lan-

guage education for his family. Arguably Mr. Naidu's own career was facilitated by his fluency in English, a capacity he displayed during a recent visit to the U.S.

VIJAY DANDAPANI
New York

India's Hindi Zealots Should Show Humility

Sadanand Dhume's "For India, English Is a Cure, Not a Sickness" (East Is East, Sept. 21) on India and English reopened decades-long wounds in me inflicted by Hindi chauvinists. Growing up as a Tamil in the Hindi heartland required learning a thoroughly alien language and the ability to endure endless taunts about the "inferiority" of southerners owing to their generally darker skin. The relative wealth of the north added to their affected sense of superiority. Ironically, it is the facility with English and perhaps a greater propensity for academics for the southerners that has now reversed the economic landscape in their fa-

Pepper ...
And Salt

THE WALL STREET JOURNAL



"When my inner child says 'buy', my imaginary friend says 'sell'."

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.

OPINION

#MeToo Becomes a Political Ploy

By Abigail Shrier

Pity Lady Justice; she's had a rough couple of weeks. On "State of the Union" Sunday, CNN's Jake Tapper tossed Sen. Mazie Hirono of Hawaii what should have been a grapefruit: "Doesn't Kavanaugh have the same presumption of innocence as anyone else in America?" Ms. Hirono responded: "I put his denial in the context of everything that I know about him in terms of how he approaches cases." Conservative jurists in America have been put on notice: They are to forfeit their most basic rights as punishment for their judicial philosophy.

Mazie Hirono makes clear that if Brett Kavanaugh were liberal, she'd give him the benefit of the doubt.

In the national circus that is the Kavanaugh confirmation hearing, sexual assault is very much beside the point. Christine Blasey Ford claims that 36 years ago she suffered an attempt at the most terrifying act of brutality a woman can live through. But in the hands of Senate Democrats, this is one more bit of

materiel flung at the other side. Ms. Ford is merely the expedient means to a desirable end.

I have no idea what if anything happened to Ms. Ford. (Is it necessary to say this?) I have no idea whether she is more credible than Leland Keyser, whom Ms. Ford places at the party, though Ms. Keyser has no memory of it and says she's never met Brett Kavanaugh. Neither do any of the senators, including Dianne Feinstein, who learned of the accusation and withheld it from her Republican colleagues and the Federal Bureau of Investigation for six weeks, knowing as every good gunslinger must, that if you've only got one bullet left, you don't let it go to waste.

Imagine if we treated murder this way. Imagine if a woman had written to Mrs. Feinstein alleging that the man who was about to be appointed to the Supreme Court had murdered her brother 36 years ago. What would we say of a senator who failed to turn this evidence over immediately to the authorities? That the question is so easily answered indicates how much less seriously we already take crimes of sexual violence.

Mrs. Feinstein was elected in 1992, the year after Justice Clarence Thomas's appointment. When he was accused, we were told the woman is always right. Why else would Anita Hill have brought these claims? A few years later, when the accused was Bill



MARK WILSON/GETTY IMAGES (2)

Sens. Mazie Hirono of Hawaii and Dianne Feinstein of California.

Clinton, elite opinion cried we shouldn't rush to believe the accuser. He was a good feminist—and Paula Jones, not nearly our sort of girl. In both cases, we knew that the point was not any of the accusations. It was to shelter powerful men with views we liked or punish men with views we didn't.

Then came #MeToo. For a moment, it seemed everything might change. Public opinion was on the side, not of all women exactly, but of those women with credible, corroborated claims who were willing to name powerful men—even those men with the right political allegiances. In this light, Bill O'Reilly and Harvey

Weinstein seemed more alike than different; they met the same disgrace not for their political beliefs but for behavior that Americans of every political stripe should want to stop. For the first time in years, even Bill Clinton seemed less a gift to women than a Trojan Horse.

But now we're back to our cheap tricks, using sexual assault as a political ploy. If Judge Kavanaugh were liberal, Sen. Hirono makes clear, she would give him the benefit of the doubt. If he adjudicates like a conservative, that's evidence of rape.

This is not a fair hearing. This is not any hearing at all. This is a series of political stunts calling itself "de-

bate" over who should sit on the Supreme Court. Those who believe a sole witness's inchoate recollection of a never-reported incident 36 years ago have every right to this instinct, but they cannot pretend to have seen sufficient evidence to adjudicate the matter. Not without corroboration or any pattern of similar acts by the accused. For those who are already convinced of Judge Kavanaugh's guilt, it is enough to believe no politically conservative Catholic—"some frat boy named Brett"—as NARAL called him—should ever sit on the highest court of the land. Who but a monster would refuse to endorse the right to abortion? And isn't that tantamount to violence against women? What other evidence do we really need?

Either we're going to take sexual assault seriously because we're interested in protecting women, or we'll allow it to be transformed into merely the newest political weapon. If we choose the latter, we will have encouraged victims and witnesses of even the most heinous crimes to decline to report them for decades, waiting for the politically opportune moment. And we will have helped turn a grievous crime into a cheap register of public passion that flips like a weather vane at the next election.

Ms. Shrier is a writer living in Los Angeles.

The Fault Lies in R-Star and in Ourselves

By Kevin Warsh

The American financial system was at grave risk of collapse in September 2008. It was among the darkest economic periods in our nation's history. All of us who were then on the front lines at the Federal Reserve and the Treasury have since repaid to less strenuous confines.

The lens of time gives us a clearer, more complete picture of events. Many are using this 10-year anniversary to debate the wisdom of particular responses to the crisis. But we should also convey to our successors which policy ideas now in fashion should be reconsidered or discarded.

Before the onset of the 2008 crash, for example, price stability was thought to be a fair proxy for financial stability. Stable growth and steady, moderate inflation were thought to be persistent features of the macroeconomy. Central-bank announcements were to be aimed at dampening natural market volatility. Some still believe such things, despite strong evidence to the contrary.

Today, the idea most in vogue in central-bank circles is something called "r-star"—the neutral real interest rate at which monetary policy is neither accommodative nor restrictive. Many policy makers and ac-

ademics now recommend setting Fed interest rates principally by determining r-star. But like many great theoretical insights—this one originally offered by Swedish economist Knut Wicksell in 1898—r-star has been pushed well beyond its practical utility.

Policy makers are currently rejoicing in their good fortune. The U.S. economy is booming: Output is growing more than 50% faster than the Fed forecast a year ago, wages are accelerating, and labor markets are the strongest they've been in at least a generation. Capital investment is strengthening, and productivity shows some improvement. Asset prices are high. Credit is cheap and widely available. And inflation is running at or near the Fed's avowed target.

The Trump administration's reforms in tax and regulatory policy were well-timed. They caused a business and wage-earner expansion to follow on the heels of a consumer-driven, housing-led expansion that was starting to show its age. The strong trends in the U.S. economy are likely to continue.

Even so, history and hard experience tell us that a boom is not a time for triumphalism, especially for the guardians of financial stability at the

Fed. The most consequential period in economic policy is often when the embers of the last fire are gone and the first sparks of the next are not yet visible. Policy makers should not be dismissive of less likely, but more damaging tail events.

There are risks on the horizon. An escalating trade war between the world's two largest economic powers is happening in real time, though a détente could still be reached. Weaknesses across emerging markets are

Central bankers should give up the search for the neutral real interest rate.

growing, but lenders and counterparties might escape unscathed. The biggest banks just passed their "stress tests" with flying colors—meaning either that they are insulated from failure or that the tests have lost probative value. The "term premium," which affects long-term funding costs for debtors, is near its lowest level in a half-century. It might stay there for a while, but risks are often highest when market measures are lowest.

Are discussions of these risks cen-

tral to the Fed's pending policy decision? Not according to recent Fed statements, speeches and meeting minutes, which suggest the predominant policy focus is r-star.

In my view, r-star is not a beacon in the sky but a chimera in the eye. The idea of a "neutral" rate is a useful fiction. It makes for an interesting academic thought experiment. In practice, though, it's unobservable, unpredictable, imprecise and highly variable. That makes it a poor guide for policy makers.

The Fed's search for the neutral rate suffers significant failings. First, productivity growth should be a big factor in determining the neutral rate, but productivity forecasts have been wildly off the mark for the past couple of decades.

Second, the neutral rate is endogenous to economic policy. Policy makers' own choices about taxes, spending, regulation and trade alter the economy's potential growth in lagged and imprecise ways and thus affect any meaningful estimate of r-star.

Third, monetary policy today is not just about rates. The Fed's balance sheet, including nearly \$3 trillion of excess assets owing to crisis-inspired quantitative easing, makes monetary policy considerably looser.

If the Fed's balance sheet isn't neu-

tral, a neutral interest rate is all the more difficult to ascertain. Unwinding quantitative easing before rate hikes would have been far preferable as a policy matter.

Finally, the search for a neutral rate is significantly affected not only by the Fed, but also by the monetary policy choices of other large central banks. The Fed's domestic, closed-economy bias adds even more obstacles to an already overambitious adventure in policy-making.

Reducing the conduct of monetary policy to a star, or a rule, is tempting but unwise. In his recent remarks at Jackson Hole, Wyo., Fed Chairman Jerome Powell showed suitable humility in questioning the location of r-star. He should go further and question the whole notion that r-star has any significant practical use for the Fed. Rarely are complex problems solved by pointing to a single, hard-to-reach object and assigning magical properties to it. As Shakespeare's Julius Caesar reminds us: "The fault, dear Brutus, lies not in the stars but in ourselves."

Mr. Warsh, a former member of the Federal Reserve Board, is a distinguished visiting fellow in economics at Stanford University's Hoover Institution.

Rising Oil Prices Are Bad News for Saudi Arabia

By Karen Elliott House

Oil prices are on their way up. Iranian sales have declined under pressure of a U.S. embargo. Venezuelan production is disintegrating apace with the country. Saudi production is nearing its limit, and the Organization of the Petroleum Exporting Countries shows no sign of increasing production. Brent crude futures topped \$80 a barrel Tuesday and may reach \$100 before the end of the year.

Good news for oil-rich Saudi Arabia? In the very short run the answer is yes. But an increase in oil revenue only compounds the kingdom's larger problems of economic and social malaise.

Crown Prince Mohammed bin Salman took power last year with a dazzling set of promises to overhaul Saudi dependence on oil by privatizing the government-controlled economy and getting young Saudis off the dole and into jobs in the private economy. He vowed to stimulate new industries such as tourism and upend religious strictures against entertainment,

women's driving, and mixing of the sexes. Saudi Aramco, the kingdom's oil company, was to float 5% of its shares in an initial public offering expected to raise some \$100 billion. That money in turn would be invested at home and abroad to create new opportunities for Saudis outside of oil.

Instead, the Aramco IPO, a cornerstone of the crown prince's Vision 2030 reform plan, has been put on permanent hold by his father, King Salman. Private-sector growth has stalled as the imposition of a 5% value-added tax, coupled with sharply higher consumer prices for energy, electricity and water earlier this year, has curbed consumer spending. A further depressant has been the exodus of some 750,000 foreign workers, who left the kingdom rather than pay newly imposed government levies on expat workers.

Small-business owners face reduced revenue at a time when government is demanding they hire Saudis at higher wages than the foreign workers they displace. But Saudi workers are hard to find despite a rising official unemployment rate of

12.8% that is almost surely higher in reality. Many young Saudi men remain unwilling to work in the private economy, where they can be fired. Better, many Saudis feel, to wait and seek a government sinecure. As a result, the vision of transforming Saudis from recipients to participants remains largely a mirage.

The government's plans to attract large amounts of foreign direct investment also haven't materialized. The crown prince's decision last November to arrest several hundred prominent princes, ministers and Saudi businessmen on corruption charges certainly damped enthusiasm. Their imprisonment in the Ritz-Carlton Hotel, the government says, resulted in the recovery of \$100 billion of ill-gotten gains. Most of the Ritz inmates were released after they pledged various amounts of money demanded by government.

But given the specter of the rich and famous locked for months in hotel rooms without doors or cellphones, even higher oil revenue hasn't restored foreign investors' confidence in the kingdom. Meantime, capital

outflows from Saudi Arabia have increased as some Saudis with money are reluctant to invest inside the kingdom and risk triggering government scrutiny. Foreign and domestic investors are put off by high unemployment, high interest rates, slow government spending and doubt about the country's economic future.

A windfall will compound the kingdom's economic and social malaise.

Despite all this, and thanks largely to higher oil revenues, the Saudi economy is expected to grow 2.2% this year. That's an improvement from negative 0.9% in 2017, according to estimates by Jadwa Investment, one of the kingdom's most reliable forecasters. Oil-sector gross domestic product will grow 3.3%, compared with a 3% decline last year. Non-oil GDP is forecast to grow 1.4%, paced by revenues from the VAT, expat fees and levies, and do-

mestic energy price hikes. All these are good for government revenue but have suppressed consumer spending and private-sector growth, leaving Saudi citizens skittish.

Transforming a government-controlled economy into one paced by private enterprise and individual initiative is hellishly difficult, as Mikhail Gorbachev discovered when his reform efforts led to the demise of the Soviet Union. Neither those citizens long accustomed to dominance nor those resigned to dependence readily adjust.

Rising oil prices now reinforce both groups' resistance to change, compounding Crown Prince Mohammad's leadership challenge. Too many Saudis continue to say that painful change isn't necessary because "the government has money." Jadwa projects oil-export revenue will reach \$223 billion this year, a 31% increase from last year. That projected increase, plus the \$100 billion the government claims to have recovered from the Ritz-Carlton detainees, leads many Saudis to see little reason for them to sacrifice.

To the crown prince's credit, he, unlike his predecessors, is not passing this bounty back to restore citizens in the form of new handouts and subsidies. Instead he is using much of the oil windfall to reduce the government's deficit. That said, leaders rarely get credit with their publics for fiscal responsibility.

The challenge for the crown prince now is to hang tough on handouts, end the government's decades-old penchant for building megaprojects, and let the private sector lead the economy. So long as the government picks winners and losers, the private economy will remain stunted, unable to employ those seeking jobs now or the 300,000 Saudis entering the job market every year.

Ms. House, a former publisher of The Wall Street Journal, is author of "On Saudi Arabia: Its People, Past, Religion, Fault Lines—and Future" (Knopf, 2012).

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Qualcomm Steps Up Apple Feud

Chip company alleges iPhone maker shared confidential files with rival supplier Intel

BY TRIPP MICKLE

Qualcomm Inc. accused Apple Inc. of funneling proprietary information about the chip supplier's technology to rival Intel Corp., broadening a long-running legal battle between two companies central to the smartphone industry.

Apple engineers used its software and confidential files to help Intel engineers develop modem chips for iPhones, according to an amended complaint Qualcomm filed Tuesday in California's Superior Court in San Diego County.

Qualcomm, which is seeking unspecified damages, provided no evidence supporting its charges in the filing. It is asking the court for a jury trial, in which it said it would present evidence based in part on discovery it has already conducted.

An Apple spokesman referred to the company's past statement on Qualcomm's business practices, calling them illegal and harmful to the smartphone industry.

Intel, which isn't named as a defendant, declined to comment. Its modem chips were incorporated into iPhones in 2016, marking an end to a period of Qualcomm exclusivity as a supplier of that component. The accusation of intellectual-property theft intensifies the feud between longtime technology partners Apple and Qualcomm and lessens the likelihood of a settlement between the two in the near future. The companies are locked in legal tussles over patent royalties and patent infringements in courts ranging from the U.S. to Germany.

The dispute has upended a partnership that dates back to 2010, when Qualcomm entered an agreement to begin supplying Apple with modem chips for iPhones and iPads. Apple first sued Qualcomm in January 2017 over the modem supplier's practice of collecting royalties on the entire sales price of an iPhone up to \$400. Qualcomm says it charges a percentage of the entire price because its patents—essential to implementing cellular-communication standards—relate to cellular devices as a whole, not just its chips.

Under terms of their previous partnership, Qualcomm said it agreed to provide Apple with techniques, methods and software to evaluate the performance of its modems in iPhones. Those agreements gave a limited number of Apple engineers turn to page B5

Arby's Owner In Deal For Sonic

BY JULIE JARGON

Arby's owner Inspire Brands Inc. said it is buying burger chain Sonic Corp. for \$2.3 billion including debt, part of its strategy to guard against restaurant-business fads and downturns by covering the dining spectrum from takeout to sit-down.

