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# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

TUESDAY, SEPTEMBER 4, 2018 ~ VOL. CCLXXII NO. 54

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## What's News

### Business & Finance

**WP named Mark Read as CEO**, tapping a company veteran in a push for continuity at the world's largest ad firm after the departure of founder Martin Sorrell. **B1**

◆ **Nike will feature Colin Kaepernick**, the NFL quarterback who led controversial national-anthem protests, in a new advertising campaign. **B1**

◆ **U.S. stocks are back** near all-time highs after an August rally, prompting some investors to fear a reckoning heading into what historically has been a weak stretch for markets. **A1**

◆ **Stocks in Asia and Europe fell Monday on trade concerns**. Japan's Nikkei closed down 0.8%. U.S. markets were closed. **B9**

◆ **Twitter CEO Jack Dorsey** this week will again attempt to explain how the company decides whether a user gets kicked off the site. **A1**

◆ **Meituan Dianping** is marketing a public stock sale that could value the Chinese internet startup at close to \$55 billion. **B4**

◆ **Moody's lost its appeal** of a penalty from Hong Kong's securities regulator, in a closely watched case. **B9**

### World-Wide

◆ **Ahead of Kavanaugh's confirmation hearings**, partisans on both sides are asking whether Trump's Supreme Court nominee would stand with precedents set by landmark rulings or be willing to overturn them. **A1**

◆ **Trump renewed his criticism of Sessions**, decrying the Justice Department's recent indictments of two Republican House members. **A7**

◆ **A California bill** would give utility PG&E a path to pass on to ratepayers costs stemming from fires that swept the state's wine country in October. **A3**

◆ **A blaze engulfed Brazil's largest history and science museum**, home to a collection of 20 million items. **A18**

◆ **Two Reuters reporters** who exposed human-rights abuses by Myanmar's military were sentenced to seven years in prison. **A18**

◆ **The U.S. and North Korea reached an impasse** in talks aimed at implementing their leaders' agreement to pursue denuclearization. **A8**

◆ **China's Xi pledged \$60 billion** in financing for Africa's development and waived some debt. **A8**

### JOURNAL REPORT

How Much You'll Really Spend In Retirement

Wealth Management, R1-8

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## Continent's Treasures at Stake in Brazil Museum Fire

CLOCKWISE FROM LEFT: CARL DE SOUZA/AFP/Getty Images; RENZO GOSTOLI/ASSOCIATED PRESS



**NATION'S PRIDE:** Firefighters on Monday worked through the burned-out shell of Brazil's national museum in Rio de Janeiro, a day after it was engulfed by fire. Its collection included 'Luzia,' one of the oldest human fossils found in the Americas, top right, and dinosaur remains. **A18**

## Kavanaugh to Face Partisan Clash

BY BRENT KENDALL

**WASHINGTON**—With Judge Brett Kavanaugh's Supreme Court confirmation hearings set to begin Tuesday, partisans on both sides are focusing on one of the most consequential questions surrounding his nomination: Whether he would stand firm with precedents set by landmark rulings or be willing to overturn them.

Liberals warn that key rulings on abortion, affirmative action and gay rights could be

weakened or reversed by a court that leans further to the right. Many conservatives, on the other hand, hope those precedents will be limited by future rulings and eventually crumble, even if Judge Kavanaugh moves carefully rather than tearing through established doctrine.

The court sets precedents through its body of rulings. Once the justices decide an issue, lower courts are bound by the Supreme Court's holding, and the high court itself usually won't revisit it. But the court on occasion will abandon what it ruled previously.

Democrats, who privately have said they likely can't block Judge Kavanaugh's appointment, hope to use the televised hearings to motivate voters in the November elections—a playbook the GOP has used successfully for decades.

Democrats plan to highlight how the Supreme Court and its future vacancies have an impact on issues like health care, abortion rights and

workplace and consumer protections.

Though Republicans hold a narrow 50-49 advantage in the Senate, Judge Kavanaugh is expected to win backing from the Judiciary Committee and full chamber as the GOP has shown no cracks in its support for the judge. His confirmation would help fulfill a longtime Republican goal: cementing a conservative court majority for years to come.

Republicans could have one

Please turn to page A10

## Strong Stock Run Faces Fall Test

Markets often turn volatile in September, traditionally a bad month for S&P 500

BY AKANE OTANI

U.S. stocks are back at all-time highs after a dizzying August rally, prompting some investors to fear a reckoning heading into what historically has been a weak stretch for markets.

Few would dispute that the general outlook looks bright. Inflation, which investors earlier in the year had feared would stall the economic expansion, has plodded along at a benign rate. Corporate earnings are growing at the second fastest pace since 2010. Even the threat of a trade war has appeared to dim in recent weeks, with the U.S. and Mexico reaching a trade agreement in late August after months of tense negotiations.

Yet many investors, burned by previous snapbacks, can't help but view September with a degree of apprehension.

Global-fund managers are holding higher-than-average levels of cash in their portfolios. Shares of utilities and real-estate firms, considered bondlike because of their dividend payouts, have started to rebound over the past couple of months. And firms including

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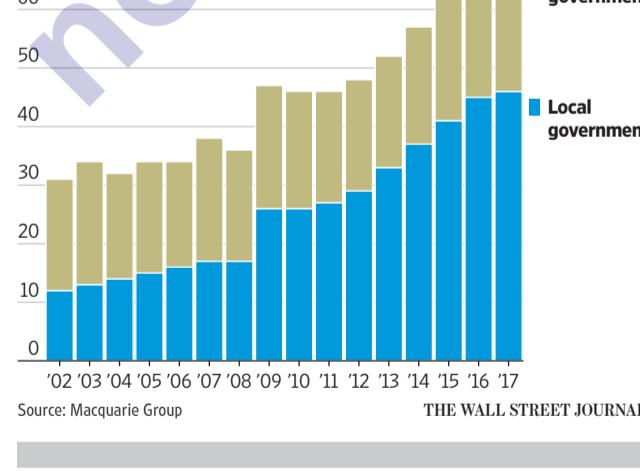
◆ **Trump digs in ahead of NAFTA talks**..... **A2**

◆ **China's sell-off stokes foreign bulls**..... **B1**

## In China, Cities' Debt Adds to Woes

Services such as education and health care have been hurt as Chinese cities struggle to pay for debt-fueled developments. **A8**

China's government debt as percentage of GDP



## Economy's Surge Cuts Uneven Path in Districts

Growth lifts GOP candidates in some tight races, but tariffs, taxes and local factors leave others vulnerable

BY SIOBHAN HUGHES AND DANTE CHINN

**LEXINGTON, Ky.**—The U.S. economy is roaring like it hasn't in many years, which ought to be good news for the Republican Party in the run-up to the midterm elections.

A deeper look at the economic data by congressional district reveals a less even picture. Data assembled for The Wall Street Journal by the Institute of International Finance shows that the economy is booming in some GOP-held battleground districts. At the same time, a sizable number of competitive districts—almost all currently Republican—are

vulnerable to new tariffs, a new cap on deductions for state and local income taxes, or a jobs picture worse than the national average.

The result is a midterm election that re-

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## ELECTION 2018

◆ **Stakes run high in governors' races**..... **A4**

◆ **Senate fight unfolds on deep red terrain**.... **A4**

◆ **Gerald F. Seib: Memories of 2006 fuel Democrats' hopes**..... **A7**

## Twitter's Dorsey Draws Flak Over Role in Policing Content

BY GEORGIA WELLS  
AND KIRSTEN GRIND

Twitter Inc. Chief Executive Jack Dorsey plans once again to try this week to explain how the company decides whether a user gets kicked off the site.

To some Twitter users—and even some employees—it remains a mystery.

In policing content on the site and punishing bad actors, Twitter relies primarily on its users to report abuses and has a consistent set of policies so that decisions aren't made by one person, its executives said.

Yet, in some cases, Mr.

Dorsey has weighed in on content decisions at the last minute or after they were made, sometimes resulting in changes and frustrating other executives and employees, according to people familiar with the matter.

Understanding Mr. Dorsey's role in making content decisions is crucial as Twitter tries to become more transparent to its 335 million users, as well as lawmakers, about how it polices toxic content on its site.

In a hearing Wednesday morning before the Senate Intelligence Committee, Mr. Dorsey plans to appear alongside Facebook Inc. Chief Operating Officer Sheryl Sandberg to discuss how foreign actors can use the social-media platforms to spread misinformation and propaganda.

Twitter and rival Facebook are increasingly caught in a Catch-22 situation—criticized by some users for allowing hateful posts, but blasted by others for removing content because it curtails free speech.

Twitter has taken a different approach than Facebook,

Please turn to page A9

## One Piece of Summer Always Sticks Around: Taffy

\* \* \*

Travelers ponder what treat to bring back to the office; 'throw it out'

BY KATE KING

The last days of summer are slipping away, but leftover vacation treats—the bad flavors—linger on in workplace candy jars across the country.

Amy Shearn sees it every time she visits her office's communal treat table:

Just one?

of sugar and cornstarch, wrapped in wax paper, "just sitting there."

"There's only the orange ones left. Should I throw them out?" said Ms. Shearn, 38 years old, who works in New York City as an editor at an online magazine. "Maybe I'll bring them home, but I definitely wouldn't want to gather them up in front of my co-

Please turn to page A10

## ECONOMIC CALENDAR

**Wednesday:** The Bank of Canada releases a **policy statement**. The central bank previously lifted its benchmark rate by a quarter-percentage point to 1.5%. Analysts have been divided over whether the bank pulls the trigger on another rate increase, with solid economic data offset by uncertainty over Canada's future in the North American Free Trade Agreement.

The U.S. Commerce Department releases **international trade data** for July. The U.S. trade deficit expanded in June at the fastest rate since November 2016, underpinned by a stronger dollar and buoyant economic growth. The data confirmed economists' expectations that a narrowing trade deficit earlier this year was likely to reverse, despite a renewed focus on trade policy from President Trump.

**Friday:** The U.S. Labor Department publishes the August **jobs report** after a sluggish month of job growth and a falling unemployment rate in July. The last report showed that workers enjoyed a strong start to summer, with low unemployment and steady wage gains offering fresh incentive to jump into the job market. Economists expect the unemployment rate will have ticked down to 3.8% in August.

## U.S. NEWS

## Trump Digs In Ahead of Nafta Talks

By JACOB M. SCHLESINGER  
AND PAUL VIEIRA

President Trump this week will put his bare-knuckles negotiating strategy to a new test as his aides resume efforts to persuade Canada to sign on to his vision for overhauling the North American Free Trade Agreement, the pact he has long branded a disaster.

Mr. Trump set the stage for talks slated to reopen on Wednesday with tweets threatening Ottawa with expulsion from the bloc, which includes Mexico, and attacking two U.S. groups whose support he needs to enact a new Nafta: Congress and organized labor.

The rhetoric follows a Trump pattern that has evolved as he has sought to remake American trade policy with the same hardball tactics he used as a New York real-estate developer.

In contrast with the more diplomatic styles of his predecessors, the president believes the U.S. should wield more frequently the clout of the world's largest market—and threats to cut off access to it—to reach what he considers better deals for the U.S. He is also willing to use the power of the presidency, coupled with his own unpredictability, to try to push allies and lawmakers into cooperating, raising the risk he will pursue a more de-

structive path if they don't.

"If we don't make a fair deal for the U.S. after decades of abuse, Canada will be out," Mr. Trump tweeted Saturday morning. "Congress should not interfere w/ these negotiations or I will simply terminate NAFTA entirely & we will be far better off," he added.

One of Mr. Trump's complaints about Nafta is his assertion that it has encouraged U.S. manufacturers to shift production and jobs south of the border—and a central part of his strategy for redesigning the pact is winning support from American unions for the changes he makes.

But the head of the country's largest union on Sunday suggested Mr. Trump's threat to cut out Canada would undo that effort.

"Our economies are integrated, the three countries in North America," Richard Trumka, president of the AFL-CIO, told Fox News. "It's pretty hard to see how that would work without having Canada in the deal."

Mr. Trumka, whose group represents 12.5 million workers, also expressed skepticism about the agreement Mr. Trump had announced earlier in the week with Mexico and criticized the president's other policies affecting organized labor.

Mr. Trump shot back on Twitter Monday morning,



JIM WATSON/AGENCE FRANCE PRESSE/GETTY IMAGES

President Trump, with Canadian Prime Minister Justin Trudeau last October, has threatened to terminate the trade agreement.

writing that Mr. Trumka "represented his union poorly on television this weekend. Some of the things he said were so against the working men and women of our country, and the success of the U.S. itself, that it is easy to see why unions are doing so poorly..."

Mr. Trump followed up with another tweet: "The U.S. has tremendous upside potential as we go about fixing some of the worst Trade Deals ever made by any country in the world. Big progress being made!"

Trump supporters say his style has succeeded in drawing trading partners to the negotiating table. In addition to the Nafta negotiations, the U.S. in late July launched new trade

talks with Europe, and, as part of that process the European Union on Monday moved to start talks on increasing U.S. beef imports to the bloc. Also on Monday, the Trump administration published details of a recently renegotiated free-trade deal with South Korea.

But critics say Mr. Trump's approach could also backfire, especially when it comes time to win support for new trade agreements on Capitol Hill. The president's warning against congressional interference drew a rebuke from Oregon Sen. Ron Wyden, the top Democrat on the Senate Finance Committee overseeing trade policy.

"He doesn't even have the power to follow through on his

empty threats," Mr. Wyden said on Monday. "The president needs to take a look at the Constitution—it gives Congress authority over trade. The president cannot pull America out of Nafta without Congress's permission."

A spokeswoman for Utah Republican Sen. Orrin Hatch, chairman of the finance committee, on Monday said he "continues to think a renegotiated Nafta should be trilateral," adding that "Congressional approval will be key to the success of a modernized trade agreement."

The three Nafta nations have spent the past year trying to renegotiate the pact after Mr. Trump early in his presidency threatened to pull the U.S. out of the quarter-century-old bloc. The U.S. and Mexico came to terms on revisions on Aug. 27, and Mr. Trump's trade team spent the rest of last week trying to reach a similar agreement with Canada.

After those talks ended without agreement on Friday, Mr. Trump sent a notice to Congress saying he would be willing to replace Nafta with a Mexico-only bilateral deal, though Canada remained welcome to join if a deal could be reached soon.

—Siobhan Hughes contributed to this article.

◆ EU open to talks on increasing imports of U.S. beef ..... A9

## Stars and Stripes for a Labor Day Celebration



ROLLING ON: Americans turned out for Labor Day parades Monday in Los Angeles, above, and across the country.

## U.S. WATCH

## DETROIT

## Schools Turn Off Tap Due to Metal Levels

Some 50,000 Detroit public school students will start the school year Tuesday by drinking water from coolers, not fountains, after the discovery of elevated levels of lead or copper—the latest setback in a state already dealing with the consequences of contaminated tap water in Flint and other communities.

Detroit Public Schools Superintendent Nikolai Vitti expects the closure of water fountains and other drinking fixtures in all 106 schools to go smoothly because the district—Michigan's largest—had previously turned off the tap in 18 schools. The coolers and bottled water will cost \$200,000 over two months, after which the district probably will seek bids for a longer-term contract, he said.

Detroit isn't the first major school district to switch to bot-

tled water. The 49,000-student district in Portland, Ore., turned off its fixtures in 2016 after a scandal over high levels of lead in the water at almost every school—a problem that took two years to fix.

Fountains at most schools in the 80,000-student Baltimore districts have been shut off for more than a decade.

Detroit's move is being welcomed by experts and state lawmakers who say such voluntary testing should be mandated in school districts nationwide, only 43% of which tested for lead in 2016 or 2017, according to the U.S. Government Accountability Office.

—Associated Press

## HAWAII

## Park Plans to Reopen Areas Shut by Volcano

Hawaii Volcanoes National Park is on track to reopen several areas later this month after closing in May because of the

Kilauea volcano eruption, park officials said.

"I think some of our most popular areas and most-driven roads will be open again," said Ben Hayes, the park's director of interpretation.

Several roads are still being examined because of the instability caused by the volcano's seismic activity. Facilities and trails near the crater's rim are of significant concern and might never reopen, Mr. Hayes said.

"A lot of these holes are still expanding, even without the quakes," Mr. Hayes said. "We've had to fill some holes six or seven times."

Inspections have been conducted on 32 buildings with water restored to nine, according to the park.

Additional repairs and openings might not occur until next year, Mr. Hayes said. The park will prioritize repairs based on cost and popularity, leaving less visited locations on the back burner.

Associated Press

## CALIFORNIA

## Shooting Leaves Eight Wounded

Eight people were wounded, two critically, in a shooting at a California apartment complex during a dice game, police said Monday.

Officers arrived at a chaotic scene on Sunday night and had to call for help after a hostile crowd emerged from the complex, San Bernardino police spokeswoman Sadie Albers said. She said investigators are still trying to determine how the shooting unfolded.

"Most of the witnesses are being uncooperative, so we're not really sure what happened prior to the shooting," Ms. Albers said.

Evidence at the scene showed handguns and rifles were used, police said.

—Associated Press

## COLORADO

## Boy Dies After Being Hit by Parade Float

Police say an 8-year-old boy has died after being struck by a float during a Labor Day parade.

The incident happened during the Windsor Harvest Festival parade about 20 miles southeast of Fort Collins.

Authorities and witnesses say the boy was a participant on a church-sponsored float and the incident occurred near the end of the parade route.

The parade was canceled as emergency personnel treated the child and transported him to a hospital where he died.

—Associated Press

## CORRECTIONS &amp; AMPLIFICATIONS

**The 51st Brigade** of Faylak al-Thalith, a rebel group in Syria, was misidentified as the 51st Battalion of Faylak al-Thalith in a World News article on Saturday about preparations for a possible offensive by the government.

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

## Dairy Rules Stir Battle Over Trade

By HEATHER HADDON  
AND PAUL VIEIRA

Sometimes it's hard to say what is fair in trade and war. Few spats demonstrate that more amply than U.S. disagreements with Canada over the international dairy market.

The U.S. exported \$637 million worth of milk, cheese and other dairy products to Canada in 2017, enough to run a \$418 million trade surplus in the category, according to U.S. Department of Agriculture data.

Is that a win for U.S. farmers? No, says the Trump administration. Dairy trade is a central grievance of U.S. negotiators with Canada as they debate a rewrite of the North American Free Trade Agreement.

Talks between the U.S. and Canada on resolving differences concluded Friday without a deal, but both sides agreed to continue negotiations this week. The U.S. Trade Representative issued a statement saying Canada had yet to offer any concessions on agriculture, a U.S. priority.

The Trump administration says U.S. farmers are treated unfairly by the complex "supply management" system that governs Canada's dairy market, under which the government sets milk prices and imposes quotas on domestic producers to keep supplies in check. As part of this system, Canada limits dairy imports and imposes steep tariffs of more than 200% on products that exceed those limits.

Critics say Canada's system unfairly limits market access and distorts prices. "The president has stated numerous times that the U.S. needs to address Canada's dairy issues," said Jaime Castaneda, senior vice president at the National Milk Producers Federation trade group.

Supporters of Canada's supply-management system say it helps keep prices stable and has limited Canada's contribution to a dairy glut now plaguing world markets.

Dairy farming "is a motherhood issue here," said Jon Johnson, senior fellow at Toronto-based C.D. Howe Institute and former government trade negotiator.

If Canada agreed to abandon its regime of supports and restrictions, "our dairy industry would probably be wiped out," he said. "The state of Wisconsin could easily supply all of Canada's needs."

Canadian Prime Minister Justin Trudeau said Friday that Canada's dairy regime works for farmers and consumers. "We know the Ameri-

cans would love for us to eliminate supply management. We will not do that. We will not give in."

The Canadian government is hardly a lone actor in its deep involvement in its domestic dairy industry. Milk supply in the U.S. has in the past been seen as a national-security interest, important to the well-being of babies and children. The U.S. government, for that reason and others, has had a long and historic involvement in domestic dairy farming, with a pricing system whose roots go back to the Great Depression.

U.S. dairy imports are restricted through quotas, tariffs and licensing requirements. Prices are regulated through a complex system managed by the USDA, which sets minimum prices. When prices fall below regulated minimums, farmers can apply for federal assistance.

Canada has internally debated the merits of its own supply-management program for years. It made concessions to open up its dairy market in other recently negotiated trade pacts. Most notably, in the Trans-Pacific Partnership deal involving Pacific Rim countries, Canada agreed to increase foreign access to its market in the amount of 3.25% of its annual milk production.

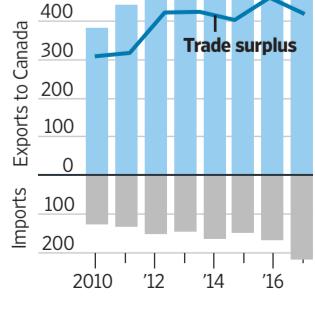
Mr. Trump pulled the U.S. out of that deal, irking Canadians. "They got their backs up," said Matt Gold, a former deputy assistant U.S. Trade Representative for North America under President Barack Obama.

The U.S. is now looking for new concessions from Canada in talks over rewriting Nafta. That could include a new agreement to open access to its market, including the ultra-filtered milk restrictions that have recently incensed U.S. farmers and farm-state politicians.

## Milk Money

The U.S. runs a trade surplus in dairy products with Canada.