Inspire was created in February from the merger of Arby's Restaurant Group and Buffalo Wild Wings. The private company also owns a small chain called Rusty Taco.

Chief Executive Paul Brown has said he hopes to entice customers of one Inspire chain to visit others in the portfolio. He has said he wants to buy about 10 chains, each with annual sales of up to \$4.5 billion.

Sonic, with \$477 million in annual sales last year, is an "ideal fit" for that strategy, Mr. Brown said in a statement Tuesday.

The carhop-style burger chain opened in 1953 as a root-beer stand in Shawnee, Okla., and now is the country's largest drive-in chain, with 3,500 restaurants in 44 states.

Two other privately held food companies, JAB Holding Co. and Focus Brands, also are broadening their portfolios to include brands with sometimes little in common. Focus Brands owns Cinnabon, McAlister's Deli and Jamba Juice, among other chains. JAB owns sandwich chain Pret A Manger, Panera Bread, Krispy Kreme donuts and coffee chains including Peet's and Caribou.

"Just when you think you've figured out their strategy, they go and buy something you wouldn't have thought of," William Blair analyst Sharon Zackfia said of JAB and Focus.

That's a contrast with the approach of competitors such as Yum Brands Inc. and Darden Restaurants Inc., which have focused on a single type of restaurant chain. Yum owns fast-food brands including Taco Bell and Pizza Hut, while Darden's casual-dining chains include Olive Garden and LongHorn Steakhouse.

Restaurants have benefited recently from rising incomes and retail spending. U.S. consumer confidence rose in September to the highest point in 18 years, the Conference Board, a private research group, said Tuesday.

Darden on Thursday reported better-than-expected earnings and sales for its fiscal first quarter and sent its

Please turn to page B2

A Tower With a View

Skyscraper observation decks can be money makers. In New York, the competition will soon heat up with the addition of two new observatories. B6



The deck atop 30 Rockefeller Plaza has three levels.



LOWER MANHATTAN



Note: Heights and opening years refer to buildings, not observation decks. Relative scale of building silhouettes in table is approximate.

Sources: New York City Department of Information Technology and Telecommunications (model of Manhattan); the landlords (years, height)

Peter Santilli/THE WALL STREET JOURNAL.

Verizon Gives Buyout Offers To Thousands of Employees

BY SARAH KROUSE

Verizon Communications Inc. has offered early-retirement packages to thousands of staffers, including all of its management employees, as the company looks to trim its workforce as part of a broader cost-cutting effort.

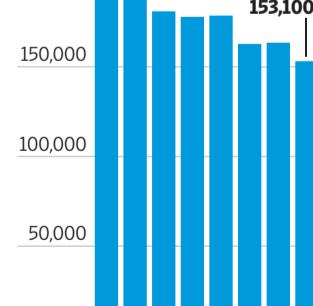
The largest U.S. wireless carrier by subscribers on Monday offered voluntary severance packages that include three weeks' pay for each year of service, the first such offer in at least 13 years, a spokesman said. He said the package was more "employee friendly" than prior offers.

The move is part of a broad, multiyear \$10 billion cost-cutting effort at Verizon that has been led by new Chief Executive Hans Vestberg. Frontline sales employees were excluded from the offer.

Employees offered the severance packages have until mid-November to accept, and departure dates are likely to be staggered from the end of 2018 to mid-2019, the spokesman said.

Slimming Down

Verizon's workforce



*As of June

Source: the company

THE WALL STREET JOURNAL.

the faster network will redefine how large enterprises rely on wireless networks and the types of entertainment consumers crave.

Installations for customers in Houston, Indianapolis, Los Angeles and Sacramento, Calif., the first markets where Verizon is bringing its 5G residential broadband service, are scheduled to begin Oct. 1.

The recent cost-cutting has affected workers and operations companywide. Verizon recently signed a \$700 million information-technology outsourcing agreement with Infosys Ltd. that is likely to lead to a reduction of workers in India and a transition of some Verizon workers to that company, the spokesman said.

Verizon had 153,100 employees worldwide at the end of June. Its overall workforce has shrunk over the past decade as the company has sold some of its former landline operations. Last year, Verizon laid off over 2,000 people at its online media business after it combined Yahoo and AOL.

That buildout is a bet that

INSIDE



DUNKIN' DUMPS DONUTS FROM ITS NAME

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OPEC FEARS RETURN OF THE OIL GLUT

COMMODITIES, B14

Clashes With Facebook Drove Instagram Exits

BY DEEPA SEETHARAMAN AND LARA O'REILLY

Instagram lost its co-founders after a series of clashes over strategy and product. Now the challenge for Facebook Inc. is keeping the app's users and advertisers happy.

The departure this week of Kevin Systrom and Mike Krieger comes as Instagram is emerging as a more popular product among certain market segments—including young people and many key influencers in media and tech—than the core Facebook platform that Mark Zuckerberg has built and developed into a commercial behemoth.

Instagram, a mobile app that lets people share and watch photos and videos, has become an attractive platform for advertisers, thanks to its visual nature and the easy-to-use Facebook ad-buying software that lets them place and measure their ads on the photo-sharing app.

Instagram, which Facebook bought in 2012 for \$1 billion, also has been left relatively unscathed as Facebook deals with

issues ranging from the unauthorized disclosure of users' data to the spread of misinformation on its platform. Facebook is facing a slowdown in user and revenue growth.

"If the founders left because they were worried about the future path of Instagram and what Facebook is going to do, that would be concerning," said Mike Parker, global president at Hearst-owned digital ad firm iCrossing. Still, any risk from the "over-Facebookization" of Instagram would take time to play out, Mr. Parker said.

Instagram has grown to more than 1 billion users and more than 2 million advertisers. Facebook said on its most-recent earnings call. Facebook doesn't break out Instagram's revenue numbers. Market-research firm eMarketer estimates Instagram's world-wide ad revenue will more than double this year to nearly \$9 billion.

The Instagram news feed, once a selective platform for glossy magazine-like ads for marquee brands, expanded its offering over the years to more

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Facebook Clashes Drove Exits

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advertisers, adding video and "shoppable" formats, where users can immediately click to buy items.

Facebook gives itself significant credit for the growth of Instagram, which was founded in 2010. On Facebook's second-quarter earnings call, Mr. Zuckerberg, the company's CEO, said, "We believe Instagram has been able to use Facebook's infrastructure to grow more than twice as quickly as it would have on its own."

Disagreements over growth strategy and control over decision-making led to management divisions between Instagram and Facebook—and ultimately the departure of Messrs. Systrom and Krieger, people familiar with the matter say.

For years, the two co-founders enjoyed an unusual level of autonomy and freedom from Facebook. The app's executives say they operated under a simple understanding with the parent company, "Don't mess with Instagram."

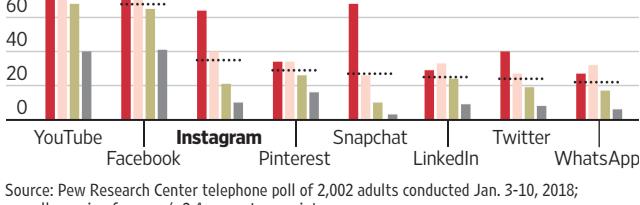
Late last year, however, Instagram's co-founders started clashing frequently with Mr. Zuckerberg over a range of issues, including the extent to which Messrs. Systrom and Krieger could chart their own course, according to people familiar with the matter. The co-founders also were upset about some product tweaks to the photo-sharing app that seemed designed to promote Facebook growth at Instagram's expense, some of the people said.

Many Instagram executives were caught off guard in May when a management shake-up appeared to give Mr. Systrom less access to Mr. Zuckerberg, according to a person familiar with the matter. Previously, Mr. Systrom often discussed product plans directly with Mr. Zuckerberg. The change appeared to insert a layer between the two executives, the person said.

Faceoff

Popular among younger people, Instagram ranks third behind YouTube and Facebook in use by U.S. adults, according to Pew Research.

U.S. social-media usage, by age and platform



Source: Pew Research Center telephone poll of 2,002 adults conducted Jan. 3-10, 2018; overall margin of error +/- 2.4 percentage points

THE WALL STREET JOURNAL.

BUSINESS & FINANCE

BMW Takes Hit on Emissions Costs

BY WILLIAM BOSTON

BERLIN—Shares in **BMW** AG fell by as much as 6% on Tuesday after the luxury car maker warned that emissions-related costs, product recalls and fierce price competition amid global trade disputes would dampen profit this year.

BMW said the main reason for the dimmer outlook was the cost of adjusting to new global rules for emissions testing to measure pollutants, greenhouse-gas emissions, and fuel economy. The test, called world harmonized light vehicles test procedure, or WLTP, came into force in Europe in September and BMW racked up significant costs earlier in the year to adapt its vehicles to the new regime.

The profit warning comes amid a flurry of similar concerns from other companies in the sector, such as rival Daimler AG and supplier Continental AG, which have spoken out against disruptions to global markets and supply chains from political tensions and the U.S.-China trade dispute.

Several industry analysts saw BMW's unexpected warning as a turning point in the industry, a sign that regulatory challenges and a volatile global trade environment would further hit sales and dent corporate profits. Analysts had expected weak auto industry performance in the three months to October to improve at the end of the year, but now fear it will continue.



A production line in Indonesia. Recalls, price competition and trade disputes have dented earnings.

That assessment now looks optimistic.

BMW now said it anticipated full-year pretax profit for the entire company "to show a moderate decrease" from the previous year and revenue from its automotive businesses to be "slightly lower."

Analysts cut their earnings outlook for BMW by about €1.2 billion (\$1.4 billion), bringing consensus estimates down to about €9.7 billion.

When BMW set its original guidance for 2018 earlier this year, it said it expected a challenging year on account of around €1 billion in upfront costs to develop new technology and currency headwinds in the "mid-to-high three-digit million euro range."

BMW had previously forecast a slight increase in automotive revenue and pretax earnings at about the same level as last year. In 2017, it reported pretax earnings of €10.7 billion and automotive revenue of €88.6 billion.

The Munich-based car maker lowered the guidance

on its profit margin in the automotive segment to "at least 7%" from a previous estimate of a range of 8% to 10%.

The company also cited increased goodwill and warranty costs associated with product recalls and the impact of price reductions on vehicles sold in China in the wake of the continuing trade dispute between the U.S. and China. However, BMW declined to quantify the full financial impact of these issues.

The warning sent the company's shares down 5.7% to €78.75 in midafternoon trading in Frankfurt. They later recovered to €80.35, down 4%.

Delta Briefly Halts Departures Due to Glitch

BY ANDREW TANGEL

Delta Air Lines Inc. briefly halted U.S. domestic departures Tuesday evening because of what the carrier said was a problem with its computer network.

It wasn't immediately clear how many flights were affected

during what would have been a typically slower time of the evening for departures. The Atlanta-based airline said around 9:30 p.m. Eastern that its crews had "restored all IT systems after a technology issue briefly affected some of our systems."

Delta reported no diversions or cancellations as the result of the outage.

"All groundstops have been lifted," Delta said in a message on Twitter.

An hour earlier, Delta said in a message on its website that it had issued the "groundstop," which typically means a halt to departures but doesn't affect flights already in the air.

"There has been no disruption or safety issue with any Delta flight currently in the air," Delta said. "We apologize to all customers for this inconvenience."

A Delta spokesman said only domestic Delta-operated flights, rather than those operated by regional carriers, were affected.

Dunkin' Removes 'Donuts' in Name

BY MICAH MAIDENBERG AND JULIE JARGON

Dunkin' Brands Group Inc. is dropping the word "Donuts" from its flagship brand, becoming the latest company to signal a fresh approach with a new name.

The move is part of the chain's increased focus on beverages, which represent 60% of sales. Coffee makes up the "overwhelming majority" of those beverage sales, Dunkin' Chief Executive Dave Hoffmann said during a call with reporters. "It's a new day at Dunkin,'" Mr. Hoffmann said.

Starting next January, Dunkin' Brands' advertising, packaging, website and other public communications will use the name "Dunkin'", the parent company of the beverage chain.

The Dunkin' Brands chain has been working to appeal to customers in a hurry, with new store designs featuring drive-through lanes just for mobile orders.

Some of the product tweaks appeared subtle. For example, content shared from users' Instagram to Facebook previously was clearly labeled as coming from the Instagram app. It was easy for a user's Facebook friends to tap a link back to Instagram from the news feed. This year, designers tweaked the Facebook app to remove many references to Instagram, ranking its co-founders, according to people familiar with the matter.

—Suzanne Vranica contributed to this article.

age-and-pastry chain said. As stores are remodeled, the new logo will be featured in all exterior and interior signage, according to the company.

Shares in Dunkin' Brands rose 1.3% to \$73.79 on Tuesday.

Dunkin' Brands, based in Canton, Mass., joins a range of companies that have decided to spotlight new products and strategies by rolling out a name change. On Monday, Weight Watchers International Inc. said it would rebrand as WW to emphasize the company's commitment to health and wellness.

The Dunkin' Brands chain has been working to appeal to customers in a hurry, with new store designs featuring drive-through lanes just for mobile orders.

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BUSINESS NEWS

Michael Kors Seals Bid for Versace

BY SUZANNE KAPNER AND AISHA AL-MUSLIM

When John Idol met Donatella Versace for dinner earlier this year in Milan, Ms. Versace told the **Michael Kors Holdings** Ltd. boss that the **Gianni Versace** SpA fashion house wasn't for sale.

On Tuesday, Michael Kors said it had agreed to pay \$2.12 billion for the Italian luxury brand founded by Gianni Versace, furthering the U.S. company's ambition of becoming a global luxury fashion group.

"I wasn't thinking about selling," said Ms. Versace, who took over the business after her brother's death in 1997. "But I talked to John. He has the same passion for the business. And he can offer us expertise" in digital commerce, accessories and growing the store base, she said.

The deal marks one of the first attempts by an American fashion company to run an elite European brand. Once it closes, Michael Kors will change its name to Capri Holdings Ltd. In addition to its namesake handbags, the company owns high-end shoemaker Jimmy Choo.

Ms. Versace will remain Versace's chief creative officer, and members of the family will receive €150 million (\$176 million) of the purchase price in shares of Capri Holdings. Versace's management team will continue to be led by Chief Executive Jonathan Akeroyd.

Mr. Idol, who has been CEO of Michael Kors since 2003, said he was attracted to the opportunity Versace presented as well as its heritage of glamorous luxury. "The brand has a much bigger name than its annual sales," Mr. Idol said. "That creates a huge potential for us."

The deal would give Michael Kors a sought-after foothold in European fashion.

Nike Finished Strong in Quarter

Broad-based demand for its athletic apparel, sneakers propelled sales 10% higher

BY KHADEEJA SAFDAR

Nike Inc. posted a 10% increase in sales during the summer quarter, riding strong consumer spending in the U.S. and healthy demand outside its home market for the brand's sneakers and athletic apparel.

Chief Executive Mark Parker said in an earnings call on Tuesday that the growth was "broad-based," attributing the results to the company's efforts across product categories and in several markets across the globe.

Revenue in Nike's North American market, which accounts for about 40% of total sales, increased 6% to \$4.1 billion for the first quarter ended Aug. 31. The gains include a 5% increase in the footwear business and an 8% rise in apparel.

Shares of Nike declined about 2% in after-hours trading on Tuesday. The stock has gained more than 50% in the past year.

The sneaker giant, which has been expanding its e-commerce sales, said its efforts to reach customers through its own apps and stores paid off in the quarter. In the past year Nike has cut back the number of retailers it focuses on and started selling its goods through **Amazon.com Inc.**

Mr. Parker said the move to narrow the brand's focus on retailers like **Nordstrom Inc.** and **Foot Locker Inc.** is driving higher growth rates. He also highlighted a new Los Angeles store, which changes its products based on what is trending with shoppers in the local area.

The company said it has been successfully capitalizing on key moments in sports, noting that both teams in the World Cup final were sponsored by Nike.



Revenue in the North American market, which accounts for about 40% of total sales, increased 6% to \$4.1 billion for the period.

sored by Nike.