## U.S. dairy trade with Canada



Source: U.S. Department of Agriculture  
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## U.S. NEWS

# California Moves to Aid Electrical Utility

Ratepayers could be on hook for some of PG&E's fire liability, in bid to avert bankruptcy

BY ERIN AILWORTH  
AND SARA RANDAZZO

A measure by California lawmakers to rescue the state's largest utility from a potential bankruptcy sets up a process whereby its customers could foot the bill for billions in liability costs it faces following the state's 2017 wildfires.

The bill, passed Friday night in the final hours of California's legislative session, would give PG&E Corp. a path to pass on to ratepayers legal damages and other costs stemming

from fires that swept California's wine country in October. The blazes killed more than 40 people and destroyed or damaged about 21,000 homes and 2,800 businesses.

Democratic California Gov. Jerry Brown is expected to sign the measure, addressing a broad array of wildfire-related issues, into law. But that is unlikely to end controversy over how much PG&E customers should pay for what critics call the utility's failure to invest in maintenance and safety measures in a state prone to severe fire risk.

State investigators have so far concluded that equipment from PG&E's Pacific Gas & Electric Co. unit caused 16 of last year's blazes, and the utility has said it expects to incur losses related to at least 14 of

them. PG&E faces at least 780 civil lawsuits brought by individuals, municipalities and insurance companies alleging it was negligent and seeking to recoup money for fire-related damage and deaths.

PG&E provides electricity and natural gas to about 16 million people living in Central and Northern California. It has cut its dividend and took a \$2.5 billion charge in the second quarter related to claims made against the utility in connection with the wildfires.

Some analysts have pegged PG&E's potential liability from the 2017 fires at as much as \$15 billion. The utility currently has less than \$900 million in insurance to help pay for wildfire liability. It has said it is looking at other insurance options but

that increased coverage would likely come at a higher price, as carriers have "significantly" raised premiums.

The provisions lawmakers approved Friday would "meaningfully alleviate the potential risk of bankruptcy or utility instability arising from exposure to both future and some past wildfires," said analysts at ClearView Energy Partners LLC.

PG&E called it a "common-sense solution" that "addresses many urgent needs."

Still, the measure generated considerable debate, and California lawmakers are expected to continue debating wildfire liability issues in the state's next legislative session.

Sen. Bill Dodd, a Democrat from Napa who crafted the bill, said it would shield utility

ratepayers from potentially higher costs that could come if a utility declares bankruptcy. Sen. Jerry Hill, a Democrat from San Mateo, disagreed, saying ratepayers shouldn't be charged for what he saw as PG&E's mismanagement.

"Why are we rushing to bail out PG&E with its history of cutting safety as a business decision?" Mr. Hill said.

Critics said ratepayers shouldn't be made to cover wildfire damages, especially if a utility's equipment is shown to have sparked that fire as a result of improper maintenance. Mark Toney, executive director of consumer-advocacy group The Utility Reform Network, called it a "corporate criminal bailout" and said he and others will urge Mr. Brown to veto the bill.

The 2017 wildfires aren't the first time PG&E's safety practices have come under scrutiny. The utility was slapped with \$1.6 billion in civil and criminal fines following a natural-gas pipeline explosion that killed eight people in San Bruno, Calif., in 2010.

It was fined \$8.3 million last year in connection with a 2015 blaze called the Butte fire that killed two people and destroyed hundreds of homes after a tree fell on a power line. Regulators said PG&E had failed to identify as dangerous the tree that started the fire.

Many of the 2017 fires already investigated appeared to have been caused by trees or branches falling into power lines, state officials said.



Passengers take a Chattanooga Ducks tour on the Tennessee River. On July 19, 17 people died when a tour boat sank in Missouri.

## Wary Tourists Chill Duck-Boat Business

BY JOE BARRETT

Alex Moyers, owner of Chattanooga Ducks, said his amphibious tour-boat company was having its best year in more than two decades in operation until late July, when business suddenly slowed down.

"We're really getting hurt," he said.

On July 19, a similar duck-style tour boat sank in a heavy storm hundreds of miles away on Table Rock Lake in Branson, Mo. Seventeen people died, including nine from a single family.

The accident sent a chill through the companies operating the vessels on streets, lakes and rivers in tourist destinations from Boston to Seattle. The companies, which are mostly independent, rely on the allure of sightseeing aboard modified or purpose-built craft based on World War II-era troop and cargo carriers whose original model

name was DUKW. The U.S. Coast Guard said there were 118 amphibious passenger vessels with valid certificates of inspection at the start of this year.

Mr. Moyers said his business, in operation since 1998, has been getting about half as many passengers since the accident, compared with a normal year. Traffic tails off anyway in the second half of August when children start returning to school so he hasn't had to lay off employees.

He and other operators said they have reviewed their safety procedures since the accident and have made an extra effort to convey them to the public, including posting about them on Facebook.

The number of passengers is down about a quarter to a third for Just Ducky Tours in Pittsburgh, said Christopher D'Addario, which has had more than 2 million visitors in 21 years of operation. "We have some repeat customers

who are almost defiant," he said. "I'm getting on your boat because I know they're safe," they say. Other people are afraid."

In Seattle, heavy forest fires in the region could also be crimping business, said Mark Firmani, spokesman for Ride the Ducks of Seattle. On some days, "you can't see the top of the Space Needle," he said, and officials have warned residents to stay inside. "In businesses like the ducks, it's hard to pin a direct cause."

The accident in Missouri happened during a heavy storm with near-hurricane-force winds. Dozens of people videoed and photographed the boat as it struggled toward shore and eventually sank.

Federal safety officials and state prosecutors are investigating the Missouri accident.

Ripley Entertainment Inc., owner of Ride the Ducks Branson, which operated the boat that sank, has said it is coop-

erating with investigators and attempting to aid the survivors and their families. It declined to comment further. Ride the Ducks Branson has been closed since the accident and Ripley declined to say whether it had plans to reopen.

A day before the accident in Missouri, Peggy Decker rescheduled a tour with Chattanooga Ducks for herself and 11 co-workers at Vargo Orthodontics in Rome, Ga. She went to work the next day thinking her colleagues would ask her to change the plans. "They all said that was kind of a freak accident. I expected them to cancel, but they said no," she said.

In August, the group rode a duck boat through the streets of Chattanooga and splashed into the Tennessee River. "It was great," Ms. Decker said. "We really enjoyed it."

Mr. Moyers is hopeful business will return next year. "People move on," he said.

## Gulf Awaits Hurricane After Florida Soaking

BY SARA RANDAZZO

A tropical storm dumped heavy rain on South Florida and the Florida Keys on Monday and was expected to reach hurricane status as it moved into the central Gulf Coast.

Tropical Storm Gordon spurred winds as high as 50 miles an hour and disrupted Labor Day holiday plans.

Miami Beach police told residents on Twitter that Monday was "NOT a Beach day" and that everyone should stay indoors if possible. Florida Gov. Rick Scott reminded everyone in the state to "stay vigilant" in a series of tweets.

Storm analysts forecast that South Florida, the Keys and central and northwestern Bahamas could see between 2 and 4 inches of rain through early Tuesday, with amounts twice that possible in some areas. Tornadoes were also possible across parts of the Florida Peninsula through Monday night, analysts said.

As of 5 p.m. on Monday, the center of the storm was continuing to move away from the southwestern Florida coast and across the eastern



Miami Beach pedestrians weathering Tropical Storm Gordon, which brought heavy rains and gusty winds.

Gulf of Mexico. Forecasters anticipated Gordon would land as a hurricane in the Central Gulf by late Tuesday.

As the storm moves through the week, it is expected to drop between 4 and 6 inches over southern Alabama, southern Mississippi and Louisiana, according to the National Hurricane Center. Residual rainfall is expected

even far inland, in Iowa, Oklahoma and Kansas.

Louisiana Gov. John Bel Edwards announced a state of emergency Monday afternoon and ordered the deployment of 200 National Guard troops to the southeastern section of the state.

In addition to the heavy rain, Gordon could cause a storm surge from Shell Beach,

La., along the Mississippi coastline and as far east as Dauphin Island, Ala., the center warned. Sandbags were being distributed across the region in anticipation.

A second storm, dubbed Tropical Storm Florence, is separately swirling in the Atlantic, centered about 980 miles west of the Cabo Verde Islands, the hurricane center said.

An attorney for ex-Cardinal McCarrick said his client has a right to due process, and "looks forward to invoking that right at the appropriate time."

Archbishop Viganò served as Vatican ambassador to the U.S. until Pope Francis removed him in 2016, after he set up a meeting between the pontiff and Kim Davis, a Kentucky clerk who refused to sign same-sex marriage cer-

tainances and became a symbol of opposition to same-sex marriage.

Following the release of the letter—which was published in the National Catholic Register, a conservative Catholic outlet in the U.S.—Pope Francis told reporters that he would "not say one word" about the accusations and encouraged journalists to judge for themselves.

Bishop Thomas John Paprocki of Springfield, Ill., said in an interview, "With all due respect, that response is not adequate. If I was accused of covering up for one of my priests, I would not get away with saying, 'Just make up your own mind'...I don't know if [Pope Francis] realizes how



Cardinal Donald Wuerl, archbishop of Washington, defended Pope Francis Sunday.

serious this situation is."

A theological conservative who has taken a hard line toward same-sex marriage in the church, Bishop Paprocki also called for an investigation, adding that he found Archbishop Viganò to be "a very credible person...who would be in a position to know."

At the same time, officials named in the Viganò letter have directly criticized its author, in some cases pointing out that he himself has been accused of covering up sexual abuse in Minnesota.

Archbishop Viganò, through a spokesman, has denied those allegations.

Cardinal Joseph Tobin, archbishop of Newark, N.J., and a close ally of Pope Francis, said Archbishop Viganò's letter was filled with "factual errors, innuendo and fearful ideology."

Cardinal Daniel DiNardo, president of the U.S. Conference of Catholic Bishops, struck a more neutral tone. In a statement, he said the questions raised by Archbishop Viganò "deserve answers that are conclusive and based on evidence," and asked for an audience with the pope.

Phil Lawler, editor of Catholic World News, said the upheaval in the U.S. church was forcing officials to openly debate issues that had been shrouded in secrecy for far too long, like attitudes toward gay men serving in the clergy. But he said it was regrettable that the debate broke along ideological lines.

"In the last few weeks, you've seen a hardening of the lines," he said.

## ♦ ELECTION 2018 ♦

# Trump Shapes Midterm Battles

## Stakes Run High as States Pick Governors

BY VALERIE BAUERLEIN

Democrats are banking on strong turnout this fall to reverse Obama-era losses that left Republicans as governors of a near-record 33 states.

Republicans say that even if they suffer some setbacks, they are confident of maintaining a healthy margin over Democrats, who hold 16 governorships.