Nike has battled **Adidas AG** and **Under Armour Inc.** for the attention of young shoppers in recent years. Earlier this month, the company ran an ad featuring NFL quarterback-turned-activist Colin Kaepernick, which divided American shoe buyers. After Mr. Kaepernick's involvement was revealed, some people defaced Nike gear and promised to boycott the company. But initial indicators showed a temporary rise in online purchases.

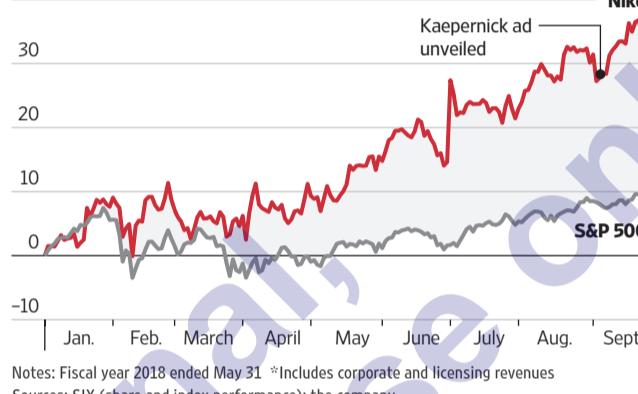
The latest quarter ended in August, before the ad was unveiled. After an initial 3% decline in shares following the campaign launch, investors have pushed Nike's stock to an all-time high.

On Tuesday, Mr. Parker said the campaign, which also featured other athletes including Serena Williams and Odell Beckham Jr., is "driving a real uptake, I think, in traffic and

Rare Air

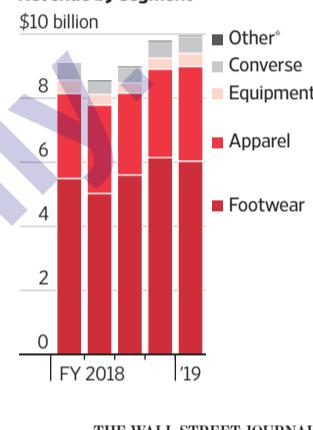
Despite some backlash, Nike shares hit an all-time high after the Colin Kaepernick ad was unveiled.

Share price performance



Notes: Fiscal year 2018 ended May 31. *Includes corporate and licensing revenues

Sources: SIX (share and index performance); the company



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engagement, both socially as well as commercially."

Retailers from **Walmart Inc.** to **Nordstrom Inc.**, have reported strong quarterly sales recently, buoyed by rising consumer confidence. But

the booming economy hasn't lifted all brands. **Gap Inc.'s** namesake brand and **L Brands Inc.'s** Victoria's Secret both reported declining comparable sales in the latest quarter.

The Beaverton, Ore.-based

company reported net income of \$1.1 billion on sales of \$9.9 billion in the three months. During the quarter, the company also repurchased 17.8 million shares for approximately \$1.4 billion.

Lightening Up, Newell Looks To Deal Playing-Card Maker

BY JAEWON KANG AND SHARON TERLEP



mainly private-equity firms, the people said.

The business is one of several being sold by Newell as it contends with missed financial targets and weak sales that have caused its share price to fall by about half in the past year. Most of those assets, including United States Play-

Card, were once part of Jarden Corp., a company Mr. Franklin created in 1993 and sold to Newell in 2016 before taking a seat on the Newell board.

In a statement Monday, Chief Executive Michael Polk said Newell still expects to generate \$10 billion in after-tax proceeds from its divestitures and will use the money to pay down debt and buy back shares. The company has found buyers for three brands so far, yielding more than \$2.5 billion.

Newell sold Rawlings Sporting Goods Co. for \$395 million to Major League Baseball and investment firm Seidler Equity Partners. Carlyle Group-backed Novolex bought Waddington Group, a packaging manufacturer, for \$2.3 billion. Goody Products Inc., Newell's hair-products business, went to private-equity firm Acon Investments for an undisclosed amount.

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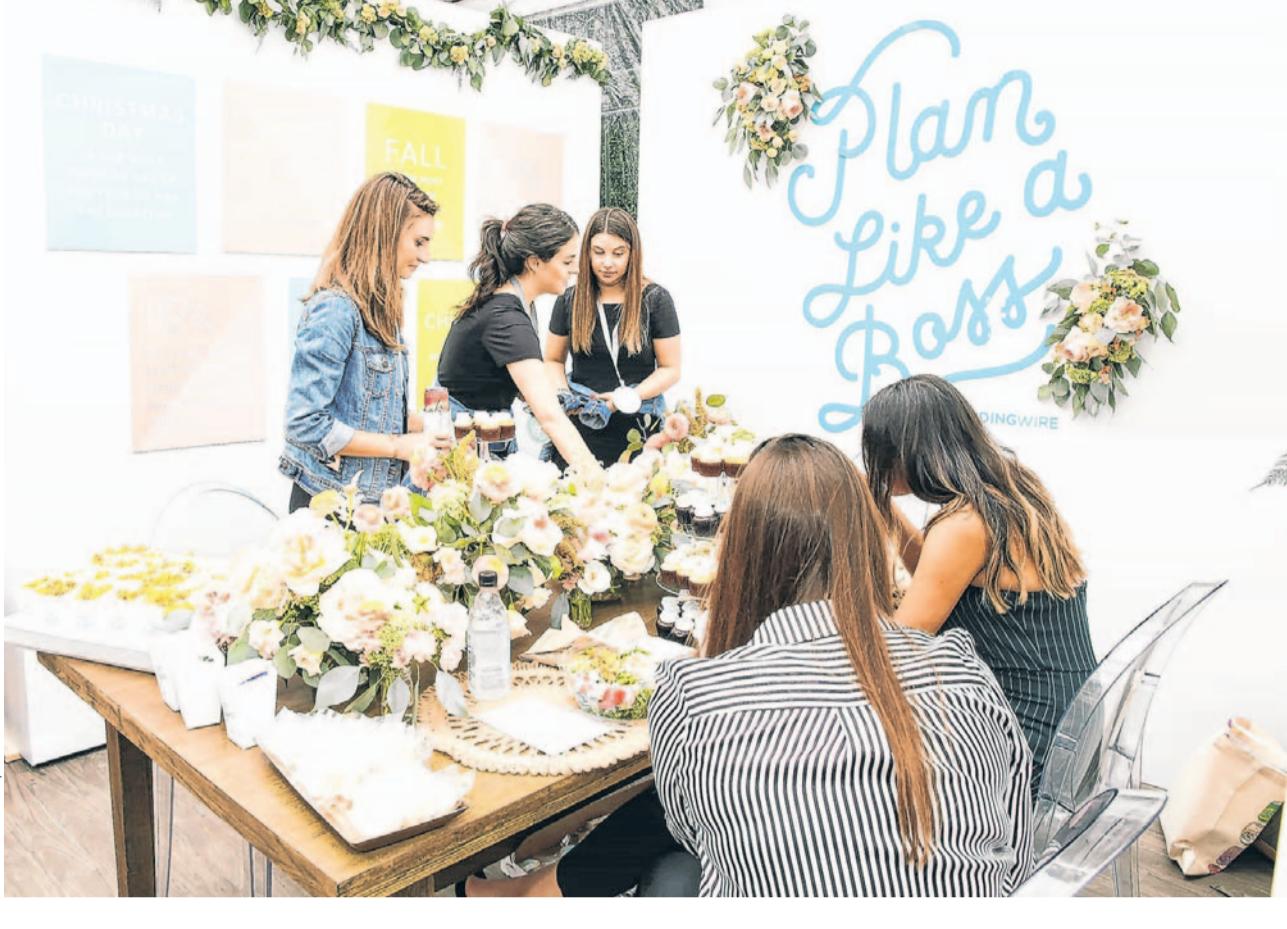
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100 Brilliant Companies

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WeddingWire to Marry the Knot in Match Made by Private Equity

XO Group Inc., parent company of wedding-planning website the Knot, agreed to be taken private for about \$933 million, a deal that would hitch it to nuptials-planning marketplace **WeddingWire** Inc.

In the deal, private-equity firms **Permira** and **Spectrum Equity**, lead investors of WeddingWire, will pay XO Group shareholders \$35 a share, a 27%

premium to XO Group's closing price Monday of \$27.64.

Both brands will be operated as separate consumer products so that wedding professionals and their partners can have both offerings, XO Group said Tuesday.

XO Group Chief Executive Mike Stein and WeddingWire CEO Tim Chi will also become co-CEOs of the combined com-

pany upon the deal's completion.

Under terms of the deal, Permira and Spectrum will have to pay a \$30 million termination fee if the deal isn't closed by June 24, or a \$50 million fee if other conditions aren't met.

XO Group, which is able to solicit proposals from other parties through Nov. 8, could pay an \$8.1 million breakup fee if it enters an agreement on a superior

proposal received during the go-shop period, when a public company can seek out competing offers.

XO Group's portfolio also includes life-stage websites, the Nest, the Bump, GigMasters, HowHeAsked and Lasting. WeddingWire is a global online marketplace that assists with wedding planning.

—*Kimberly Chin*

Uber Wins Appeal In Drivers' Lawsuit

By GREG BENSINGER

Uber Technologies Inc. scored a legal victory over drivers on Tuesday after a federal appeals court dismantled the class-action status of a lawsuit that sought to reclassify independent contractors as employees, with possible broader implications for the so-called gig economy.

A panel of judges at the U.S. Ninth Circuit Court of Appeals ruled that some 240,000 ride-hail drivers who had sought to be certified as a class to challenge their worker classification would have to pursue their claims individually in arbitration.

The judges found that Uber's contract with drivers requiring private arbitration was binding, after a lower district court had found that Uber couldn't compel its drivers to pursue arbitration.

The closely watched case has been snarled in the federal courts for years after drivers in 2013 first sued San Francisco-based Uber, claiming they should be classified as employees—which would allow them to receive compensation for expenses such as fuel, vehicle insurance and maintenance.

Shannon Liss-Riordan, the attorney representing drivers in the case known as O'Connor v. Uber Technologies Inc. et al., said she was disappointed with the ruling, but that she

may appeal to the full Ninth Circuit.

"We have, unfortunately, been long expecting this," she said. "Thousands of drivers have already signed up for individual arbitration. If Uber wants to resolve these disputes one by one, we are ready to do that—one by one."

An Uber spokesman said the company is "pleased with the court's decision."

How Uber and other gig-economy companies classify their workers has been a hot-button issue for years. Their business models depend on workers assuming labor costs, such as health insurance and equipment maintenance, that are typically paid by employers.

While many such workers say they appreciate the flexibility of setting their own hours, they also forfeit the stability of hourly wages and other benefits. Changing contract workers to employees could drive up costs for gig-economy companies by 20% or more by some estimates.

The O'Connor case reached a settlement in 2016, but a judge rejected the terms, which included around \$100 million in payouts and a pledge by Uber to revise its practice of deactivating drivers from its app without warning or recourse. The judge said the settlement proposal was "not fair, adequate, and reasonable."

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BUSINESS NEWS

Embattled CBS Taps Parsons As Interim Chairman

By JOE FLINT

CBS Corp.'s board has named Richard Parsons interim chairman, and two other longtime directors have resigned, in the latest significant change in the broadcaster's ranks, the company said Tuesday.

A former chairman and chief executive of Time Warner Inc., Mr. Parsons joined the CBS board only a few weeks ago after Leslie Moonves stepped down as chairman and chief executive amid sexual misconduct allegations.

Known as a consensus builder, Mr. Parsons will look to bring stability to the CBS board and company, reeling not only from Mr. Moonves's abrupt departure but also amid questions about how accusations against him were handled.

Mr. Moonves denied allegations that he committed sexual assault, forced himself on any women or had ever harmed the careers of any women who had rebuffed his advances.

Mr. Parsons said in a statement that he looks "forward to learning more about CBS' compelling opportunities and how we can help guide and support the company's growth."

One of Mr. Parsons' top priorities will be leading a search for a new chief executive for CBS. Chief Operating Officer Joe Ianniello was named president and acting chief executive after Mr. Moonves resigned. He is a candidate, but the board is also expected to seek out other potential candidates for the position. Mr. Parsons was wooed to the CBS board by Shari Redstone, a CBS vice chairwoman and president of controlling shareholder **National Amusements Inc.**

Leaving the board are lead independent director Bruce Gordon and William Cohen, both of whom led an effort to reduce the controlling stake in the company held by National Amusements to less than 20% from 80%.

The departure of Messrs. Gordon, former president and CEO of the National Association for the Advancement of Colored People, and Cohen, chairman and CEO of **Cohen Group** and a former U.S. defense secretary, surprised board members.

The pair emailed resignation letters without any explanation for their departure, according to a person familiar with the matter. The new CBS board is scheduled to meet for the first time Friday. CBS said in its statements that the two had resigned from their seats to "focus on other personal and professional priorities."

Neither Mr. Gordon nor Mr. Cohen could be reached for comment.

Antitrust Chief to Hasten Reviews

Companies gripe that getting regulatory clearance for mergers takes too long

By BRENT KENDALL

WASHINGTON—The Justice Department's antitrust chief is pledging to significantly cut the length of time it takes to review proposed mergers, amid complaints from companies that the regulatory clearance process has become painfully slow.

Mergers increasingly take longer to review and clear, Assistant Attorney General Makan Delrahim said Tuesday in a speech at Georgetown University. "I agree that it is a problem."

Mr. Delrahim said the department would aim to resolve most of its merger investigations within six months after

companies submit their paperwork, provided the would-be merger partners provide the relevant data and documents early in the regulatory process.

The department won't drag out its decision-making deliberations once it has the information it needs to determine whether a merger is a threat to competition, Mr. Delrahim said.

There will be exceptions to the timeline because some deals present knotty issues that can't be resolved in a six-month period, he said. And companies, he added, sometimes want to give the government extended time.

"If the goal of the business community is a shorter review, however, we share that goal," Mr. Delrahim said.

Mergers valued at more than \$84 million that meet certain conditions, and all deals valued above \$337 million, need government ap-

proval before they can be consummated.

The overwhelming majority of mergers raise no antitrust issues and are approved within 30 days of paperwork being submitted to the government.

In a small percentage of deals, however, the government makes a "second request" for information about the transaction, a move that triggers a full investigation that can take a year or longer to resolve.

The average duration of significant U.S. merger investigations has been about 10 months in recent years, according to data compiled by the law firm Dechert LLP.

Various factors have contributed to the length of the review process, including the ever-growing quantity of electronic data and documents that companies produce in the normal course of business and

that government enforcers must sift through. Some mergers are also reviewed by foreign antitrust agencies, which can slow the process.

While companies want to reduce regulatory burdens, consumer advocates want antitrust officials to thoroughly



Makan Delrahim aims to resolve most investigations within six months.

vet potential concerns about mergers and to build strong legal cases against problematic deals that can succeed in court.

Mr. Delrahim said the Justice Department's efforts at greater efficiency would include a willingness to meet with business executives ear-

lier in the merger-review process. He also said the government would take steps to ensure that third parties with relevant information about a merger comply with civil subpoenas in a timely manner. Those third parties often include competitors and customers of the merging companies.

The Justice Department shares merger authority with the Federal Trade Commission, an independent agency with a bipartisan mix of commissioners—and a Republican majority.

FTC Chairman Joseph Simons, speaking later at the Georgetown event, said he was unaware of the specifics of Mr. Delrahim's plans for DOJ, but agreed that "the goal is definitely to reduce the time it takes." He said the FTC planned to start compiling its own statistics on the length of the merger review process and the reasons for it.

Qualcomm Intensifies Apple Feud

Continued from page B1
neers access to sensitive information, and Qualcomm said it has evidence showing Apple provided some of that information to Intel around 2016—a time when it says the iPhone maker was seeking leverage in modem-chip negotiations.

"Apple has engaged in a yearslong campaign of false promises, stealth, and subterfuge designed to steal Qualcomm's confidential information," Qualcomm said in its filing.

The allegations are an amendment to a breach of contract suit Qualcomm filed last November. In it, Qualcomm accused Apple of violating an agreement that allows the chip supplier to audit the iPhone maker's use of its software. Qualcomm also said Apple engineers had shared some information about its technology with other Apple engineers working on competitors' chips.