Whichever party wins out, the 36 contested races for governor this election year have outsize significance because many of the new crop of state leaders will have some say over the redrawing of legislative and congressional maps in 2021.

Kansas, Ohio, Florida and Georgia are among the states where the races are already drawing national attention.

State races can be affected by political waves just like congressional elections, said Jennifer Duffy, an analyst with the nonpartisan Cook Political Report. The party in the White House has had a net loss in gubernatorial seats in 90% of the midterm elections since 1902, with an average loss of 4.5 governorships, she said.

Many current GOP governors were elected in the tea party wave of 2010. Republicans are defending 26 governorships this fall. Democrats, by comparison, are defending nine gubernatorial seats this year.

Alaska's independent governor is facing challengers from both major parties in his re-election campaign.

Both parties are prepared to spend big on key gubernatorial races.

The Republican Governors Association said it had raised a record \$113 million for this gubernatorial cycle and had \$87 million in cash on hand as of June 30. The Democratic Governors Association said it had raised a record \$67 million this cycle, and declined to comment on cash on hand.

More than a decade of hyper-partisanship in Washington, D.C., has pushed much of the policy-making to the state level, while also prompting presidents to use executive power to make changes to tax policy, health care and immigration, said William Antholis, director of the University of Virginia's Miller Center, which studies public policy and presidential administrations.

The gubernatorial races already reflect some of President Trump's influence, as he endorsed or voiced support for candidates in a half-dozen GOP primaries.

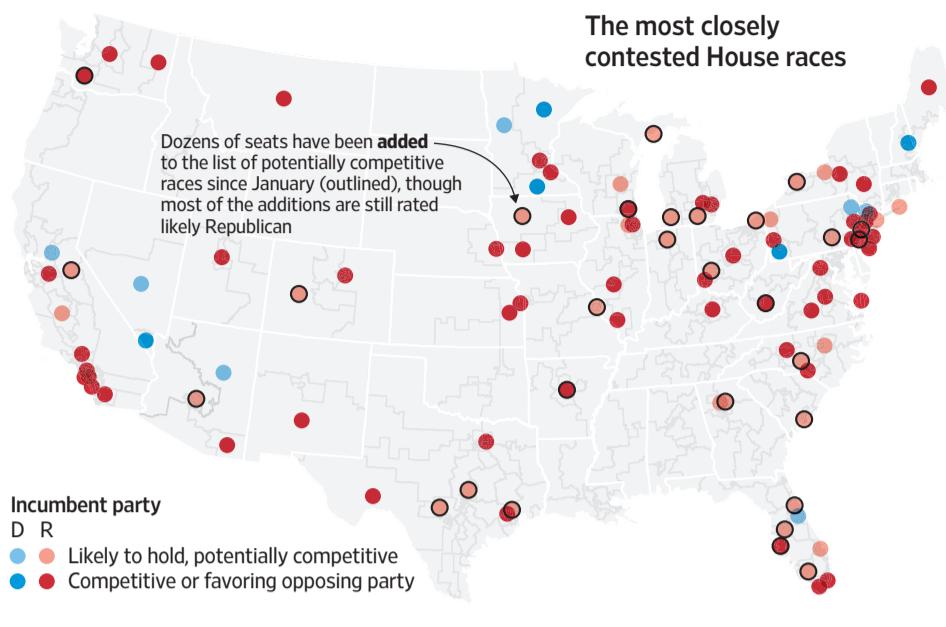
Mr. Trump's favored candidates won in Georgia, Michigan, Kansas and Florida, despite the GOP establishment's backing of other candidates they deemed more likely to win in November, Ms. Duffy said. "People are trying to grade him on these primaries," she said. "But he has put some races in more competitive categories than they would otherwise be."

In Kansas, Mr. Trump endorsed conservative firebrand and Secretary of State Kris Kobach over the Republican incumbent, a move Democrats said could create an unexpected possible pickup for them.

In Ohio, voters are choosing between Democrat Richard Cordray and Republican Mike DeWine, the state's attorney general, to replace term-limited Gov. John Kasich, a Republican. Mr. Cordray is running on his record leading the Consumer Financial Protection Bureau, which he left last year, and Mr. DeWine is touting the state's strong economy.

In Florida, the nation's biggest swing state, voters have a choice between U.S. Rep. Ron DeSantis, an ally of Mr. Trump, and Andrew Gillum, the Tallahassee mayor endorsed by Sen. Bernie Sanders (I., Vt.).

In Georgia, Democrat Stacey Abrams is vying to become the first black woman to win a governorship. She faces Secretary of State Brian Kemp, a social conservative who credited Mr. Trump's endorsement for helping him win the primary.



## GOP House Seats: The Lay of the Land

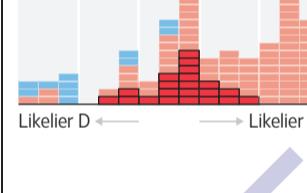
Since the start of the year, a growing number of Republican-held House seats have come into play, with far fewer Democratic seats considered competitive, based on aggregated race ratings from three leading handicappers. Within this group are nearly 60 seen as highly competitive—those rated toss-ups or just leaning toward one party. Only four of those seats are currently held by Democrats.

### What could put GOP seats at risk?

Democrats need to flip 23 seats to gain the majority. More than 50 Republican-held seats are at high risk of flipping. The Cook Political Report earlier this year outlined a number of potential risk factors facing the GOP in these districts. The Journal looked at five of them, with slight adjustments to incorporate the most recent campaign finance data.

### Soft GOP support in last election

Republicans received 55% or less of the vote in the most recent House election in 34 districts; 21 are highly competitive. The list includes seats in Kansas and Nebraska.



### The 29 races with multiple risk factors

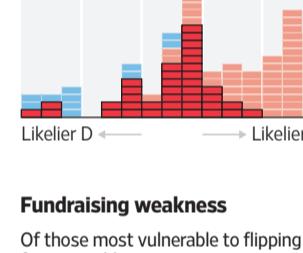
Republicans face at least three of the five risk factors above in more than half of the districts that are seen as most vulnerable to flipping from Republican to Democratic control. They face four or five risk factors in 15 of those races. They include districts in Iowa, Minnesota and New York that twice voted for Barack Obama before flipping to Mr. Trump in 2016.

Note: Based on aggregated race ratings from Cook Political Report, Inside Elections with Nathan L. Gonzales and Sabato's Crystal Ball at the University of Virginia Center for Politics. Potentially competitive races include those rated likely Republican or Democratic. Highly competitive races are those rated toss-up or just leaning toward one party, as well as those favoring the nonincumbent party. Vacant seats are categorized by the party that previously held it.

Sources: Cook Political Report (presidential vote); House of Representatives; Ballotpedia (previous election results); Federal Election Commission; ProPublica (fundraising, cash)

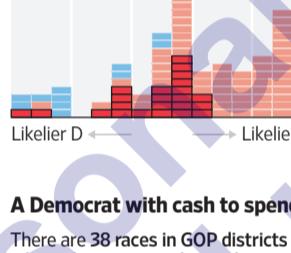
### Politically divided districts

Of the most vulnerable GOP districts, 38 either tilt Democratic or favor Republicans by five points or less, based on a measure of the past two presidential elections.



### Districts that voted for Clinton

Twenty-five GOP districts voted for Hillary Clinton in the 2016 election. Just two of those are rated as likely Republican this year. The remaining 23 include seven in California.



### Fundraising weakness

Of those most vulnerable to flipping from Republican to Democratic control, 28 have Republicans who raised less money than their Democratic opponents in the first half of 2018.



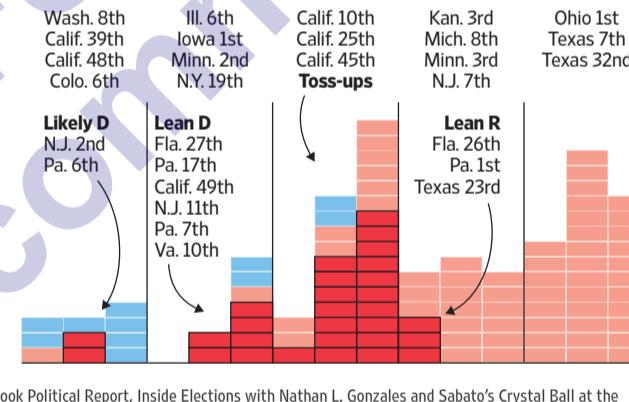
### A Democrat with cash to spend

There are 38 races in GOP districts where the Democrat has at least \$500,000 in cash on hand as of June 30, putting them on solid footing to stay competitive in spending.



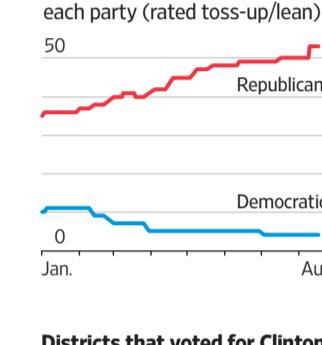
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## Republicans Try to Prevent Blue Wave In House Campaign

BY REID J. EPSTEIN

One of the biggest questions facing House Republicans seeking re-election in November is this: How popular is President Trump in their district?

In every competitive congressional special election since Mr. Trump was inaugurated, the Republican candidate won or lost by a margin that mirrored the gap between the president's approval and disapproval ratings in the district or state at the time.

The GOP's endangered incumbents this fall—most of whom represent suburban districts where Mr. Trump has turned off voters—must find supporters who will vote for them even though they disapprove of the president.

"If you look at our battlefield, 55 districts, the president is underwater in every one of those 55 districts across America," said Ben Ray Luján, the chairman of the Democratic Congressional Campaign Committee.

There is little debate that House Democratic candidates are running with the wind at their backs.

The president's party has lost House seats in 18 of the last 20 midterm elections, with an average loss of 29 seats. The last time a president's approval rating was as low as Mr. Trump's 40%, Republicans lost 30 seats as George W. Bush's popularity sagged during the Iraq war in 2006.

Democrats must flip at least 23 seats to take a House majority. Privately, officials from both parties have estimated the range of Democratic gains from 15 to 50 seats.

The challenge for Republicans in the suburban districts that comprise the House battlefield—traditionally Republican areas where the president is unpopular—is either to create an identity separate from Mr. Trump and the national GOP brand or disqualify their Democratic opponents as "too liberal," soft on immigration or too close to House Democratic Leader Nancy Pelosi—even those who have said they wouldn't support her for House speaker.

"Some of these Republicans have spent their careers running against Barack Obama," said Tom Davis, a former chairman of the National Republican Congressional Committee. "They don't know how to run a real race and are going to get caught napping."

House Republicans are getting a boost from outside groups. The Congressional

Leadership Fund, a super PAC controlled by House Speaker Paul Ryan, has already begun negative advertising against 16 Democratic challengers.