In August, Apple challenged Qualcomm's suit in a filing, saying that after nine months of discovery the chip maker had failed to disclose evidence supporting those allegations. It



The latest volley in the dispute came as Apple introduced its new iPhones, the XS and XS Max, without modem chips from Qualcomm.

asked the court to compel Qualcomm to disclose evidence.

Qualcomm's filing Tuesday expands on the chip supplier's prior claims by directly accusing Apple of using Qualcomm software to improve Intel's chip performance. It also says Intel engineers complained to

Apple they weren't able to open Qualcomm files provided by the iPhone maker.

The latest legal volley from Qualcomm lands the same month as Apple announced new iPhones without Qualcomm modem chips. The iPhone XS and XS Max released

last week rely on modem chips from Intel, according to iFixit, a site that evaluates the components in new devices.

The legal fight with Apple has hung over Qualcomm throughout a difficult period. The company fought off a takeover from Broadcom Inc. in

March. It later abandoned its own planned takeover of NXP Semiconductors NV because it couldn't secure regulatory approval from China due to the trade battle with the U.S. Apple has withheld billions of dollars in payments as the royalty dispute marches on.

Novartis to Eliminate Jobs as It Shifts Strategy

By DONATO PAOLO MANCINI

Novartis AG plans to cut more than 2,000 jobs as part of a global restructuring, the latest move by its new chief executive to refocus the pharmaceutical giant on higher-value drugs.

The Swiss company said Tuesday that most of the cuts would fall in its home market, where it plans to eliminate a net 1,000 production jobs—after taking into account the creation of 450 positions—and 700 jobs in business services.

Novartis said the layoffs

will take place through 2022. It currently employs 12,800 people in Switzerland.

The company also said it would eliminate 400 jobs at a plant in the U.K., a step it said wasn't related to Britain's planned departure from the European Union next year. Novartis has previously announced cuts in Japan, the U.S. and other countries.

The cuts are part of Chief Executive Vasant Narasimhan's plan to make the company more focused on "personalized and specified" medicines—including gene therapies that

can costs hundreds of thousands of dollars per patient—rather than on high-volume drugs.

2,000

The number of jobs the company plans to eliminate through 2022

Under Mr. Narasimhan, who became CEO in February, Novartis has announced plans to

shed its Alcon eye-care unit, which analysts value at \$20 billion, and exited the realm of research in antibiotics and antivirals. The company said this month it would sell part of its generics business in the U.S. for as much as \$1 billion.

Analysts at UBS said the job cuts were expected given the company's previous announcements, and that Novartis would probably have to go further to meet earnings targets as more patents expire.

Tuesday's announcement underscores changes throughout the Swiss pharmaceutical

industry, an important source of jobs and exports. The Wall Street Journal reported in July that **Roche Holding AG**, another Swiss drug company, would shut regional offices as part of a restructuring.

Still, the Swiss economy appears to be in good shape to weather the cuts. Switzerland's gross domestic product rose 3.4% in the most recent quarter from the previous year and the country's jobless rate is just 2.4%.

—Brian Blackstone and Max Bernhard contributed to this article.

The Face of Real News

In 2013, Jessica Donati arrived in Kabul at the tail end of the U.S.'s transfer of security to the Afghanistan government. Despite the dangers, she traveled with and without military escort to report on the country's dramatic upsurge in violence. Over the next four years, Ms. Donati provided WSJ readers the full scope of the unending corruption, bombings and kidnappings that has encapsulated America's longest war.

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JESSICA DONATI
FOREIGN CORRESPONDENT

THE PROPERTY REPORT



The view from the observation platform at 30 Hudson Yards, a 1,296-foot office building being developed on the west side of Manhattan. Related Cos. plans to open the deck in 2020.

AGATON STROM FOR THE WALL STREET JOURNAL

Skyscrapers Spur Eye-Opening Business

BY PETER GRANT

The stakes have never been higher in the competition for the best skyscraper view of New York City.

Observation decks atop Manhattan's World Trade Center, Rockefeller Center and the Empire State Building offer sweeping panoramas that stretch for miles. The three viewing platforms, which stand at 850 feet or higher, attract more than nine million visitors combined each year. At around \$30 a head, that comes to about \$270 million in annual revenue before adding money made from food, beverage and souvenirs.

Now, two more developers are preparing to offer their own vistas. Related Cos. plans to open an observation deck in 2020 atop a 1,296-foot tower in its sprawling Hudson Yards development. The following

year, SL Green Realty Corp. is scheduled to open an attraction at One Vanderbilt, the 1,401-foot office tower currently under construction next to Grand Central Terminal.

"We believe there is an incredible latent demand for the observation experience in the New York tourism market," said Robert Schiffer, a managing director at SL Green.

Skyscraper developers have realized that selling great views can be as profitable—and sometimes more profitable—than the offices, apartments or other space they sell on the floors below.

The World Federation of Great Towers a decade ago had fewer than 30 members, according to Jean-Yves Ghazi, a member of the executive committee of the observation-deck organization. Today, there are more than 50 members, he said.

New observation platforms have opened in Los Angeles and London in recent years. Another is being planned in Miami. Saudi Arabia is constructing the Jeddah Tower, the world's first kilometer (3,281 feet) tall building with

Observation decks can add more than \$100 million to a building's cost.

an observation platform that will enable visitors to see beyond Mecca, about 55 miles away.

These tourist attractions don't always live up to such high expectations. Executives involved in the World Trade Center attraction predicted

they would draw more than three million visitors a year, but its attendance today is in the 2.5 million range.

"If you have 75 million visitors per year to New York, how many of them will go to more than one?" asked Eric Deutsch, a consultant in the observation-deck industry.

Observation decks also don't come cheap. They can add more than \$100 million to a building's cost, partly because dedicated elevators and entrances have to be included, Mr. Deutsch said.

For years, most skyscraper owners would use the top floor of their buildings not for general public use but as private venues.

More recently, however, public observation decks have enjoyed a resurgence. In 2005, Tishman Speyer reopened the three-level deck atop 30 Rockefeller Plaza.

Profitability also was often hard to gauge until 2011, when the company that owned the Empire State Building filed with the Securities and Exchange Commission as part of an initial public offering. The filings showed that the tower's observation deck made more money than its office space.

Last year, the Empire State Building observatory produced \$127.1 million in revenue or about 40.4% of the building's total, according to Empire State Realty Trust.

"For most people, that was a bit of a revelation," said Jay Cross, Related's president of the Hudson Yards project.

As more developers pile into the observation-deck business, an arms race has developed among competitors over who can offer better amenities. The days of decks simply offering breathtaking views and a few coin-operated

binoculars are over.

At the World Trade Center, the elevator ride to the deck offers a panoramic experience that takes riders through 500 years of New York history. On the way down, the elevator simulates a ride outside of the building.

In August, the Empire State Building opened a new entrance in an effort to make the ticketing and waiting-in-line process more efficient, spacious and educational. New features include a grand staircase, 25-foot model of the building and historic photos of the landmark. Empire State Realty Trust is planning additional upgrades as part of a more than \$150 million investment that will be completed in 2019, said Anthony Malkin, the chief executive. He said new features will be in keeping with the romance and history of the building.

New York Hotels Roar Back

BY MENGQI SUN

The New York City hotel market is bouncing back, as a growing U.S. economy and a wellspring of visitors have helped overcome years of construction that flooded the city with new hotels and pressured room rates.

Hotels in the city are enjoying their highest occupancy rates since 2000 for the first eight months of the year, according to data provider STR. The market also has experienced the fastest growth in revenue per room since 2013.

The lodging rebound is a welcome development for New York hotel owners, who have suffered through a construction boom—the biggest in a generation—that flooded the market with new properties and inhibited hoteliers' ability to raise room rates.

More than 22,500 hotel rooms were built in New York during the past five years, according to STR. An additional 13,000 rooms are currently under construction, which is "the largest single under-constructions pipeline in any market" in the country and equal to about 11% of the existing hotel-room supply, said Jan Freitag, an analyst at STR.

That robust level of new inventory had been keeping hotel room rates in check. But as the growth in new rooms slows, there are signs that the market is finally absorbing all the additional supply.

"New York is one of these rare markets that 'if you build it, they will come,' it's actually true," Mr. Freitag said.

During the first eight months of this year, New York City hotel-room rates rose 3.2% over the same period last year, ending a three-year streak of declining room rates, according to STR. That helped boost hotel revenue per available room by 4.6% to \$207.41 for the eight-month period compared with last year, reversing 2017's falling revenue.

The recovery in the New York hotel market reflects a rebounding U.S. economy, said Warren Marr, a managing director at PricewaterhouseCoopers who specializes in the hospitality industry.

Checking In

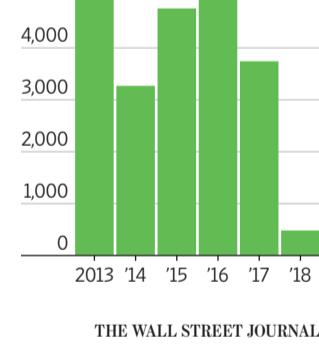
As developers keep building new hotel rooms in New York, average room rates have come under pressure.

Average daily room rate



Note: 2018 data as of August
Source: STR

Hotel rooms built



THE WALL STREET JOURNAL.

in New York," Mr. Stein said.

Still, the New York hotel market by some measures lags behind the highs it hit before the financial crisis in 2008. The average room rate for the second quarter in New York was roughly \$20 below the level right before the crisis, according to STR.

Mr. Stein also noted that with labor costs rising about 4% a year in New York City, and with inflation showing signs of ticking higher, both threaten to wipe out much of the revenue-per-available-room gains.

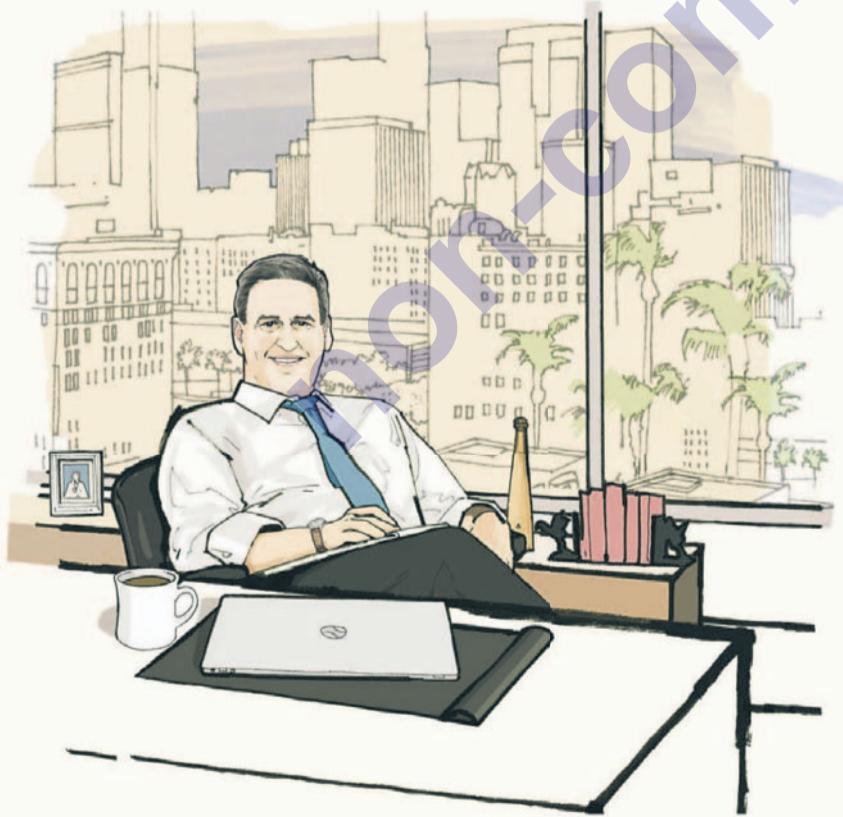
Hoteliers have other reasons for optimism. Many New York hotels stand to benefit from a new city law that could restrict short-term rental services like Airbnb by requiring them to turn over detailed information about their hosts. These companies, which often compete with hotels for leisure travelers, could have less of an impact on the lodging industry after the law goes into effect next year, Mr. Marr said.

Richard Born, a hotel developer who owns and manages 20 hotels in New York City, is somewhat relieved about today's market when compared with five years ago.

"For the time being, it seems like we've stabilized the market," he said. "Everybody is coming to New York, right now things are good. I worry less, I worry much less."



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THE PROPERTY REPORT

Putnam Bets Big on Malls

By ESTHER FUNG

Putnam Investments money manager Brett Kozlowski likes to buy bonds from government-sponsored enterprises Fannie Mae and Freddie Mac. But lately he has been boosting his funds' performance by wagering that some of the country's most downtrodden shopping malls will survive.

Mr. Kozlowski makes these bets by selling swaps related to a slice of an index known as the CMBX. His funds profit when prospects for weaker malls improve and they make their debt payments.

One of the mutual funds he manages, the Putnam Diversified Income Trust, had 14.6% of its \$4.6 billion net assets invested in this CMBX trade as of the end of June, according to a Wall Street Journal analysis of fund filings. That is up from 10.6% of its net assets as of the end of September 2017.

The growing popularity of online purchases has devastated shopping malls across the U.S., forcing many stores to close and putting entire retail centers out of business.

But the pace of store closings this year has slowed. Tax cuts, low unemployment and gradually rising wages have prodded Americans to spend more, enabling some malls owners to open more stores.

This has made bets like Mr. Kozlowski's winners in 2018 after a dreadful 2017. The CMBX 6 has risen 3.8% so far this year, rebounding from a 9.5% loss last year, according to IHS Markit. Putnam reported that its Diversified Income Trust returned 2.5% over the first six months of the year.

The Putnam fund manager is no Luddite convinced that online shopping has peaked. Rather, Mr. Kozlowski said he believes that even if some stores falter, landlords can replace them with restaurants and entertainment or service-

oriented tenants.

"I'm not counting on Macy's, J.C. Penney or Sears paying me my rent, it's just somebody needs to pay me my rent," said Mr. Kozlowski. "That's a big driver of how we think about this particular trade."

Consumers are still spending in areas where there is strong population and income growth, he added.

Mr. Kozlowski, 43 years old, was raised in upstate New York and joined Putnam in 2008.

The firm said its Diversified Income Trust returned 2.5% in the first six months.

Some fund analysts worry that his fund's clients may not be fully aware that nearly 15% of the assets are betting on the survival of the weakest malls.

This trade doesn't appear in the top-10 holdings section of the fund's annual and semiannual reports.

While the fund has reported

strong returns in the last three years, it has been volatile, said Todd Rosenbluth, senior director of ETF and mutual-fund research at CFRA. During much of last year, the shopping-mall trade weighed on returns and increased volatility.

"If a fund is investing in a less liquid security, that is a risk that investors should be cognizant of," he said.

Putnam says it has fully complied with regulatory standards on disclosure.

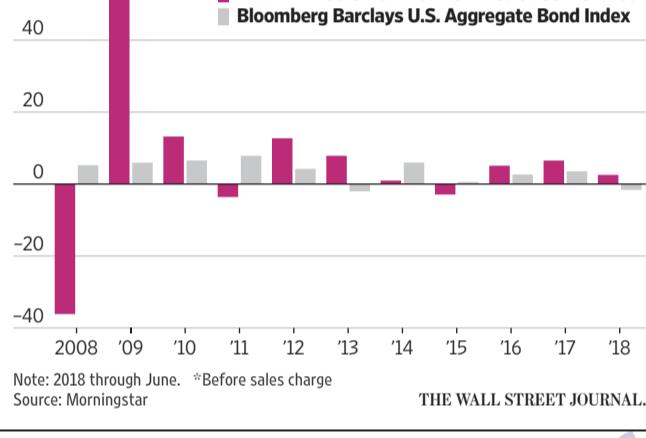
AllianceBernstein LP, another company taking a bullish position, said that while 10 malls out of the roughly 40 malls reflected in the index are likely to become obsolete, the majority of the malls are still able to secure reasonable leasing terms.

Putnam began raising its bets in the derivative early last year, when the index declined. At the lower price, Putnam determined that the index offers better liquidity and value compared with the bonds.

"There are underlying names that we don't like that could potentially take losses, but you're getting compensated for that by the price," said Mr. Kozlowski.

Volatile Ride

The Putnam fund, which has been betting on mall debt, has shown wider swings in returns than a benchmark bond index.



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BUSINESS NEWS



DANIEL ACKER/BLOOMBERG NEWS

Shareholders voted to urge American Outdoor Brands to track shootings involving its products.

Investors Push Gun Maker

By DOUG CAMERON AND ASJYLYN LODER

Investors in **American Outdoor Brands** Corp. on Tuesday won a shareholder vote urging the top U.S. firearm maker to do more to address gun violence.

The proposal asks the maker of Smith & Wesson guns to track shootings involving its products and consider investing more in technology to prevent their unauthorized use. Nearly 70% of votes cast by

Sturm, Ruger & Co. investors backed a similar proposal at that company in May.

The percentage of votes in favor of the proposal at American Outdoor will be disclosed in later financial filings. American Outdoor said it would prepare the required report by February but made no further concessions to investors who have won backing from some large fund managers.

American Outdoor Chief Executive James Debney said at Tuesday's annual meeting that he was disappointed by the vote.

The company had said ille-

gal use of its guns was a law-enforcement issue.

The resolutions at both gun makers were put forward by a coalition of investors who began buying gun stocks some two years ago to pressure executives for change, Sister Judy Byron, an organizer of the effort, said in an interview earlier this year. That effort gained wider attention after the Feb. 14 shooting at a Parkland, Fla., high school left 17 people dead.

Michael Passoff, chief executive of Proxy Impact, a shareholder-advocacy group that worked with investors pushing gun makers to review their business, said those groups would keep pressing for deeper changes.

"Halfhearted responses to majority shareholder votes never work out well," Mr. Passoff said. "The company comes under more scrutiny and shareholders come back asking for even more."

Index giants like **BlackRock Inc.**, **Vanguard Group** and **State Street Corp.** have come under increasing pressure to

weigh in on issues from climate change to gender pay parity.

BlackRock and Vanguard are the two largest shareholders of both Sturm, Ruger and American Outdoor Brands. The two own a combined 20% of American Outdoor and 27% of Sturm Ruger, according to FactSet. Because many of their investments track indexes that group companies by size, location or industry, they typically buy and sell less frequently than more active money managers. In April, BlackRock said it would strip firearms retailers from some funds that invest based on environmental, social and governance criteria.

This year, shareholders have voted on 179 proposals related to environmental, social and governance issues, according to the Sustainable Investments Institute. Nine won a majority, according to the report. Meanwhile, analysts expect the industry to return to sales growth in the fall. American Outdoor forecasts its sales will rise about 3% annually in the year through April 30.

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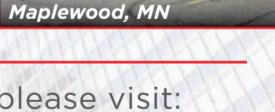
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BUSINESS NEWS



The safety board called on the FAA to revamp federal notices alerting all pilots about runway hazards, temporarily closed strips and other airport dangers.

Studio Must Give Records to Weinstein

BY JONATHAN RANDLES

A judge ordered Harvey Weinstein's former studio to turn over records related to film projects he personally financed before the entertainment company filed for bankruptcy protection.

Judge Mary Walrath of the U.S. Bankruptcy Court in Wilmington, Del., on Tuesday said that Mr. Weinstein is entitled to documents for projects he owns personally that weren't among the larger lot of Weinstein Co. assets sold earlier this year to **Lantern Capital Partners**.

The records the studio was ordered to produce on Tuesday are more limited than what Mr. Weinstein had been seeking.

Mr. Weinstein's lawyers have sought business records from Weinstein Co. that they have said are needed to determine how much money the bankrupt studio owes him.

A lawyer representing some of Mr. Weinstein's alleged victims said they would contest any claim for payment the producer might submit in the studio's chapter 11 proceedings.

Judge Walrath capped the cost lawyers liquidating the studio can spend on producing the documents at \$100,000. Any additional costs, should they arise, would need to be paid for by Mr. Weinstein, the judge said.

Karin DeMasi, a Cravath, Swaine & Moore LLP bankruptcy lawyer representing Weinstein Co., said the studio has limited funds.

Lawyers are currently negotiating the terms of a liquidation plan.

Airlines Face Safety Upgrades

NTSB proposes measures to prevent collisions caused by landings on taxiways

BY ANDY PASZTOR

Federal air-accident investigators recommended an array of enhanced safety systems in cockpits and on the ground to reduce hazards of airliners mistakenly landing on taxiways instead of designated runways, an increasingly dangerous trend across U.S. airports.

Tuesday's action by the National Transportation Safety Board was prompted by a July 2017 near-collision involving a landing **Air Canada** jet that flew roughly a dozen feet above the tail of another airliner waiting to take off from San Francisco International Airport.

"We couldn't have gotten literally, or figuratively, any

closer to having a major disaster," Bruce Landsberg, the safety board's vice chairman, said during the hearing that highlighted the escalating dangers of such approach-and-landing errors.

Pilots of the Air Canada Airbus A320 were fatigued, failed to properly prepare for the descent and mistakenly continued toward the taxiway intended for planes preparing for departures, despite concerns about potential lights in their path, according to the NTSB. The jet started climbing seconds before touchdown, flying over four airliners lined up on the same taxiway filled with passengers and tons of fuel.

Additionally, the pilots had received warnings in computer messages that one of two parallel runways was temporarily closed.

In light of busy airspace and congested airports, the incident "should drive home the

point just how costly a mistake can be," said Robert Sumwalt, chairman of the safety board.

Although neither the flight crew nor the lone air-traffic controller working in the airport tower around midnight immediately realized how close the aircraft came to each

The action was prompted by a near-collision involving an Air Canada jet.

other, since then the event has sparked intense concern among airlines, regulators and outside safety experts. The close call already has served as a catalyst for wide-ranging changes, from revised staffing of airport towers to modification of ground radar systems to a national safety summit

two months ago about the general hazard.

The safety board has no authority to mandate regulatory changes. But leading up to Tuesday's session, the Federal Aviation Administration indicated it was ready to assess the technical and economic feasibility of requiring airborne systems capable of warning pilots when their plane is descending to land on a taxiway.

"I'm optimistic someone is going to jump on it" and implement a low-cost cockpit solution, Mr. Sumwalt said.

Some of the latest recommendations were rejected years ago by the FAA, but technical advances, such as portable laptops used to supplement traditional cockpit systems, could provide new impetus for some proposed changes.

The safety board unanimously determined the Air Canada incident was caused by

a combination of cockpit fatigue—the captain hadn't slept for 19 hours—and flight-crew slip-ups in properly briefing and sharing responsibilities during the visual approach.

Other factors, according to the final report, were pilot failures to use an available instrument-landing system as a safety backup, and inadequate Canadian government rules related to pilot duty hours and guaranteed rest periods.

In one of the broadest recommendations, the NTSB called on the FAA to revamp and simplify federal notices alerting all pilots about runway hazards, temporarily closed strips or other specific airport hazards.

Despite receiving such warnings about the status of San Francisco's runways, the Air Canada pilots failed to recognize the situation and were confused by the lights they saw.

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Investing in Real Estate



Publishing October 24 in the Wall Street Journal adjacent to the weekly Property Report, this special section will dive into how real estate investing and lending is tied to the continuous conversation around how to make money faster, fairer and farther-reaching. The landscape is shifting rapidly—with post-recession and regulatory changes coupled with monetary changes driving investors to look for alternative options, the effects on real estate financing are numerous.

The feature will take a look at trends and new ideas in both traditional & non-traditional real estate investing like ETFs, mutual funds, REITs, private equity firms, real estate debt funds, crowdfunding and more.

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Data provided by **LIPPER**

Tuesday, September 25, 2018											
Fund	NAV	Net Chg	YTD %Ret	Fund	NAV	Net Chg	YTD %Ret	Fund	NAV	Net Chg	YTD %Ret
American Century Inv	52.21 +0.17 20.2			Stock	215.46 -0.86 8.1			PIMCO Funds A	9.86 -0.01 -2.2		
Ultra	35.12 +0.05 14.3			CoreFndInvml	10.65 ... -0.8			PIMCO Funds I2	STBndAdm1 10.21 ... -0.2		
American Funds Cl A	AMcPA p	42.86 -0.10 6.5		TotRetBdl	10.35 ... -0.2			IncomeFd	STGradeAdm1 10.44 ... 0.2		
BalA p	27.94 -0.03 4.2			Edgewood Growth Institu	E			Income	TotBdAdm1 10.33 -0.01 -1.9		
BondA p	12.44 -0.01 -1.9			EdgewoodGrInst	35.86 +0.07 21.3			PIMCO Funds Instl	TotIntAdm1 21.75 -0.02 0.9		
CapIBa p	51.34 +0.10 1.9			Fidelity	F			IncomeFd	TotStAdm1 29.23 -0.02 -2.4		
CapWGrA p	53.25 +0.23 2.5			500IdxInst	102.31 -0.13 10.6			Price Funds	TotValAdm1 73.27 -0.05 10.7		
Fdmva p	65.48 -0.01 6.9			500IdxInstPrem	102.31 -0.13 10.6			BiCchip	ValAdm1 43.69 -0.20 6.7		
GwthvA p	56.59 +0.11 14.2			500IdxPrem	102.31 -0.13 10.6			EqlnC	WdsllAdm1 71.05 -0.17 6.9		
Hl TrA p	10.25 ... 3.1			500IdxPrem	102.31 -0.13 10.6			Eqlndex	WelltnAdm1 64.01 -0.13 0.2		
ICAA p	42.08 -0.01 6.8			500IdxPrem	102.31 -0.13 10.6			Eqlndex	WellsAdm1 73.90 -0.12 3.9		
IncoA p	23.26 -0.01 1.7			500IdxPrem	102.31 -0.13 10.6			Eqlndex	WindsAdm1 81.25 -0.30 3.7		
N PerA p	47.00 +0.13 8.9			500IdxPrem	102.31 -0.13 10.6			HelSci	WtxMln r 14.03 +0.02 0.2		
NECoA p	49.29 +0.13 10.4			500IdxPrem	102.31 -0.13 10.6			HelSci	WtxMln r 14.03 +0.02 0.2		
NwWrldA	64.03 +0.13 4.3			500IdxPrem	102.31 -0.13 10.6			H	WtxMln r 14.03 +0.02 0.2		
SmCpA p	60.49 +0.37 8.4			500IdxPrem	102.31 -0.13 10.6			H	WtxMln r 14.03 +0.02 0.2		
TxExA p	12.67 -0.01 -0.8			500IdxPrem	102.31 -0.13 10.6			H	WtxMln r 14.03 +0.02 0.2		
WshA p	46.87 -0.13 7.4			500IdxPrem	102.31 -0.13 10.6			H	WtxMln r 14.03 +0.02 0.2		
Fidelity Advisor I				Fidelity	F			H			
Fidelity Freedom				Fidelity	F			H			
Baird Funds				Fidelity	F			H			
AggBdInst	10.44 -0.04 -2.0			Fidelity	F			H			
CorBdInst	10.79 -0.04 -1.7			Fidelity	F			H			
BlackRock Funds A				Fidelity	F			H			
GlbAIAlloc p	19.63 +0.02 2.0			Fidelity	F			H			
BlackRock Funds III				Fidelity	F			H			
iSh&P500IdxK248.55 -0.43 10.6				Fidelity	F			H			
BlackRock Funds Inst				Fidelity	F			H			
EqtyDivd	24.06 -0.07 6.6			Fidelity	F			H			
GlbAIAlloc	19.76 +0.03 0.2			Fidelity	F			H			
StratCOpTys	9.71 -0.01 -0.2			Fidelity	F			H			
Bridge Builder Trust				Fidelity	F			H			
CoreBond	9.79 ... -1.7			Fidelity	F			H			
CorePlusBond	9.73 -0.01 -1.5			Fidelity	F			H			
D				Fidelity	F			H			
Del Invest Instl				Fidelity	F			H			
Value	23.29 -0.02 9.8			Fidelity	F			H			
Dimensional Fds				Fidelity	F			H			
5GlbFdxInc	10.90 -0.01 0.3			Fidelity	F			H			
EmgMktVta	29.40 +0.10 -5.8			Fidelity	F			H			
EmMktCorEq	20.89 +0.04 -9.6			Fidelity	F			H			
IntSmCo	21.76 +0.19 -2.1			Fidelity	F			H			
IntSmVa	21.81 +0.13 -5.1			Fidelity	F			H			
TAUSCoreEq2	19.59 -0.08 8.6			Fidelity	F			H			
US CoreEq2	23.27 -0.03 8.5			Fidelity	F			H			
US CoreEq2	59.38 +0.06 0.5			Fidelity	F			H			
US SmCpVal	40.65 -0.03 7.4			Fidelity	F			H			
US TgdVal	23.65 -0.03 6.3			Fidelity	F			H			
USLgVal	40.46 -0.16 4.4			Fidelity	F			H			
Dodge & Cox				Fidelity	F			H			
Balanced	108.97 -0.59 4.5			Fidelity	F			H			
GblStock	13.98 +0.02 0.9			Fidelity	F			H			
IncomeAdv	13.33 -0.10 -1.8			Fidelity	F			H			
Intl Stk	43.82 +0.19 -5.4			Fidelity	F			H			
RisDvA p	66.18 -0.16 8.8			Fidelity	F			H			

Dividend Changes

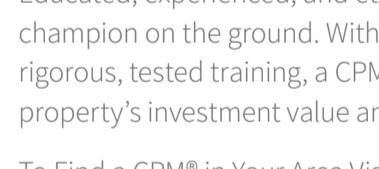
Dividend announcements from September 25.

Company	Symbol	Yld%	New/Old	Payable/Record
Foreign				

KEY: A=annual; M=monthly; Q=quarterly; R=revised; SA=semiannual; S2:1 stock split and ratio; SO=spin-off.

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- Currently fully staffed & operational
- Strategically located 30 miles from Milwaukee, close to I-43 Highway
- 25+ CNC machines – most late model
 - Dedicated 500-SF QA lab
- 40,000± SF building on 1.89± acres, additional 1-acre lot for expansion
- Includes 4,756± SF of office space
- Well maintained w/ 18' - 20' clear heights

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

26492.21 ▼ 69.84, or 0.26%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.94 20.39
 P/E estimate * 17.27 18.89
 Dividend yield 2.08 2.31
 All-time high 26743.50, 09/21/18

COMMODITIES

| WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Copper-High (CMX)-25,000 lbs.; \$ per lb.	2.7720	2.8235	2.7720	2.8035	-0.0125	1,123	
Sept	2.8240	2.8480	2.7890	2.8235	-0.0125	134,975	
Dec	2.8240	2.8480	2.7890	2.8235	-0.0125	134,975	
Gold (CMX)-100 troy oz.; \$ per troy oz.	1202.10	1202.80	1202.10	1200.00	0.70	17	
Oct	1198.10	1202.50	1196.60	1199.70	0.10	23,448	
Dec	1203.10	1207.90	1201.30	1205.10	0.70	366,033	
Feb'19	1208.60	1213.40	1207.00	1210.80	0.70	41,708	
June	1223.90	1223.90	1222.40	1224.40	0.70	13,046	
Aug	1227.50	1230.20	1226.40	1228.30	0.80	2,303	
Palladium (NYM)-50 troy oz.; \$ per troy oz.	1068.60	1071.20	1068.60	1073.30	1.70	22	
Sept	1051.70	1058.50	1041.70	1053.80	2.20	20,254	
March'19	1047.00	1050.00	1040.20	1046.30	1.80	1,018	
Platinum (NYM)-50 troy oz.; \$ per troy oz.	828.40	833.90	822.40	822.90	-6.40	22,432	
Oct	831.80	837.30	825.60	826.20	-6.50	56,340	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	14.420	14.440	14.420	14.398	0.147	572	
Dec	14.295	14.595	14.250	14.493	0.152	173,264	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	72.25	72.78	71.89	72.00	0.20	423,509	
Nov	71.94	72.46	71.70	72.10	0.34	308,866	
Jan'19	71.71	72.17	71.44	71.91	0.40	163,746	
March	71.15	71.74	71.00	71.53	0.45	151,530	
June	70.44	70.99	70.24	70.80	0.47	181,983	
Dec	68.32	68.92	68.26	68.75	0.44	235,019	
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.	2.2895	2.3159	2.2876	2.3053	0.0194	42,414	
Oct	2.2954	2.3205	2.2906	2.3097	0.0195	126,099	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	2.0599	2.0748	2.0559	2.0677	0.0130	38,376	
Nov	2.0478	2.0635	2.0437	2.0555	0.0134	173,793	
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.	3.045	3.087	3.020	3.082	0.044	24,386	
Nov	3.033	3.062	3.013	3.058	0.029	288,555	
Dec	3.103	3.130	3.084	3.129	0.032	181,185	
Jan'19	3.184	3.211	3.168	3.209	0.030	199,647	
March	2.957	2.965	2.938	2.952	-0.005	214,795	
April	2.644	2.650	2.630	2.642	-0.002	162,183	

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.	
Dec	360.25
March'19	372.25
Oats (CBT)-5,000 bu.; cents per bu.	
Dec	259.00
March'19	262.25
Soybeans (CBT)-5,000 bu.; cents per bu.	