Between now and Election Day, CLF has reserved \$63 million in TV advertising time in 28 districts. The National Republican Congressional Committee has reserved \$38 million to back candidates in 20 districts.

While touting a slate heavy with women and young people, House Democratic candidates are working to keep their campaign messages focused away from Mr. Trump and on the party's bread-and-butter issues: health care, the economy and now gun control.

Even House Democratic outside groups—the Democratic Congressional Campaign Committee and House Majority PAC have reserved \$87 million worth of TV time—have refrained from tying GOP incumbents to Mr. Trump, to avoid energizing the president's base.

Instead of linking Republicans explicitly to Mr. Trump,

**Democrats would need to flip at least 23 seats to win back a majority.**

Democratic messages push generic GOP "dysfunction" and "corruption." In the past month, two House Republicans were indicted by federal prosecutors: Chris Collins of New York on insider trading charges and Duncan Hunter of California for using campaign funds for personal expenses like vacations and family dinners. Both men have denied the charges.

Even GOP candidates who have run strong campaigns may not be able to survive political headwinds created by Mr. Trump.

In GOP Rep. Erik Paulson's district in the Minneapolis suburbs, Mr. Trump's disapproval rating was 7 percentage points higher than his approval rating in June, according to GOP internal polling.

By the end of July—after a wave of attention on the Trump administration's family separation policy at the southern border and Mr. Trump's appearance at the Helsinki summit with Russian President Vladimir Putin—the president's disapproval rating in the district was 16 points higher than his approval rating, the GOP polling found. It has yet to recover.

## Senate Fight Unfolds on Deep Red Terrain

BY JANET HOOK

charges ended last fall in a hung jury—faces a well-funded GOP opponent, Bob Hugin.

Republicans are more concerned than anyone thought possible about Texas, where Sen. Ted Cruz's lead in polls over Democrat Rep. Beto O'Rourke is narrowing.

Both parties are riveted on Florida, after the upset victory by Tallahassee Mayor Andrew

Gillum in the Aug. 28 Democratic gubernatorial primary. Some Democrats hope that having Mr. Gillum, an African-American, at the top of the ticket, will boost Democratic turnout for the close race between Democratic Sen. Bill Nelson and the GOP nominee, outgoing Gov. Rick Scott.

President Trump has packed his fall schedule with

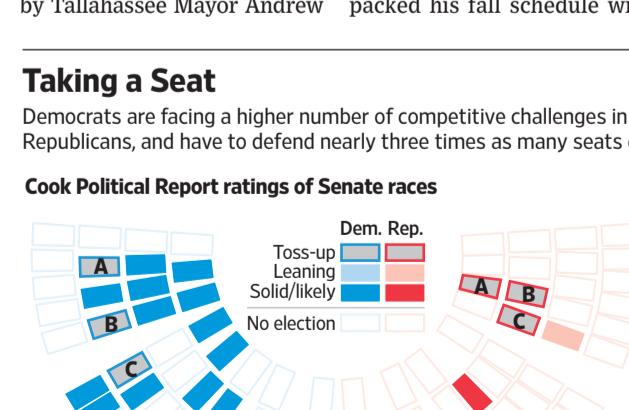
campaign events, and GOP leaders have a game plan for extending his influence: After the president appears with GOP candidates before crowds of thousands and lays into their Democratic opponents, the footage is quickly sliced up and dropped into attack ads.

"You need a senator who doesn't just talk like they're from North Dakota but votes

like they're from North Dakota and that is Kevin Cramer," Mr. Trump said in an ad drawn from a rally for Democratic Sen. Heidi Heitkamp's GOP opponent. Chris Hansen, executive director of the National Republican Senatorial Committee, said that strategy sends a message to red-state Democrats: "The race doesn't really start until Trump comes to town and burns your house down."

While Democrats in some parts of the country are running full tilt anti-Trump, Senate Democrats in Trump country aren't. Ms. Heitkamp, in one ad, brags that she votes with the president more than half the time. One of Mr. Donnelly's ads says he is "joining with President Trump to build a wall and protect our borders."

Sen. Chris Van Hollen (D., Md.), chairman of the Democratic Senatorial Campaign Committee, said that is a smart way for red-state Democrats to appeal to voters who want a senator who gives priority to their state's interests over partisanship. "People want a senator who is going to be accountable to their state, not a rubber stamp" either to their party or President Trump, Mr. Van Hollen said.



Note: Current Senate seating chart shown

Totals for seats up in November

19 2 5 3 1 5

Source: Cook Political Report (ratings); U.S. Senate (seating chart)

Toss-ups:

### Democratic seats

A. Heidi Heitkamp (North Dakota)

B. Joe Donnelly (Indiana)

C. Joe Manchin (West Virginia)

D. Claire McCaskill (Missouri)

E. Bill Nelson (Florida)

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## ♦ ELECTION 2018 ♦

# Surge Cuts Uneven Path In Districts

**Continued from Page One**  
flects not a single nationwide picture, but a disparate series of miniatures. The upshot: The same accelerating national economy that could save a vulnerable Republican in the Virginia suburbs might hurt an at-risk GOP candidate in Kansas or Kentucky.

The local picture complicates an already tough job for the Republican Party, which is contending with President Trump's low approval ratings, to retain control of the House and Senate.



how districts are doing overall found that 172 of the 435 House districts are doing as well or better than the nation at large.

Those districts account for only about one-third of the 65 districts that are on the GOP's endangered list, according to Cook Political Report. Those tend to be the suburban districts where Mr. Trump's approval rating tends to be lower, such as the battleground districts around Denver, Minneapolis, Atlanta and Washington.

Virginia's 10th district is the home of Republican Rep. Barbara Comstock, commonly cited as one of this cycle's most threatened incumbents. The district voted for Hillary Clinton in 2016, by 10 percentage points, even as it gave Ms. Comstock a smaller win. This wealthy, well-educated district has seen unemployment decline and new jobs increase in the Trump era. If Ms. Comstock holds on, she may have the good economy to thank.

In late August, she began running ads to make the most of the situation. Casting her opponent, state senator Jennifer Wexton, as a liberal who would raise taxes in the district, Ms. Comstock touted her own support for a new tax law that slashed individual tax rates, "helping Virginia families and creating good jobs," one ad said.

Ms. Wexton has countered by saying that the tax law would raise deficits and cap property-tax deductions. She also talks about what she says is the need for affordable housing and higher wages to compensate for rising costs.

The economic messaging war began playing out before Mr. Trump last week announced he was canceling pay raises for federal workers, who are abundant in the district.

Former Republican Rep. Phil English of Pennsylvania says he knows firsthand about the effect of the economy on congressional races because he lost his seat in 2008 during the worst recession since the Great Depression. "A lot of people find some of Mr.



Alltech's bourbon distillery in Lexington, Ky., is one of the businesses concerned about new tariffs.

Trump's messaging distasteful," he says, "but there are others that I talk to who discount that and feel that the economy is improving, so I'm inclined to believe that the economy is going to be a big boost to Republicans."

Republican Rep. Andy Barr, who represents Kentucky's 6th district, has expressed concern about the effect of Mr. Trump's tariffs.

His race is rated a tossup by the Cook Political Report.

It is one of the roughly one-third of at-risk GOP seats with at least 10% of local output flowing from industries affected by tariffs, based on an IIF analysis of data provided by Moody's.

The European Union re-

sponded to Mr. Trump's sur-

charges on goods imported

from those places by placing

tariffs on iconic American

products in politically sensi-

tive areas, including Kentucky

bourbon. The Distilled Spirits Council lobbying group has said it is "extremely concerned." Mr. Barr's constituents also have been hit by Chinese tariffs on soybeans, and local car factories are worried about threatened U.S. tariffs on imported car parts.

Local businesses and vot-

ers have taken notice. "This

type of drastic tariff and

these expenses that we were

not expecting will hurt us,"

says Scott Kolb, an account

manager at Thunder Tool &

Manufacturing, which makes

auto parts at a plant in Rich-

mond, Ky.

"We have no idea how long

these tariffs are going to last,"

says Mark Lyons, chief execu-

tive of Alltech, a Lexington,

Ky., agribusiness whose opera-

tions include bourbon distilleries.

"We don't know if this is

something that is permanent,

or if this is something that's

going to be a few months."

Back home during the Au-

gust recess, the Republican in-

cumbent, Mr. Barr, talked

about overall growth in his

district. "My constituents are

extremely positive about the

economy. They see the agenda

from Congress...as contribut-

ing to this economic boom,"

he says.

Yet in Washington, he says,

he told White House trade

aide Peter Navarro that tens

of thousands of jobs in his

district were connected to the

bourbon and auto industries

hurt by the trade conflict,

compared with only hundreds

of jobs at the Kentucky alumi-

num and steel plants outside

his district helped by the tar-

iffs. "Those jobs are not less

important than the jobs with

aluminum and steel," he re-

calls saying.

Mr. Barr also has met with

Treasury Secretary Steven

Mnuchin about the issue.

Democrat Amy McGrath,

Mr. Barr's opponent, has said

he must do more than simply

express concern.

While national numbers

show more people coming

back into the workforce, there

are places where the rate of

improvement has slowed dur-

ing Mr. Trump's time in of-

fice. The IIF data shows about

two-thirds of the 65 endan-

gered Republican seats have

seen employment growth

slow. In these places it may

feel like times are good—but

winding down.

Kansas' 2nd district, where



In Virginia, Democratic state Sen. Jennifer Wexton, left, is trying to unseat Republican Rep. Barbara Comstock, above. The congressional district voted for Hillary Clinton in 2016, by 10 percentage points, even as it gave Ms. Comstock a smaller victory. The district has seen unemployment decline and new jobs increase in the Trump era.

CLOCKWISE FROM TOP LEFT: ANDREW HARRER/BLOOMBERG; BILL CLARK/CO-ROLL CALL/ZUMA; LUKE SHARRETT FOR THE WALL STREET JOURNAL

## Approval rating

The performance of the economy across congressional districts is especially important this year because of the contrast between how the public views the president and how it views the economy. In no midterm election in recent decades has consumer confidence been so high while the president's approval rating is so low.

Mr. Trump's performance in office was approved by 44% of registered voters in a survey taken in late August by the Journal and NBC News. That compares with the average 51% approval rating for past presidents, going back to Harry S. Truman, at the same point in their tenures. At the same time, the University of Michigan's consumer confidence index stood at 95.3 in mid-August, more than 20 points above lows in 1974 and 1982, two Democratic wave years, and slightly above readings in 2006, when Democrats took control of both chambers.

Democrats need a net gain of 23 House seats to regain control of the chamber. There are 70 seats that were deemed competitive by the nonpartisan Cook Political Report as of Friday, and 65 of those are held by Republicans.

To assess the economies in individual House districts, the Journal obtained exclusive data from the Institute of International Finance, a trade association of the world's largest banks with a research department filled with former International Monetary Fund economists. It is headed by Timothy Adams, the former undersecretary of the Treasury under President George W. Bush.