Cash Prices | WSJ.com/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Tuesday

Energy	U.S. (\$ equivalent)	*14,3150	Tuesday
Propane,tet,Mont Belvieu-g	1.0606	10758	Soybeans,No.1ylw IL-bp.u
Butane,normal,Mont Belvieu-g	1.2619		7,7800
Natural Gas,HenryHub-g	3.1310		Wheat,Spring14% pro Mnpls-u
Natural Gas,TranscoZone3-i	3.060		6,6100
Natural Gas,TranscoZone6NY-i	3.020		Wheat;No.2 soft red,St.Louis-bp.u
Natural Gas,PanhandleEast-i	2.270		4,8050
Natural Gas,Opal-i	2,470		Wheat - Hard - KC (USA) \$ per bu-u
Natural Gas,MarcellusNEPA-i	2,010		5,2200
Natural Gas,HaynesvilleLAL-i	2,920		Wheat,No.1soft white,Portlnd,OR-u
Coal,C.Apc,12500Btu,125O2-r,w	74,300		6,0050
Coal,PwdrRvrBsn,8800Btu,08502-r,w	12,100		

Metals

Gold, per troy oz	Energy	Fibers and Textiles	Grains and Feeds	Fats and Oils
Engelhard industrial	1205.19	Burlap,10,oz-40 inch NY yd-n,w	Barley,top-quality Mnpls-u	Corn oil,crude wet/dry mill-u,w
Engelhard fabricated	1295.58	Cotton,11/16 std lw-mdMphs-u	Bran,wheat middlings,KC-u,w	Grease,choice white,Chicago-h
Handy & Harman base	1201.90	Cottook' A' Index-t	Corn, No. 2 yellow,Cent IL-bp,u	Lard,Chicago
Handy & Harman fabricated	1334.10	Hides,hvy native steer pieces foob-u	Corn gluten feed,Midwest-u,w	2,195
LBMA Gold Price AM	1198.75	Wool,64s,staple,Terr del-u,w	Corn gluten meal,Midwest-u,w	2,195
LBMA Gold Price PM	1202.75	n.a.	Cottonseed meal,u,w	250
Krugerrand,wholesale-e	1249.40	n.a.	Hominy feed,Cent IL-u,w	95
Maple Leaf-e	1261.05	n.a.	Meat-bonemeal,50% pro Mnpls-u,w	225
American Eagle-e	1261.05	n.a.	Oats,No.2 milling,Mnpls-u	2,9750
Mexican peso-e	1456.05	Rice,Long Grain Milled,2 No. AR-u,w	Soybean oil,crude,Cent IL-u	0.2800
Austria crown-e	1180.22	14,5110	Tallow,bleach,Chicago-h	0.2375
Austria phil-e	1261.05	Sorghum,(Milo) No.2 Gulf-u	Tallow,edible,Chicago-u	7,4775
Silver, troy oz.	14,4500	Soybean Meal,Cent IL,rail,ton48%-u	315.70	315.70
Engelhard industrial	17,3400			
Engelhard fabricated	14,5110			
Handy & Harman base	18,1390			
Handy & Harman fabricated	*£10,9000			
LBMA spot price				

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Handy & Harman fabricated	*£10,9000			
LBMA spot price				

Metals

Gold, per troy oz	Energy	Fibers and Textiles	Grains and Feeds	Fats and Oils

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq (ISE). The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, September 25, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 23.83 -0.16

ADT ADT 9.23 -0.03

AES AES 13.70 -0.06

Aflac AFL 47.70 ...

AGNC Inv AGNC 18.80 0.03

ANGI Homesvcs ANGI 22.64 0.22

Ansys ANSS 184.99 1.62

ASML ASML 190.21 -1.26

AT&T T 33.70 -0.15

AbbottAbts ABTB 27.26 0.76

AbbVie ABBV 93.78 0.36

Abiomed ABMD 441.52 21.91

Accenture ACN 172.82 0.19

ActivisionBlz ATVI 80.53 -0.07

AcuityBrands AYI 161.63 -1.19

AdobeSystems ADBE 267.84 3.75

AdvanceAuto AAP 167.32 -0.33

AdMicroDevices AMD 32.57 -0.04

Aegon AEG 6.74 0.26

AerCap AER 57.28 ...

Aetna AET 201.63 -1.77

AffiliatedMtrs AMG 140.51 -3.49

AigentTechs A 70.38 0.43

AgnicoEagle AMG 35.10 0.75

AirProducts APP 168.84 -1.01

AkamaiTech AKAM 72.83 -0.04

AlaskaAir ALK 66.15 -1.14

Albermarle ALP 102.23 -2.41

Alcoa AA 41.24 -0.72

AlexandriaRst ARE 123.24 -1.11

AlexionPharm ALXN 128.99 0.48

Alibaba BAB 164.25 1.09

AlinTech ALGN 39.29 4.02

Alkermes ALKS 42.69 0.52

Alleghany Y 651.42 -4.64

Allegion ALLE 89.13 -0.26

Allergan AGN 187.60 -0.38

Alundance Auto ADAS 240.37 -1.75

AlliantEnergy LNT 42.24 -0.68

AllisonTransm ALSN 52.30 -0.95

Allstate ALL 99.08 -0.58

AllyFinancial ALLY 27.25 -0.05

AlynlabPharm ALNY 93.89 0.63

Alphabt C GOOG 1193.89 14.33

Alphabt C GOOG 1186.45 11.28

Altaba AABA 67.82 0.27

AlticeUSA ATUS 18.60 -0.05

Altira MO 60.71 -0.35

AlumofChina ACH 10.98 0.02

Amazon.com AMZN 1974.45 20.19

Ambev ABEV 4.53 0.03

Amdocs DOX 66.44 0.04

Amherc UHAL 349.29 0.59

Ameren AEE 63.02 -0.74

AmericaMovil A AMOV 16.25 -0.05

AmericaMovil AMX 16.33 -0.01

AmerAirlines AAL 40.81 -0.17

AEP AEP 69.81 -0.83

AmerExpress AXP 108.97 -0.02

AmericanFin AFG 111.44 -0.56

AmHomes4Rent AMH 22.30 -0.03

AIG AIG 54.11 -0.24

AmerTowerREIT ATMR 145.70 -0.68

AmerWaterWorks AWK 86.61 -0.16

Ameriprise AGR 45.75 -0.59

AveryDennison AVY 110.07 -1.27

AxaltaCoating AXTA 29.67 -0.33

BB&T BBT 50.31 -0.37

BCE BCE 40.15 0.13

Amphenol APH 94.05 -0.63

AnaladarkoPetrol ADP 66.81 0.81

AnalogDevices ADI 92.56 -2.44

Andeavor ANDV 157.29 -1.58

AndeavorLog ANDX 49.02 -1.18

AB InBev BUD 90.51 ...

AnnalyCap NLY 10.24 0.03

AnterResources ARY 18.78 0.09

Anthem ANTM 270.25 -0.28

Aon AON 155.81 0.65

Apache APA 47.78 0.30

Apartmtlnv AIV 43.74 0.16

ApolloGlmgt APG 36.12 0.22

AppI Materials AMAT 222.19 1.40

AppI Materials AMAT 38.58 -0.52

Aptargroup ATR 108.76 -1.62

Aptiv APTV 84.81 -3.18

AquaAmerica WTR 36.57 -0.47

Aramark ARMK 0.29

ArcelorMittal MT 32.57 0.79

ArchCapital ACGL 29.65 -0.26

ArcherDaniels ADM 49.64 0.02

Arconic ARNC 20.88 0.46

AristaNetworks ATEN 274.56 0.35

ArrowElec AEW 74.79 -1.47

AspenTech AZPN 122.83 1.07

Assurant AIZ 103.88 -0.01

AstraZeneca AZN 36.69 0.84

Athene ATH 51.56 -0.62

Atlassian TEAM 94.28 1.81

AtmosEnergy ATO 93.50 -0.40

Autodesk ADSK 155.40 2.57

Autohome ATMO 88.00 -0.43

Autoliv ALV 87.40 -0.43

BP Prudhoe BPT 144.94 -0.05

BWX Tech BWXT 62.10 0.13

Baidu BIDU 226.00 -0.33

BakerHughes BHGE 33.47 0.63

Ball BL 44.22 -0.64

CiscoSystems CSCO 48.47 0.03

CitrixSystems CTXRS 17.00 0.00

Cognitec CDT 21.05 -2.05

CenturyLink CTL 21.05 -2.05

BANKING & FINANCE

UBS Executive Joins Santander as CEO

BY MARGOT PATRICK
AND JEANNETTE NEUMANN

Banco Santander SA named UBS Group AG's Andrea Orcel as its new chief executive, propelling one of Europe's highest-profile investment bankers to the helm of a global banking giant.

Santander said Mr. Orcel will take over early next year from José Antonio Álvarez, who has been in the job since 2015. Mr. Álvarez will become vice chairman of the Santander group and executive chairman for Santander Spain, the bank said.

The search for a new CEO began after Rodrigo Echeñique, who holds those two executive roles, announced his retirement in June, a person

with us for the past two decades, in the development and execution of our strategy, and understands and is aligned with the Santander culture," Santander Chairman Ana Botín said in a statement.

The appointment of Mr. Orcel came as a surprise to analysts and others who watch the bank closely. People who have worked with him describe him as a demanding leader who isn't always open to criticism but gets the job done. Mr. Orcel couldn't immediately be reached to comment. In a statement, he said he is proud and excited to join Santander, calling it a "winning organization" that is embracing change.

Santander is one of the world's largest retail banks, focusing on selling mortgages, consumer loans and bank accounts to hundreds of thousands of customers around the world. Mr. Orcel, by contrast, is a longtime investment banker with no experience managing a retail bank. Santander's investment-banking unit is a minor part of its overall banking business.

As a global bank, though, with operations in Brazil, the U.K., the U.S. and elsewhere, the polished Mr. Orcel adds a dose of international experience and cachet to Santander.

The Italian-born banker has also had a view into the inner workings of other financial firms, spending 20 years at Merrill Lynch advising banks and other institutions before leaving in 2012 to join UBS as investment-bank head.

Under Mr. Orcel, the investment banking unit was able to generate adjusted, pretax profit of 1.5 billion Swiss francs (\$1.6 billion) in 2017.

"Andrea has worked closely

Andrea Orcel,
previously UBS
investment-
banking head,
was seen as
an unexpected
choice.

familiar with the matter said. Mr. Orcel wasn't initially identified as a candidate but he became the obvious choice once he was considered for the job, the person said.

Mr. Orcel is joining a banking giant he helped create. For years he was the go-to investment banker for former Santander Chairman Emilio Botín, working on deals such as the Spanish bank's 2004 purchase of Britain's **Abbey National PLC** and acquisition of **ABN Amro NV** with two other banks just before the 2008 financial crisis.

"Andrea has worked closely



The hotel-booking company OYO received \$800 million in a SoftBank-led funding round, with a pledge for an additional \$200 million.

SANYUKTA LAKSHMI/BLOOMBERG NEWS

Indian Startup Attracts \$1 Billion

BY NEWLEY PURNELL

NEW DELHI—SoftBank Group Corp. is doubling down on one of its biggest bets in India by leading a \$1 billion investment in hotel-booking startup **OYO Hotels**.

The company, based in Gurugram, India, has received \$800 million in a round led by SoftBank's **Vision Fund**, which SoftBank Chief Executive Masayoshi Son is using to back cutting-edge technologies, OYO said Tuesday. U.S. venture-capital firms **Sequoia Capital** and **Lightspeed Venture Partners** also contributed to the round, and existing investors have pledged a further \$200 million.

"We plan to rapidly scale

our business," with a focus on continuing OYO's expansion into China, 24-year-old company founder Ritesh Agarwal said in a statement. OYO also operates in Malaysia, Nepal and the U.K.

The new round of funding values the company at \$5 billion, including the new funds, according to a person familiar with the matter. That is up from a post-money valuation of roughly \$850 million when OYO received \$250 million last year in a round led by SoftBank.

Launched in 2013, OYO has used technology and standardization to help match scores of independent small hotels with new customers. It began by connecting India's thousands

of budget hotels, which typically lacked websites, to its booking platform. OYO now also offers stays in private homes and has created its own brand of hotels designed to appeal to millennial travelers. The company isn't profitable, a spokeswoman for OYO said.

OYO operates in 350 cities across five countries, with more than 125,000 rooms in India and over 87,000 rooms in China, where it began operations in June. It said it would dedicate about 60% of the new funds to building out its business in China, where it is "still in the early stages" of growth.

"OYO's unique value proposition and outstanding growth over the last few years gives

us the confidence that OYO can scale," said Justin Wilson, director at SoftBank Investment Advisers, which manages SoftBank's nearly \$100 billion Vision Fund.

International investors and technology companies have been rushing to get a piece of India, a largely untapped internet economy, where hundreds of millions of people are getting online for the first time thanks to falling prices for mobile data and smartphones.

Walmart Inc. in May spent \$16 billion to take over India's biggest e-commerce startup, Flipkart Group, while **Amazon.com Inc.** is spending \$5 billion to ramp up operations in the South Asian nation.

SEC Moves to Kill ETF Data Rule

BY ASJYLYN LODER

Wall Street's top regulator may soon get rid of a controversial metric for exchange-traded funds that last week warned investors that a popular marijuana fund was trading at inflated prices.

The measurement, known as intraday net asset value, gives investors a way to compare the price of a fund against the up-to-the-minute value of its underlying holdings. ETFs are required to report the information every 15 seconds during the trading day.

The Securities and Exchange Commission, as part of an overhaul of the rules governing the \$3.7 trillion U.S. ETF industry, has proposed eliminating that requirement. Instead, ETFs would have to report net asset value only once a day, at the closing bell. Comments on the proposed rule changes are due Oct. 1.

Most of the time, investors don't look at intraday asset values, but they sometimes signal that something is amiss. When an ETF's share price is out of whack with the value of

its assets—as happened last week with the **ETFMG Alternative Harvest ETF**—it is an indication that the fund isn't functioning as it should.

The \$629 million **ETFMG Alternative Harvest ETF** ended Thursday's session at \$43.01 a share, 41 cents above the value of its underlying assets, according to data from Bloomberg LP. That spread collapsed Friday.

Normally, certain specialized traders keep the ETF price in line with the asset value by exchanging shares of the ETF for baskets of the underlying stocks.

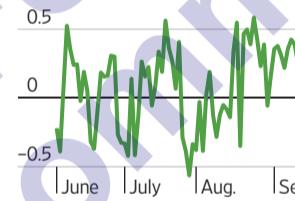
When that mechanism breaks down, demand for the ETF shares can outstrip supply, inflating the price above the value of the fund's holdings. Conversely, when the ETF price drops below the value of its assets, it may be a sign that investors are having trouble getting out of a fund as fast as they wish.

Those disparities act as a warning sign. Such premiums can evaporate in seconds, leaving investors with sudden losses. And discounts may be a sign investors can get out only at a price.