The IIF took broad, national economic data that is typically delivered by county and redistributed it to congressional districts.

The data showed that a good national economy equals a good local economy in some areas, with some congressional districts doing as well or better than the nation as a whole. An economic-health index created by IIF to measure

## Competitive House districts\*

● Republican-held   ● Democrat-held   ○ Tossup district

23 districts

Better than national average

At or worse than national average

47 districts

Hit higher than 10% of GDP

19 districts

Hit less than 10% of GDP

51 districts

Tariffs impact

The numbers represent the percentage of each district's

GDP that is in industries affected by tariffs.

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## ◆ ELECTION 2018 ◆

# Memories of 2006 Fuel Democrats' Hopes

**CAPITAL JOURNAL**

By Gerald F. Seib

As crucial midterm elections approached, Democrats were upbeat, their prospects buoyed by the Republican president's low job-approval ratings. They tried to expand that advantage by charging that the Republicans running Washington were mired in a culture of corruption.

Sensing favorable winds, the eager Democrats worked to fill every ballot line with candidates, even long-shot ones, so they would be in position to take full advantage of a blue wave. And while the Democrats' liberal base was fired up by disdain for the occupant of the White House, the party actually nominated plenty of centrist candidates suitable to more conservative districts.

In the end, those pieces fell into place: Democrats won back control of both the House and the Senate.

Sounds like optimistic Democrats' vision for this year, right? In fact, it's a de-

scription of the landscape in 2006, the last time Democrats rode a blue wave to take control of Congress.

As the post-Labor Day election season arrives, the similarities between then and now are noteworthy, maybe even eerie.

There is one big difference: On which party could do the better job of handling the economy, voters in 2006 gave Democrats the nod. In a Wall Street Journal/NBC News poll just before the election, Democrats held a 13-point advantage on that crucial question. Today, Republicans hold a 14-point edge on managing the economy in the latest Journal/NBC News poll.

**S**till, other parallels are more encouraging for Democrats. The Republican president then was George W. Bush, whose job approval was an unenviable 42% at this stage of the calendar. President Trump's is at 44% in the latest Journal/NBC News survey. Those are approval ratings that virtually guarantee a rough ride for a president's party.

Democrats in 2006 also drove the narrative that Republicans were plagued by legal and ethical clouds. Rep. Tom DeLay, the House majority leader, had been indicted on felony charges over campaign finances. Another top House Republican resigned that fall in a sex scandal; yet another pleaded guilty to tak-



From left, then-Rep. Rahm Emanuel of Illinois, Rep. Nancy Pelosi of California and Sen. Chuck Schumer of New York on election night 2006 in Washington, D.C.

ported only five candidates who lost in primaries.

In 2006, Democrats tried uniting behind a six-point agenda—dubbed, predictably enough, “Six for '06.” It included some obvious planks, such as a higher minimum wage. Today's Democratic leaders are trying to do something similar by advancing what they call the “Better Deal.” Now, as in 2006, the most important plank for middle-class voters probably is a promise to do something about rising health costs.

Today, though, the quest for a clear and compelling Democratic message on this crucial health-costs question is hampered by an internal schism on the path to take: Should Democrats push to re-energize Obamacare, or advocate for a new, Medicare-for-all government program? The party is split, which makes today's quest more dicey.

**F**or their part, Republicans obviously hope that today's strong economy makes 2018 fundamentally different.

The biggest difference, though, may simply be that Mr. Trump dominates the political landscape now in a way Mr. Bush simply didn't. The president energizes a rock-solid core of Trump voters—but also energizes the opposition's base in a way no Democrat can. He is the kind of wild card that was nowhere near the deck in 2006.

ing bribes and went to prison.

Now, the investigations, convictions and guilty pleas involve Mr. Trump's former campaign chairman, Paul Manafort, and his personal lawyer, Michael Cohen, amid the broader inquiry by special counsel Robert Mueller.

Rahm Emanuel, now the mayor of Chicago but then the Democratic congressman in charge of his party's House election campaign, says Democrats today have an opening to use the same “culture of corruption” cudgel they used effectively then. The charge

now, he said in an interview, can be that Mr. Trump “didn't drain the swamp” as promised. “He filled the swamp.”

In fact, Sen. Elizabeth Warren has moved into precisely that space by proposing what she calls the “Anti-Corruption and Public Integrity Act.”

Mr. Emanuel engineered another Democratic move that paid off big in 2006 by recruiting moderate and conservative Democrats who won seats in competitive districts that would have been hostile to more liberal contenders.

A similar trend is taking

shape in 2018, though it isn't well recognized. The headline-grabbers have been left-wing Democrats who won surprise primaries—Alexandria Ocasio-Cortez in a New York House race, most notably—but in fact, many moderate Democrats have won primaries where centrists have a better chance to win.

A tally kept by the Third Way, an organization of centrist Democrats, shows the NewDemPAC, which promotes moderate candidates, has backed 43 candidates who won nominations and sup-

## Health Care, Trump Are Motivating Voters

BY ANDREW DUEHREN

LEXINGTON, Ky.—When Lou Hurst heads to the polls this November, two issues will be at the top of her mind as she casts her vote in the 2018 midterm election: the economy and health care.

While she acknowledges that a low unemployment rate and other indicators point to a strong economy, Ms. Hurst said she is worried about wealth inequality and stagnant wage growth. She also is concerned that Republicans, if they keep total control of Congress, would again try to repeal or gut the Affordable Care Act.

“Health care is huge for me,” said the 39-year-old, who works at a Lexington nonprofit and usually votes for Democrats. “I am really wary and upset about any attempts to undermine Obamacare, which we have for now. That's my main concern.”

Control of the House could hinge on voters like Ms. Hurst, who said she doesn't usually vote in midterm elections. This year, she plans on voting for Democrat Amy McGrath, a retired Marine pilot who is challenging Republican Rep. Andy Barr in one of the most contested races in the country.

For many voters, health care and the economy, as well as immigration, are the most important issues at stake in the midterms, according to a July Wall Street Journal/NBC News poll. Their views of President Trump are also influencing how they plan to vote.

Leslie McCain, a Republican and retired teacher who lives in Virginia's 10th Congressional District, where GOP Rep. Barbara Comstock is considered vulnerable in her race against state Sen. Jennifer Weston, said she supports Mr. Trump's policies and wants Congress to remain Republican and pass immigration legislation.

“We need to get the immigration issue taken care of,” she said. “I want a wall built. I want to quit giving money to all the illegals.”

Immigration policy—already a key issue after several unsuccessful GOP attempts at a major immigration overhaul—captured the top of the national agenda when the Trump administration's policy of separating children from their parents at the border unleashed criticism from both parties.

“There should be a need to think about all kinds of people in the country, and even world-wide,” said Mirza Ali, a 73-year-old Pakistani immigrant who is now a naturalized citizen in Bristol, Va. “Given



Left, Lou Hurst, a registered Democrat of Lexington, Ky., is paying close attention to candidates' views on health care and wealth inequality. Right, Thomas Gates, with his wife, Norma, of Leesburg, Va., is motivated by disdain for national Democrats.



FROM LEFT: DAVID STEPHENSON FOR THE WALL STREET JOURNAL; GREG KAHN FOR THE WALL STREET JOURNAL

### Hot Buttons

Health care dominated the airwaves for Democratic candidates during this year's primaries. Republicans chose to air ads emphasizing GOP tax cuts and aligning with President Trump.

**Advertising mentions, 2018**

| Issue              | Democrats | Republicans | Total*  |
|--------------------|-----------|-------------|---------|
| Health care        | 155,393   | 48,125      | 203,518 |
| Taxes              | 39,175    | 79,456      | 118,998 |
| Social issues      | 45,327    | 59,232      | 104,559 |
| Jobs/unemployment  | 50,779    | 50,318      | 101,479 |
| Pro-Trump          | 9,395     | 90,314      | 99,709  |
| Immigration        | 15,964    | 73,919      | 89,883  |
| Anti-Trump         | 59,273    | 23          | 59,296  |
| Guns               | 30,927    | 24,788      | 55,715  |
| Energy/environment | 32,234    | 14,092      | 46,326  |
| Education          | 32,800    | 4,105       | 36,905  |

Note: Through Aug. 14 \*Totals include ad mentions for other parties such as the Green Party, Libertarian Party, etc.  
Source: Kantar Media/CMAG

the present government's attitude and its work, I would never vote Republican. I will vote for Democrats.”

As Democratic candidates focus on health care, Republicans are touting a low unemployment rate and the tax bill passed at the end of 2017, based on their advertising. But for voters, those GOP accomplishments can be overshadowed by Mr. Trump and controversies surrounding his administration.

Rebecca Kegley, who lives in Kentucky's Sixth District, where Ms. McGrath is challenging Mr. Barr, said she has “mixed feelings” heading into the November election.

“I like what's happening

with the economy, the job rate is really low. It's probably the lowest it's been in a really long time,” said Ms. Kegley, who didn't want to say how she might vote. “I could really do without the rhetoric, the unprofessionalism, the impulsiveness. Those concern me.”

Gloria Gbatu, of Manassas Park, Va., says the economic recovery still has a way to go. “I see how things are,” said Ms. Gbatu, who didn't want to disclose any political affiliation. “It's a little bit better than before, but we don't know if it's stable.”

Richard Vimont, an attorney in Lexington, Ky., and a registered Democrat, said he wants to see Congress check

the president. “The Republicans have control of both houses, and they seem to not be willing to stand up to the president,” he said. “I think the president has put in a lot of policies that will be detrimental to the well-being of this country.”

Dick Harshberger, who lives in Radford, Va., and said he is an independent, wants Republicans to keep control of Congress so they can enact Mr. Trump's agenda. He said he wants Congress to ratify new trade agreements and confirm Supreme Court nominee Brett Kavanaugh, who may be confirmed before the election.

“I don't agree with everything that President Trump

does and says, but overall I think he's getting an awful lot done that needs to get done,” said Mr. Harshberger, who said he is in his 80s.

Nikki Fast Pollock, an insurance professional in Lexington, Ky., and a Democrat, said women's issues played an important role in shaping her decision to vote for Democrat Ms. McGrath.

“There really aren't a lot of good options in Kentucky for a woman who is a liberal thinker,” she said. “Our candidates don't seem to understand that we live in 2018 and not 1960.”

Disdain for national Democratic figures has also galvanized some conservative voters. Thomas Gates, who has lived in Leesburg, Va., since 1974, said he doesn't want to see people he called “liberal lunatics” like Democratic Minority Leader Nancy Pelosi back in power.

Other voters, such as George McKay, from Nokesville, Va., say they have been motivated to vote Republican because of the criticism of Mr. Trump.