Marijuana Mismatch

The price of the **ETFMG Alternative Harvest ETF** was out of whack with the value of its investments, a disconnect that sometimes is a warning sign.

Premium or discount to net asset value



Note: As of Sept. 21.
Source: Bloomberg LP

THE WALL STREET JOURNAL

to the SEC arguing in favor of the change, pointing out that there are good reasons for the prices to be out of step even when an ETF is functioning normally.

Fixed-income funds are especially susceptible because bonds trade infrequently, making it difficult to calculate the value second by second. And ETFs that invest in international companies may show premiums and discounts during the U.S. trading day, when the markets for the underlying stocks are closed.

Investors may be put off by premiums and discounts even when there is a perfectly benign reason for them, said Dave Nadig, managing director of **ETF.com**, an industry publication owned by Cboe Global Markets Inc. The figures are only really useful for funds that invest in highly liquid securities that trade during the same hours as the ETF itself, he said.

"The problem with the intraday net asset value is that it's only relevant for about 200 funds," Mr. Nadig said. "And for the funds it's not relevant for, it's actually damaging."

Louis Dreyfus Shakes Up Its Executive Leadership

BY DAVID HODARI

Louis Dreyfus Co. said it appointed a new chief executive and chief financial officer, marking a return of change at the top for one of the world's largest commodities traders.

The closely held company has had five CEOs since 2011.

Ian McIntosh will succeed Gonzalo Ramírez Martíarena as CEO, after being promoted from the role of chief strategy officer, the company said on Tuesday.

CFO Armand Lumens has left the company "for personal reasons," and will be succeeded

by Federico Cerisoli, currently deputy chief financial officer and group controller.

The storied French firm has been through a period of tumult in recent years as a clash between its founding family and its chairman, Margarita Louis-Dreyfus, has spilled into court. Members of the family have now mainly exited from the business that has borne their name for more than 165 years.

Mr. McIntosh joined Louis Dreyfus in 1986. Mr. Ramírez Martíarena resigned "to pursue other opportunities," the company said.

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China Inflation Fear Drives Down Stocks, Bonds

Two Views

Chinese bond yields and stocks diverge on slowing growth and rising inflation.

Official consumer-price index vs. unofficial alternative



BY SHEN HONG

SHANGHAI—It is hardly apparent in the official data, but inflation is becoming another headache for investors in China.

For most of this year, Chinese stocks have fallen and government bonds have rallied—a typical response to the prospect of slower growth, which would tend to depress earnings and reduce upward pressure on prices.

But in the past two months, both share and bond prices have fallen. Benchmark Chinese government 10-year bond yields, which move inversely to prices, rose 0.24 percentage point from a mid-July low to 3.70% as of Friday.

To some economists and asset managers, this reflects growing unease about inflation.

The official consumer-price index showed a 2.3% year-over-year increase last month, compared with 2.1% in July. While only a small rise, some investors are concerned that price data, previously seen as more reliable than official growth figures, are also be-

coming less reflective of reality.

"There's no confidence in the stock market because there's no confidence in the economy, and I am not touching bonds because inflation is going up," said Honglin Gu, a 47-year-old retail investor from eastern Jiangsu province.

Li Qilin, chief macroeconomics analyst at Lianxun Securities, said the reported consumer-price index "isn't consistent with what the public feels," adding that some of the National Statistics Bureau's methods were outdated. The bureau didn't respond to requests to comment.

"In China, the political sensitivity of economic data tends to be more pronounced," said Rodney Jones, Beijing-based principal of Wigram Capital Advisors, an economic-research firm. "The government manages data to serve the needs of its economic narrative."

An alternative index used by Wigram suggests annual inflation hit 3.7% last month.

This index has outpaced the official one since March.

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MARKETS

OPEC Fears the Oil Glut's Return

Meeting exposes worries of a surplus and doubts over Saudi output capacity

BY SUMMER SAID
AND BOENOT FAUCON

Crude rose to \$80 a barrel days after President Trump chastised OPEC delegates in a tweet about "higher and higher oil prices." But in the aftermath of the cartel's gathering in Algiers this past weekend, Mr. Trump—along with the rest of the world—
COMMODITIES may have to live with somewhat high prices.

That is because producers are expressing a new worry: fear of a glut.

If the Organization of the Petroleum Exporting Countries and its nonmember allies including Russia pump too much oil into the marketplace to make up for expected shortfalls from coming sanctions on Iran, those actions could bring back the same oversupply problem the cartel just conquered in April. Many in OPEC fear it could also expose the real limitations of the group's production capacity.

At the meeting, OPEC decided not to act—committing only to hold output caps steady. Most OPEC delegates don't want prices above \$80 a barrel, one OPEC official said. But the group "is worried about over edging supply" because it expects demand for its oil to fall in the first half, he added.

The reason for this cautious attitude, according to people who attended the consultations over the weekend, is mounting concern that Iranian oil losses may be offset by lower demand for the cartel's oil early next year. During the meeting, the group's secretariat gave a gloomy picture of the first quarters of 2019.

With consumption weaker than expected because of economic uncertainty and U.S. shale production still rising, the group also sees demand for its own oil declining sharply in the first half in 2019, OPEC secretariat officials told delegates.

Data from the group's latest report show the world will need 600,000 barrels a day less of its crude in the first half of 2019 than it pumped in August. The International Energy Agency, which advises



Saudi oil minister Khalid al-Falih, center, insisted the kingdom could bring another 1.5 million barrels a day to markets if needed.

Supply Concerns Buoy Crude Prices

Oil prices rose further Tuesday, building on large gains from a day earlier after OPEC and its production allies decided to maintain their current production targets.

Light, sweet crude for November delivery ended 0.3% higher at \$72.28 a barrel on the New York Mercantile Exchange, marking its highest closing value since early July. Brent crude, the global benchmark, rose 0.8% to \$81.87 a barrel, its highest closing price since Nov. 10, 2014.

Meeting in Algiers on Sunday, the Organization of the Petroleum Exporting Countries and its production allies, led by Russia, declined to announce

specific plans to raise production further, seemingly defying calls by President Trump for the cartel to increase output to put a cap on prices—sending prices soaring on Monday.

Mr. Trump reiterated at a United Nations speech in New York on Tuesday that he feels OPEC is "ripping off the rest of the world" by pushing oil prices higher. Markets didn't react much to those remarks.

OPEC and Russia's public comments "showed comfort and satisfaction with today's price levels and little willingness to additionally boost output," said Norbert Ruecker, head of macro and commodity research at Julius Baer. "Supply concerns rise as the Iran embargo nears, which supports oil prices," he added.

Tyler Richey, commodities analyst at the Sevens Report in

Palm Beach Gardens, Fla., said other factors are providing upward momentum to prices.

"The perfect combination of an easing dollar, clarity—but not necessarily progress—on trade relations between the U.S. and China, expectations of declining U.S. production into year-end, U.S. sanctions on Iran, and most recently, a Trump-defiant OPEC-plus-Russia group deciding against an immediate increase to collective production targets to offset declining production elsewhere, have been the key pillars behind the rally across the energy complex," he said.

Oil investors on Wednesday will turn their attention away from OPEC and back to the U.S., when the Energy Information Administration is due to release its weekly oil report. Analysts surveyed by The Wall

Street Journal are expecting, on average, a 1.3 million barrel decline in U.S. crude oil inventories, which could add to the market's bullish tenor. U.S. crude stockpiles saw a counterseasonal decrease in last week's report that put the total at 394 million barrels, the lowest since February 2015.

"The glut is gone," said Phil Flynn at Price Futures in Chicago, referring to oversupply problems in a recent oil-price downturn that saw U.S. oil inventories as high as 536 million barrels in March 2017.

The American Petroleum Institute, an industry group, said late Tuesday its own data for the week showed a 2.9 million barrel increase in crude supplies, according to a market participant.

—Christopher Alessi and Dan Molinski

energy consumers and tends to have a more optimistic view of OPEC's requirements, sees demand for its crude falling by 100,000 barrels a day during the same period.

From its data, OPEC drew a clear warning to delegates: "If you start ramping up too fast, the glut could return," one attendee said, raising fears of a new price crash.

In 2014, a decision by OPEC kingpin Saudi Arabia to flood

oil markets and refuse to put a floor on prices accelerated a plunge from about \$100 to \$35 a barrel when global oil inventories built up to historically high levels. The glut forced the kingdom and the rest of the group to reverse course in late 2016 by agreeing to sharp production cuts.

Saudi Arabia reiterated Sunday that it can bring its production to 12 million barrels a day, up from the 10.4

million barrels a day it pumped in August.

Saudi oil minister Khalid al-Falih publicly insisted the kingdom could bring another 1.5 million barrels a day to markets if needed. Delegates at the meeting, both from the Gulf block and outside, were unconvinced.

One attendee said Saudi Arabia had no choice other than to stick to its official number on spare capacity be-

cause King Salman said the country could pump that in a conversation with Mr. Trump.

"The Saudis are hiding their head in the sand and don't want confrontation," another attendee from a Persian Gulf ally of Saudi Arabia said.

A Saudi oil official denied his country was overestimating its production potential. "Since when has Saudi Arabia ever failed the market and its customers," he said.

Dollar Falls As Fed Starts Deliberations On Policy

BY DANIEL KRUGER

The dollar weakened Tuesday as the Federal Reserve began a two-day meeting at which it is expected to raise interest rates for the third time this year.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, fell less than 0.1% to 89.11. The dollar declined 0.2% against the euro to \$1.1767 and 0.5% against the British pound to \$1.3184.

The dollar declined as investors weighed how much more the U.S. currency can appreciate given uncertainty about how many more times the Fed will raise interest rates and when the European Central Bank can initiate its own tightening cycle. U.S. policy makers penciled in three rate increases for 2019 at their meeting in June. Investors will be looking to see whether the Fed's forecasts include continued rate increases into 2020 or even 2021.

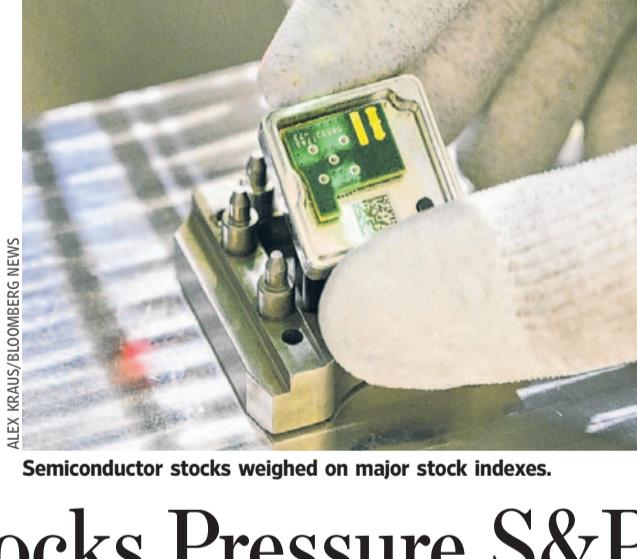
The dollar's strength this year, which surprised many investors, has begun to wane. The dollar has risen 2% against the euro this year, though it has slipped 3.7% from its 2018 high reached Aug. 15. Any potential gains in the dollar may be capped by the shift in investor sentiment in favor of the dollar this year. As more people have bought dollars to bet on further appreciation, that has limited the pool of future potential buyers, analysts said.

Futility

Shares of utilities and other sectors that tend to move based on interest rates fell ahead of Wednesday's Federal Reserve meeting.



Source: SIX THE WALL STREET JOURNAL.



Semiconductor stocks weighed on major stock indexes.

Rate-Sensitive Stocks Pressure S&P

BY MICHAEL WURSTHORN

The S&P 500 edged lower, as interest-rate-sensitive stocks sold off late in the session and offset gains among shares of oil-and-gas companies.

The corners of the stock market sensitive to rising interest rates were among the worst performers ahead of Wednesday's Federal Reserve meeting. Utility stocks, which are viewed as a bond proxy because of the relatively high dividends they pay, sank 1.2% in the S&P 500—more than any other industry group.

Shares of consumer-staples and financial stocks, both of which also tend to move based on interest-rate expectations, slid in afternoon trading as well.

Those losses offset another strong day for energy stocks, which have rallied 10 of the past 11 trading days. The sector's latest leg of gains fol-

lowed the Organization of the Petroleum Exporting Countries' decision to stick to current production quotas.

The Fed is largely expected to raise interest rates Wednesday and again in December for a total of four increases this year. Rising rates tend to reduce appetite for high-yielding, less risky stocks as investors can find better premiums in other asset classes, such as bonds.

The real focus is likely to be on any clues on how the central bank plans to proceed with next year's pace of increases as well as its view of the U.S. economy, especially with the continuing trade dispute running in the background.

"With a rate hike all but priced in, markets will be focused on the policy path in 2019 and any sign of changes in inflation expectations," said John Lynch, chief investment strategist for brokerage firm LPL Financial. "Any change in the Fed's view of inflation

could roil markets," Mr. Lynch said, adding upbeat U.S. economic data should keep the Fed on course for now.

The S&P 500 slid 3.81 points, or 0.1%, to 2915.56 to notch its third consecutive decline, while the Dow Jones Industrial Average shed 69.84 points, or 0.3%, to 26492.21. The Nasdaq Composite, meanwhile, rose 14.22 points, or 0.2%, to 8007.47.

The S&P 500's minor move extended the broad index's run without a 1% move up or down to 64 trading sessions, back to late June. The pull-back in big market swings coincides with investors' nervousness about the continuing trade dispute, the Fed's rate-increase path beyond this year and the fact that the 9½-year stock-market rally is the longest ever.

Trading saw nearly all the utility stocks in the S&P 500 fall, with electricity provider Southern Co. down \$1.10, or 2.5%, to \$42.73, putting it among the sector's worst per-

formers.

Bank and other financial stocks in the broad index declined 0.4%, while consumer staples, which also tend to pay relatively big dividends, fell 0.7%.

Semiconductor stocks also weighed on major indexes. The industry, already bruising from the trade fight, got another dose of bad news after a Raymond James analyst lowered his rating on shares of Intel to "underperform" from "market perform," citing delays in chip production, and cut his outlook on several rivals.

Intel's stock fell a dollar, or 2.1%, to 45.91, while the PHLX Semiconductor Index, which tracks the shares of 30 chip makers, slumped 1.7%.

Early Wednesday, Japan's Nikkei Stock Average was down 0.3%, Hong Kong's Hang Seng Index was up 0.6% and the Shanghai Composite Index was up 0.2%.

—David Hodari contributed to this article.

Economic Optimism Dents U.S. Treasurys

BY SAM GOLDFARB AND DANIEL KRUGER

U.S. government-bond prices fell again Tuesday, pushing the 10-year Treasury note's yield closer to a seven-year high amid gathering optimism about the global economy and expectations for tighter monetary policy from major central banks.

CREDIT MARKETS The yield on the benchmark 10-year U.S. Treasury note rose to 3.102% from 3.078% Monday, settling just below its May 17 close of 3.109%—a high-water mark dating back to July 2011.

Yields, which rise when bond prices fall, have been climbing this month thanks in part to encouraging developments in emerging markets and Italy, which were at the center of investors' concerns just a month ago.

This week, investors have had further reason to sell bonds as European Central Bank President Mario Draghi delivered an upbeat assessment of the eurozone economy and confirmed a plan, announced in June, to end the ECB's €2.5 trillion (\$2.95 trillion) bond-buying program in December.

Investors on Tuesday also were contending with another round of Treasury debt auctions and anticipating the conclusion of the Federal Reserve

3.102%

Tuesday's closing 10-year yield, near highest since July 2011

meeting on Wednesday, when policy makers are widely expected to raise interest rates for a third time this year against the backdrop of strong economic data.

"On the surface it looks like the U.S. is firing on all cylinders," said Jack McIntyre, who manages bond portfolios at Brandywine Global Investment Management. "You're not supposed to own bonds in that environment."

Rising Treasury yields serve as a reference rate for lending throughout the economy. Higher yields could curb access to credit for consumers and businesses and curtail growth, though evidence of that happening so far is limited.