“I think Trump's doing a great job,” the 74-year-old independent said, listing a strong economy and Mr. Trump's foreign policy as positive accomplishments. “The Democrats have lost their minds. Democrats are advertising this big blue wave, and I think it's going to be the other way around.”

BY VIVIAN SALAMA

WASHINGTON—President Trump, in his latest criticism of Attorney General Jeff Sessions, on Monday decried his Justice Department's recent indictments of two Republican House members because of the political ramifications for the GOP.

Investigations “of two very popular Republican Congressmen were brought to a well publicized charge, just ahead of the Mid-Terms, by the Jeff Sessions Justice Department,” Mr. Trump wrote on Twitter. “Two easy wins now in doubt because there is not enough time. Good job Jeff.”

The tweet marked the president's latest attack on Mr. Sessions over his recusal from the federal investigation into Russian interference in the 2016 presidential election.

Mr. Trump didn't name the two Republicans he referred to, and the White House didn't immediately respond to a request for clarity. Last month, Reps. Chris Collins of New York and Duncan Hunter of California—the first two House Republicans to endorse Mr. Trump during his presidential campaign—were indicted within two weeks of each other.

Mr. Collins last month said he would suspend his re-election campaign amid insider-trading allegations that derailed what had been viewed as a clear path to another term.

Mr. Hunter and his wife were indicted last month on charges that they had used campaign funds to pay for personal expenses and filed false campaign records. He continues to seek re-election.

Mr. Trump in recent weeks has ramped up efforts to campaign for Republicans and help bolster efforts to raise funds for those running in highly competitive congressional races. Those efforts have, at times, been overshadowed by his growing legal troubles, since his former personal lawyer, Michael Cohen, asserted that Mr. Trump directed him to violate campaign-finance laws through payments to two women who claimed to have had affairs with Mr. Trump before he took office. The president has denied playing a part in the payments.

The Justice Department declined to comment.

## WORLD NEWS

# Xi Pledges \$60 Billion for Africa Growth

China president waives some debts, aiming to portray Beijing as a responsible power

By CHUN HAN WONG  
AND JAMES T. AREDDY

**BEIJING**—China's President Xi Jinping pledged \$60 billion in financing for Africa's development and waived some debt owed by the continent's poorest countries, battling away criticism that Chinese investments may be exacerbating a looming African debt crisis.

Speaking to dozens of African leaders at a Beijing summit on Monday, Mr. Xi portrayed China as a responsible power, working with African countries in pursuing economic development, reducing poverty and combating regional security threats.

China "doesn't seek political self-interest through its investments in Africa," Mr. Xi said at the two-day summit's opening ceremony, held in Beijing's Great Hall of the People. "The Chinese and African people are best qualified to judge whether China-Africa cooperation is good or not."

Concerns over a looming African debt crisis have simmered since the International Monetary Fund warned in May that 15 out of 35 low-income sub-Saharan countries face serious financial risks from heavy borrowing. Some Western officials have blamed China for exacerbating the problem—even accusing Beijing of pursuing colonial exploitation in Africa—by financing a slew of infrastructure projects through Mr. Xi's signature Belt and Road initiative.

Many recipient countries



President Xi Jinping on Monday sought to ease African leaders' concerns that China is exacerbating the continent's debt crisis.

loans to African governments and their government-owned enterprises from 2000 to 2017, according to the China-Africa Research Initiative at Johns Hopkins University.

Even so, "Chinese loans are not currently a major contributor to debt distress in Africa," CARI said in a recent report. Of 17 African countries in debt distress or facing high risk of distress, only three of them—Djibouti, the Republic of Congo and Zambia—count Chinese loans as the most significant contributor to their debt burdens, the report said. Mr. Xi's pledges are expected to provide some relief to these countries.

At Monday's opening ceremony, African leaders acknowledged difficulties in their economic ties with Beijing, even as they welcomed Chinese largess.

South African President Cyril Ramaphosa, speaking after Mr. Xi, said work is needed to "balance the structure of trade between Africa and China," referring to the continent's yawning trade deficit with the world's second-biggest economy.

Debt and unbalanced trade are widely understood legacies of China's headlong push into Africa. The expectations from African leaders of continued, large-scale Chinese funding make it difficult for Beijing to promise less money, and it is easier to funnel the money into loans, rather than pressuring companies to move more factories to the continent.

"That's the way China will make the most friends, creating jobs," said Jeremy Stevens, the Beijing-based economist at South Africa's Standard Bank Group. "How do you communicate that in a speech when everyone is waiting for a target?"

have cheered these efforts, though some have voiced concern over debt burdens from Beijing-backed loans. In Kenya, public disquiet has emerged over a \$3.2 billion Chinese-built railway line that hasn't generated expected revenue.

The U.S., meanwhile, is finalizing plans to double funding for big infrastructure projects around the world, seeking to counter China's influence. Speaking after Mr. Xi, African Union Commission Chairman Moussa Faki remarked on imbalances such as rising debt, saying there have been calls for Africa "to say no to outside help." He noted, how-

ever, that China's money is funding regional development in concrete ways.

This week's summit offers a platform for Mr. Xi to assuage African concerns, some Chinese academics said. "China is now focusing on the quality of investments and moving away from the emphasis on quantity," said Wang Yiwei, director of the Institute of International Affairs at Beijing's Renmin University.

This means stronger oversight on Chinese investments to minimize wasteful spending and curb corruption, he said.

The \$60 billion in financing Mr. Xi pledged for Africa over the next three years matches

the commitment he made at a previous summit in 2015, with a hefty chunk coming in the form of investment from businesses.

The new package includes \$35 billion in grants, loans and credit lines, a \$10 billion development-financing fund and \$5 billion for boosting Chinese imports from Africa. Beijing will also encourage Chinese firms to invest \$10 billion in the continent and help African financial institutions issue bonds in China, Mr. Xi said.

Nodding to the concerns over debt, Mr. Xi said China will also forgive certain interest-free loans—those maturing this year—extended to the

continent's poorest and most indebted countries.

Speaking at a forum of Chinese and African business executives earlier Monday, Mr. Xi said Chinese resources are being directed at Africa's "inadequate infrastructure" and are "not to be spent on any vanity projects."

Chinese officials have rebuffed criticism of Beijing's contributions to African debt. Vice Commerce Minister Qian Keming told a news briefing in August that "the majority of the debt burden [in Africa] isn't necessarily created by China."

Chinese lenders have provided some \$136 billion in

## A Chinese City Pushes Back as Debt Woes Spark Outrage

By CHAO DENG

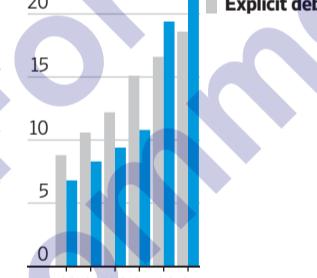
**LEIYANG**, Hunan—Long before parents clashed with police and officials over school overcrowding, this southern Chinese city was telegraphing its fiscal squeeze—and exemplifying China's deep-seated local debt woes.

After the area's backbone coal-mining industry entered a slump mid-decade, the Leiyang government's revenue began to slide. By February, the government warned the legislature of challenges in providing education, health care and other social services. Then in May, civil servants went unpaid for more than a week, until emergency funds arrived. Weeks later, a city-owned company that finances construction missed a loan repayment to a nonbank lender.

Problems spilled out into the streets both nights this weekend. City plans to deal with overcrowded public-

### Off the Books

China's local government debt, by type



Note: 10 trillion yuan = \$1.464 trillion

Source: Institute of World Economics and Politics

THE WALL STREET JOURNAL.

school classrooms by sending students to more expensive, often inferior private schools drove hundreds of parents and others to protest. On Saturday, some threw bottles, bricks and firecrackers at local officials and police, who, by official accounts, then dispersed the crowds, detaining 46 people.

Officials moved on Monday to defuse tensions, promising the parents that tuition would be capped at the public-school level and that newly expanded private schools would receive environmental inspections.

Even so, the debt problems—

and public dissatisfaction—aren't expected to dissipate soon in Leiyang, or in any of the other legions of local governments in financial straits.

"Public discontent has been

accumulating in recent years as local people are so dis-

appointed with the government's inaction," said Liang Xinheng,

a Leiyang businessman with

investments in coal. "It's wise

to take to the streets, otherwise their problems will never get solved."

While Leiyang officials de-

clined to comment on the par-

ticulars of the city's debt, the

mayor this summer said: "Lei-

yang's debt is in a safe state that can be controlled."

A plunge in debt-fueled development by local governments that began nearly a decade ago has become a headache for Chinese leaders, who have been trying to restrain risky borrowing for two years. With the economy's growth momentum slowing, concerns are rising that more Leiyangs will crop up, showing up in missed payments, deteriorating social services and boiling public resentment.

"It's been proven without a doubt that China's debt is substantial and has grown too fast," said Fraser Howie, an independent analyst and author of several books on China's financial system. "The more important question is how does this play out if there was to be a real crisis of confidence: If you've capsized and you're drowning, do you care if the water is 60 or 600 meters deep?"

Debt by local governments

totals 46% of the size of China's \$12 trillion economy, said Larry Hu, an economist at Macquarie Group. That estimate assumes debt grew at a steady pace since 2014, when the government recognized some obligations of local government-owned companies in its official debt tally. It doesn't take into account other forms of off-the-books borrowing that might have soared since.

An economist with state-run Institute of World Economics and Politics estimates that "hidden debt" totaled 23.57 trillion yuan (\$3.45 trillion) at the end of 2017, greater than the 18.58 trillion yuan of local government debt acknowledged in official data. His study found that off-book local government debt jumped nearly 80% in 2016.

In Leiyang, a metropolitan area of 1.4 million in the hills of Hunan province, the government moved to diversify the economy away from coal

and draw more of the rural population into the city in line with Beijing's urbanization plans. The government and its companies invested in plans to promote businesses in tourism, tea-tree oil and high-tech and metallurgical industries.

Newly constructed buildings are struggling to find residents, while across the Lei River on the city's east side, warehouses once packed with coal are empty and black with soot.

Before the weekend protests, locals grumbled about a new sports complex that cost a planned 430 million yuan. Locals took to social media saying the government spent taxpayers' "blood and sweat money" to build a vanity project, while ignoring basic education.

A Leiyang government spokesman didn't comment directly on the stadium, but said the government has worked to expand existing schools and build new ones to accommodate more students.

## U.S., North Korea at Odds Over Next Diplomatic Steps

By JONATHAN CHENG  
AND ANDREW JEONG

**SEOUL**—Nearly three months after North Korean leader Kim Jong Un shook hands with President Trump and agreed to pursue denuclearization and a reset in relations, the two sides have reached an impasse over who should make the next concession in talks aimed at implementing their accord.

The standoff threatens to derail a delicate detente with Pyongyang, following weeks of negotiations in which both sides say they have given ground but which so far have

ven't produced a clear agreement on disarmament steps or moves toward a peace treaty.