In recent weeks, central bankers in Argentina and Turkey sought to tame rapid inflation and financial turmoil by substantially raising interest rates. There have also been signs that Italy's new populist government—which wants to slash taxes and raise social benefits—can deliver its first budget without driving a rift with the European Union.

Reflecting optimism about Europe, the yield on Italy's 10-year government bonds fell 0.06 percentage point to 2.885% Tuesday, according to Tradeweb. That narrowed the closely watched gap with Germany's 10-year yield, which extended recent gains by climbing 0.03 percentage point to 0.544%.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the auction clearing date. Rates are determined by the difference between that price and the face value.

FOUR-YEAR BILLS

Applications	\$121,952,148,000
Accepted bids	\$40,000,148,000
"noncompetitively"	\$991,710,400
Auction price (rate)	\$933,000,000
	(2.080%)

Coupon equivalent 2.112%

Bids at clearing yield accepted 31.96%

Cusip number 912796Q2

The bills, dated Sept. 27, 2018, mature on Oct. 25, 2018.

FIVE-YEAR NOTES

Applications	\$90,948,278,700
Accepted bids	\$38,000,046,700
"noncompetitively"	\$38,778,700
Auction price (rate)	(2.997%)
	2.997%

Interest rate 2.875%

Bids at clearing yield accepted 44.70%

Cusip number 912828D6

The notes, dated Oct. 1, 2018, mature on Sept. 30, 2023.

ONE-YEAR, 10-MONTH FRNs

Applications	\$52,006,081,900
Accepted bids	\$17,000,058,900
"noncompetitively"	\$12,156,900
Spread	0.043%
Bids at clearing yield accepted	33.98%
Cusip number	912828D6

The floating-rate notes, dated Sept. 28, 2018, mature on July 31, 2020.

MARKETS

Health-Care Stocks Take Rally's Lead

By MICHAEL WURSTHORN

Health-care stocks have emerged as market leaders in the third quarter, helping push major U.S. indexes to new highs.

One reason: Money managers are embracing the sector as a safety play, particularly after big technology stocks stumbled in September.

The health-care sector is the best performer of the S&P 500's 11 groups in the third quarter, up 13% and on pace for its strongest showing in more than five years. On a year-to-date basis, health-care stocks are trailing only the technology and consumer-discretionary sectors.

Hedge funds have built up their biggest position in health-care shares in the past five years. About 17% of their assets are in the sector, second only to shares of tech companies, according to Goldman Sachs Group Inc. data through June. Mutual-fund managers also have been shifting into health-care stocks, with many building outsize positions, according to Goldman's data.

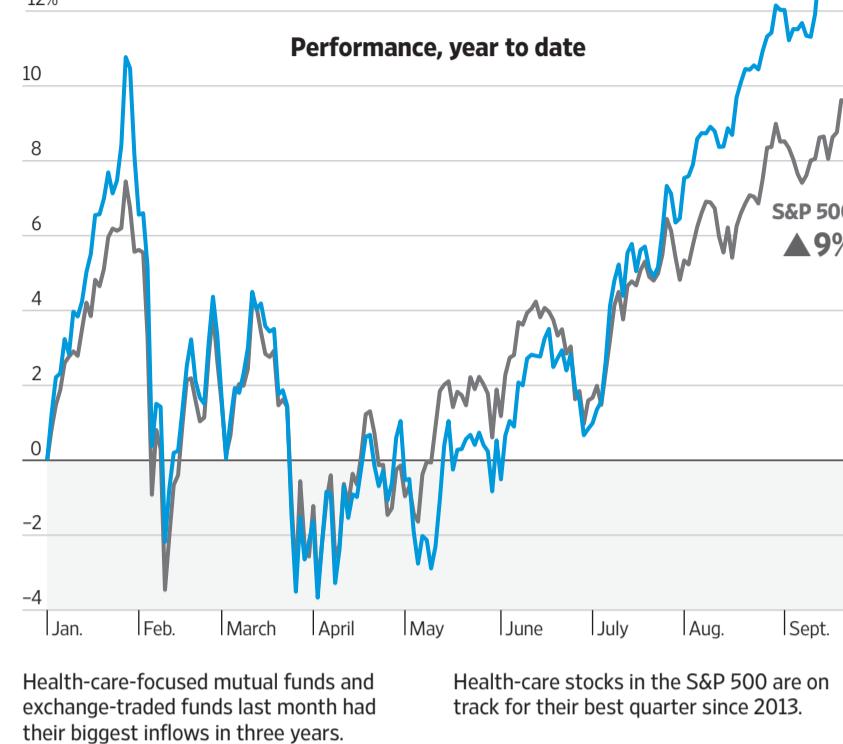
And flows into health-care-focused mutual funds and exchange-traded funds, popular with retail investors, are at their strongest in three years, according to Morningstar Inc.

Rising interest in the stocks coincides with surging profits across the industry. Plus, the health-care needs of an aging population are expected to insulate the companies from a downturn, and investors searching for attractively valued stocks after a nine-year bull market in the U.S. have embraced the shares.

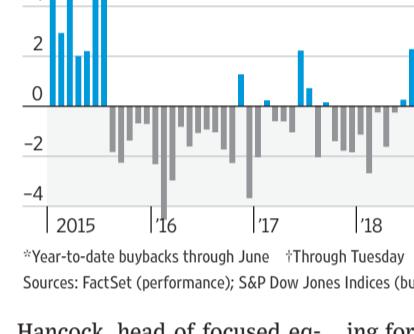
The sector's rally has been broad, with shares of pharmaceutical giants such as Merck & Co. and Pfizer Inc., insurers including Humana Inc. and UnitedHealth Group Inc., and equipment suppliers like Abiomed Inc. and Align Technology Inc. all rising at least 20% in 2018.

"These stocks had been out of favor for a while," said Tom

The shares moved higher in recent months to break away from the S&P 500.



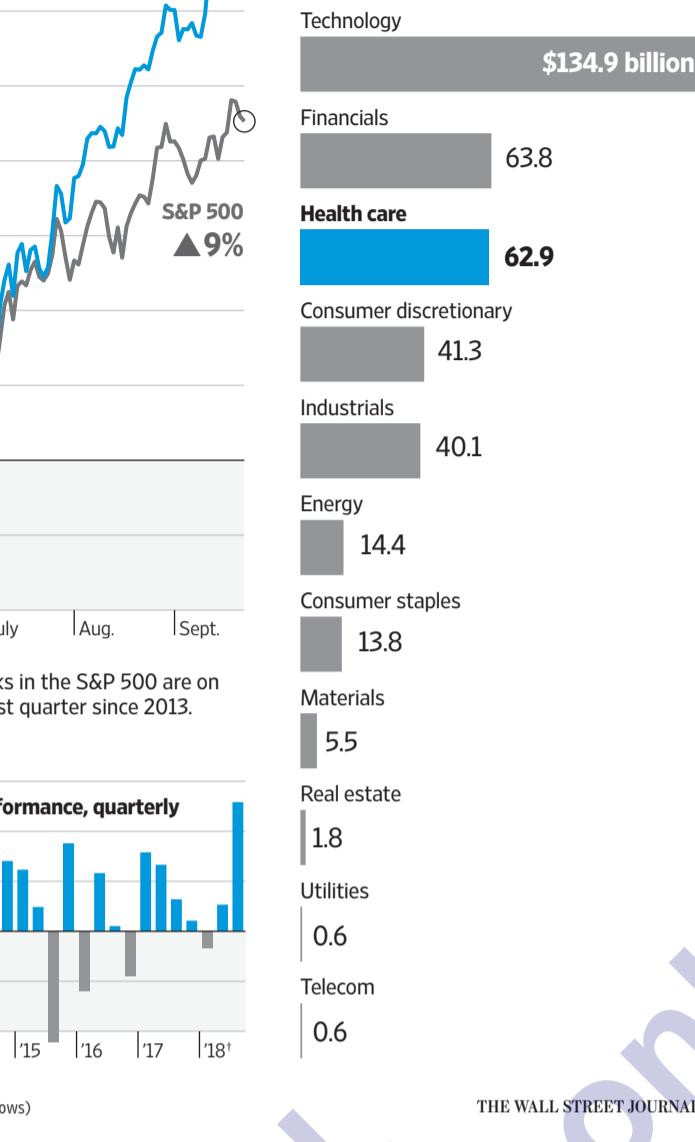
Health-care-focused mutual funds and exchange-traded funds last month had their biggest inflows in three years.



*Year-to-date buybacks through June †Through Tuesday

Sources: FactSet (performance); S&P Dow Jones Indices (buybacks); Morningstar (fund flows)

The sector is near the top of those repurchasing the most shares so far this year, giving stock prices an added boost.*



THE WALL STREET JOURNAL.

Hancock, head of focused equity at Grantham, Mayo, Van Otterloo & Co., or GMO, a Boston-based money-management firm. "But we've been trying to find stocks that aren't being inflated by this rising tide of economic good news," he added, referring to the strong U.S. growth that has helped fuel a broad stock-market upswing in recent years. "When that tide recedes, we're look-

ing for companies that will be OK in that environment."

Big tech stocks have led much of this year's rally, including Amazon.com Inc., Google parent Alphabet Inc. and Apple Inc., which each fell more than 3% in September. Investors have cut their exposure amid concerns about new regulations in the wake of Facebook Inc.'s data mishap.

At firms like GMO, investors

have been trimming their technology holdings to help fund their shifts into health care. GMO's funds recently initiated a position in Merck, Mr. Hancock said, as it has focused on further developing cancer-treatment drug Keytruda. Merck shares have surged 26% this year and 16% in the third quarter alone.

GMO funds, meanwhile, trimmed stakes in Alibaba

Group Holding Ltd. and Microsoft Corp. in the past six months, according to FactSet.

Similarly, hedge-fund manager Tudor Investment Corp. increased its stake in health insurer Aetna Inc. and initiated new positions in drugmakers Shire PLC and AbbVie Inc. all in the past six months, according to fund-holdings data compiled by FactSet.

Millennium Management LLC,

another hedge fund, added to its positions in medical-device makers Medtronic PLC and Boston Scientific Corp.

Tudor declined to comment through a spokesman. Millennium didn't respond to a request for comment.

Some investors, though, question the timing of health care's sudden appeal, citing its bouts of volatility when political debates over how Americans pay for health care intensify. The sector will likely see another jolt should Republicans retain control of Congress in November's midterm elections and resume talks of a health-care overhaul, said Lewis Piantedosi, a vice president and portfolio manager for Eaton Vance Management, which has kept its allocation toward health-care stocks below its benchmark.

Still, the broader shift into health-care stocks suggests investors are eschewing risk after a long rally.

Investors tend to view health-care stocks as a defensive investment because health insurers, pharmaceutical companies and medical-device makers usually hold up better in times of economic turbulence. That is because most medical expenses can't be put off in a recession, and economic swings don't typically curb the rollout of new drugs and devices. Valuations are also enticing, investors said, with health-care stocks in the S&P 500 trading in line with the broader S&P 500 at about 17 times future earnings, compared with 18 times for the tech sector and 23 times for consumer-discretionary companies, according to FactSet.

"Not to say it can't continue, but we're in the longest bull market ever," said Matthew Watson, a portfolio manager at James Advantage Funds. "So from a risk standpoint, getting into health-care stocks, which tends to be defensive, makes sense for us, too."

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Facebook's Brightest Spot Dims

No Filter

Facebook's advertising revenue per year



Sources: the company; Visible Alpha (projections)

which had no revenue when Facebook bought it—is now on track to generate more than \$8 billion in revenue this year, according to consensus estimates tabulated by Visible Alpha. That is about 15% of the ad revenue the company is expected to report this year, even though Instagram's user base is about 45% the size of the Facebook core service.

Facebook's challenge will be handling that business without turning off Instagram's user base, which includes many of the younger crowd that have avoided the company's core social network. That won't be easy, and investors are a little skeptical. Facebook's share price slipped 0.3% Tuesday following the news, while Snapchat parent Snap Inc.'s shares rose 1.1%.

It doesn't help that Facebook's hands-off approach to Instagram to date has created the image that its co-founders alone are responsible for its success. And in the age of Instagram, image is everything.

—Dan Gallagher

OVERHEARD

Shares of Canadian marijuana producer Aurora Cannabis rose nearly 4% Tuesday after it reported a sharp swing to profitability and said it is planning a U.S. listing. But a closer look at its results suggests reasons for caution.

Marijuana will become legal for recreational use next month in Canada. This means big opportunities for companies like Aurora.

Aurora posted a net profit of C\$79.27 million (\$61.2 million) in the latest quarter, compared with a loss of C\$4.82 million in the year-ago period. But this is where things get hazy: The swing was primarily due to noncash, unrealized gains on derivatives and marketable securities.

Aurora holds minority stakes in several other marijuana-related companies, including Choom Holdings and The Green Organic Dutchman, whose shares also have soared.

At a stratospheric 298 times sales, according to FactSet, prudent investors shouldn't consider inhaling.

Nike's Buzz Set High Expectations

Nike's controversial new ad campaign, generating backlash along with a wave of social-media excitement, sent the stock to a record. That set the bar extremely high for the company's first-quarter earnings report on Tuesday. Though Nike beat expectations and posted double-digit profit growth, the stock fell after hours.

In part, the record needed to be met with a dose of reason: Though analysts expect the ad campaign to translate to higher sales, whether it actually does, and by how much, remains to be seen.

Research suggests activism—both for and against brands—tends to fade, and consumers revert to old behaviors.

Nike's sales do seem to be taking a positive turn, however. After a long downturn in its domestic business, the company reported its second consecutive quarter of U.S. growth. Total revenue rose 10% in the quarter to \$9.95 billion, topping estimates of \$9.94 billion, and earnings reached 67 cents per share, beating projections of 63 cents per share. Yet gross margins missed expectations.

The company is making an aggressive push with women and millennials. Its ad campaign, which features LeBron James, Serena Williams and Colin Kaepernick, may help on that front. It spent \$964 million this year on what it calls "demand creation," a 13% increase from a year ago.

That push involves selling more directly to consumers to make up for the loss of retailers like Sports Authority, which went bankrupt in 2016. Before sending the stock any higher, investors should wait to see whether the frenzy Nike has manufactured can outlast the news cycle.

—Elizabeth Winkler

Oil's Ascent Above \$80 a Barrel Is Bruising for Turkey

In the U.S., oil above \$80 a barrel is an annoyance for drivers. In Turkey, it could tip the entire economy into recession.

Sunday's decision by major oil producers to keep output steady has pushed international oil prices to their highest level since November 2014 in dollar terms. In Turkish lira, the oil price is the most expensive ever, having almost doubled so far this year.

The lira has found a firmer footing since officials jacked interest rates up to 24% this month. But it is still down roughly 38% against the U.S. dollar this year, hurt

Crude Situation

Brent crude-oil futures price



Note: 100 Turkish lira = \$16.21

Source: FactSet

by concerns about the Turkish central bank's lack of independence as well as unsustainable debts taken on by domestic companies and banks.

Faced with a weaker lira, Turks are likely to buy more cars, refrigerators and computers locally. While consumers may lose out a bit, consumer conglomerates such as Koç and Doğuş could reap gains. Exporters are another beneficiary: Tourism has boomed this summer.

Consumers just can't do the same and buy local with oil and gas.

Because it doesn't have significant oil-and-gas resources, Turkey remains highly dependent on foreign energy. It imports around three-quarters of its total energy needs, according to the most recent Interna-

tional Energy Agency report, and energy makes up roughly two-thirds of the nation's current-account deficit.

If energy costs rise much more, they are likely to trigger a recession. Construction already is grinding to a halt. Ankara can cut fuel taxes to protect households and firms in the short term, but can't afford to take the hit indefinitely.

The only long-term solution is greater energy independence, which Turkish Finance Minister Berat Albayrak pledged to boost in last week's new economic program. But the Turkish

government has made promises about hydroelectric and renewable sources for at least a decade, with little obvious effect.

The broader lesson is that a country's financial woes can be scary, but sometimes aren't the hardest problems to fix. Debts can be restructured and central banks can provide liquidity. Idle workers can be put to work through government programs: Turkey's public debt amounts to just 28% of GDP.

By contrast, when your currency tumbles, depending on others for essential goods has no easy way out.

—Jon Sindreu



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