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

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

U.S. diplomats, meanwhile, have repeatedly asserted that "the ball is in North Korea's court" to make more concrete steps to dismantle its nuclear program, following the suspension of U.S.-South Korean joint military exercises and the summit meeting in Singapore.

Steve Biegun, the newly ap-

pointed special representative for North Korea issues, is ex-

pected to soon visit Seoul and

Tokyo, after his first planned trip to Pyongyang in August

was abruptly canceled.

While Mr. Trump has hailed what he describes as a strong personal relationship with Mr. Kim, the stalled talks are exposing the shortcomings of their June 12 agreement. The statement the leaders signed amounted to fewer than 500 words, and offered no timeline or road map for the steps needed to achieve North Korean disarmament.

Mr. Trump's decision to call off Mr. Biegun and Secretary of State Mike Pompeo's trip to Pyongyang reflects increasing frustration with the lack of progress.

The stalemate underscores concerns among U.S. officials and North Korea analysts about the regime's sincerity, renewing doubts about whether Mr. Kim will ever relinquish his nuclear weapons. The North last tested a nuclear device on Sept. 3, 2017, exactly one year ago.

Nikki Haley, the U.S.'s ambas-

sador to the United Nations, suggested last week that the North Koreans were

"maybe changing their mind on denuclearization," adding that the U.S. would stick to its



President Trump met with North Korean leader Kim Jong Un on Singapore's Sentosa Island in June.

EVAN VUCCI/ASSOCIATED PRESS

sanctions policy against Pyonyang.

Evans Revere, a former senior State Department official and Korea expert at the Albright Stonebridge Group, said that by raising expectations and claiming that Pyonyang had agreed to denuclearize, Mr. Trump had "given the North Korean regime a free pass and provided rhetorical cover" for Mr. Kim.

Meanwhile, Mr. Kim has "enhanced his nuclear and missile programs and signaled to Washington that denuclear-

ization is not in the cards," Mr. Revere said.

Satellite imagery taken over the summer suggests the North may be plowing ahead with weapons development. Two new buildings went up recently at a missile facility in Pyonyang's suburbs that appears to be continuing production. The North has expanded a facility in Hamhung that produces a key component of solid-fuel missiles, and upgraded its nuclear research center at Yongbyon.

There are other signs that

tensions remain high. On Saturday, the U.S. extended its ban on the travel of American citizens to North Korea, citing a "serious risk to United States nationals of arrest and long-term detention."

The stalled talks also add pressure on South Korea's President Moon Jae-in, who will visit North Korea this month to meet with Mr. Kim and send a special delegation to Pyonyang on Wednesday for "extensive discussions with their North Korean counterparts."

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## WORLD NEWS

# EU Seeks Talks on U.S. Beef

By VALENTINA POP

**BRUSSELS**—The European Union said it was willing to start talks with Washington on increasing U.S. beef imports, a move aimed at cementing a trade truce agreed upon in July.

Monday's announcement comes just days after President Trump warned that an EU offer to go to zero tariffs on cars is insufficient to avert a trade war. Mr. Trump has called on Europe to open up its protected agricultural market.

Agriculture is largely off the table in trade talks that Mr. Trump and Jean-Claude Juncker, president of the European Commission, said in July they would continue to pursue. But Mr. Juncker did agree to solve existing trade irritants—one of which regards high-end beef—and to boost U.S. soybean exports to Europe. Both agricultural products have been hit by retaliatory tariffs from China and Mexico, with U.S. beef producers having been forced to stockpile meat in cold-storage facilities.

U.S. soybean exports to Europe rose 283% in July compared with the same month last year, the commission said in August.

While Europe is importing most of its soy, beef is a more protected product as several countries, notably France, Germany, Spain and Ireland, are significant beef producers.

On Monday, the European Commission—the EU's executive arm—said it was seeking the approval of EU governments "to allocate to the United States a part of the existing quota" for beef that wasn't treated with hormones and that is open to other exporting countries, notably in Latin America.

—Vivian Salama  
in Washington  
contributed to this article.

# U.K.'s Labour Wrestles With Anti-Semitism

By JASON DOUGLAS

**LONDON**—Tony Flacks joined the British Labour Party in the early 1980s, seeing the center-left group as the natural political home for a high-school teacher working in a rundown North London district blighted by racism and discrimination.

He quit after more than three decades of membership in 2016, angry and fed up at what he perceived as the party's reluctance to root out an ancient prejudice that he, a British Jew, saw flowering anew within its ranks: anti-Semitism. This year, for the same reason, his 29-year-old daughter followed suit.

Century-old ties between Britain's Jewish community and the Labour Party are fraying as the U.K.'s main opposition party and its leader, Jeremy Corbyn, struggle to deal with a crescendo of accusations of anti-Jewish bias.

Some lawmakers fear the controversy is denting Labour's electoral appeal by overshadowing its attacks on Prime Minister Theresa May's government over Brexit, housing and other policies about which voters say they care.

Officials of the Labour Party, whose governing committee is meeting next week in an attempt to quell the issue, say the party deplores all forms of discrimination. They have pledged tougher penalties for any Labour members engaging in anti-Semitic speech or acts, and Mr. Corbyn has ordered up a program to educate members about anti-Semitism. The Labour leader, who has faced—and denied—several specific allegations of anti-Jewish bias himself, has told British Jews he is their ally in combating hate.

Yet the party's efforts to persuade its supporters and critics that it is tackling the problem have repeatedly fallen flat, and some supporters of the Labour leader have pushed back against the issue. This year, pollster YouGov PLC found that more than 70% of the more than 1,000 Labour members it polled thought ac-



Opposition Labour leader Jeremy Corbyn and his party have been accused by some of anti-Jewish bias.

cusations of anti-Semitism were being exaggerated in a bid to undermine Mr. Corbyn's leadership or muffle criticism of Israel.

The controversy has left many Jewish and non-Jewish Labourites alienated. "I've spent the best part of 50 years being committed to socialist values. That hasn't changed. But I cannot vote Labour," said Mr. Flacks, 66 years old. Mr. Corbyn, he said, "doesn't understand the emotional hurt and harm he has caused to so many in the community."

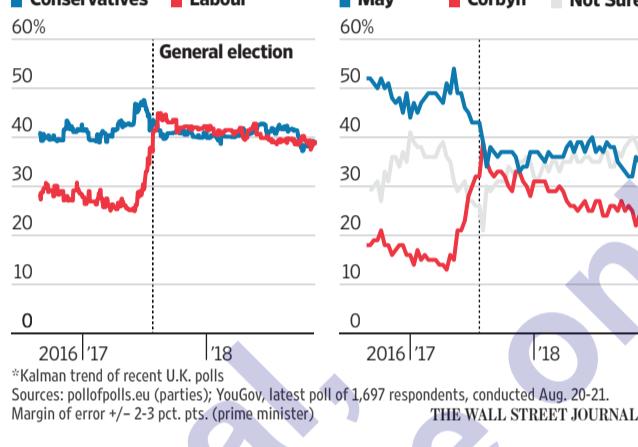
In an open letter to Jewish leaders in March, Mr. Corbyn acknowledged that anti-Semitism has surfaced within the Labour Party and couldn't be dismissed as coming from "a few bad apples." Newer forms of anti-Semitism have been "woven into criticism of Israeli governments," he added, pledging to redouble efforts to end Jewish anxiety about the issue.

Labour's links to British Jewry stretch back to the foundation of the party in 1900. One of its earliest affiliates was the Jewish Labour Movement, which from 1903 campaigned for the twin goals of socialism

## The Corbyn Effect

Though Labour has recently run neck-and-neck with the Conservatives, Jeremy Corbyn has yet to capitalize.

### Party preference polling\*



\*Kalman trend of recent U.K. polls  
Sources: pollopolls.eu (parties); YouGov, latest poll of 1,697 respondents, conducted Aug. 20-21.  
Margin of error +/- 2-3 pct. pts. (prime minister)

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and a Jewish homeland. It was a Labour government that gave Britain's official recognition to the new state of Israel in 1949.

In electing Mr. Corbyn in 2015, Labour chose a fringe figure on the party's extreme left, one with a long history of support for Palestinian rights and opposition to Israel's occupation of Palestinian lands.

Those positions aren't unusual in the modern Labour Party; 80% of Labour lawmakers voted to recognize Palestinian statehood in a nonbinding 2014 vote. But some of Mr. Corbyn's past statements and behavior have drawn sharp criticism from some Jewish groups and Labour lawmakers.

In a 2013 Facebook post, he

criticized a decision by a London neighborhood council to paint over a public mural depicting hooknosed bankers that it had deemed anti-Semitic. Mr. Corbyn apologized this year, saying he was defending public art more broadly and hadn't looked closely at the painting.

Footage emerged last month of Mr. Corbyn at a 2013 event saying British "Zionists" don't understand "English irony" and don't want to study history. Several Labour lawmakers said the remarks were offensive to British Jews. One, Luciana Berger, in a message on her official Twitter account, said the comment "makes me as a proud British Jew feel unwelcome in my own party."

Mr. Corbyn has said his remarks were directed at pro-Israel activists at the gathering in question, not Jewish people in general. There are around 300,000 Jews in the U.K., according to census data, representing 0.5% of the total population.

Labour's governing committee is due this week to consider changes to its code of conduct on anti-Semitism after its latest revision drew fire. Jewish groups said the current code doesn't sufficiently echo a document produced by the International Holocaust Remembrance Alliance that details a precise description of anti-Semitism, with examples.

A Labour spokesman said the committee had concerns that part of the IHRA description risked denying Palestinians the freedom to use the language they consider appropriate to describe discrimination and injustice they face, but that it was working with Jewish groups to redevelop the code.

Judith Flacks, Mr. Flacks' daughter, who first joined the Labour Party as a student, left in April over its handling of anti-Semitism.

"There is a real misunderstanding how big of a deal this really is for us," she said. "It's odd because these people think they are committed antiracist campaigners."

## FROM PAGE ONE



Twitter says Jack Dorsey doesn't overrule staffers on content issues.

team. On a case-by-case basis, the trust and safety team may ask Ms. Gadde to participate.

Mr. Dorsey weighs in on the most high-profile cases, according to people familiar with the matter. The company said he participates in discussions about account issues on occasion but isn't the final word.

Some current and former employees said Mr. Dorsey's philosophical, arm's-length leadership style has at times complicated decision-making. He generally delegates to his subordinates, but at times projects stall because either no one knows what he thinks or he doesn't pull the trigger, according to people familiar with the matter.

With Mr. Spencer, Twitter shut down his accounts in November 2016 amid what Mr. Dorsey internally declared "an abuse emergency," according to people familiar with the matter.

After Twitter reinstated one of Mr. Spencer's accounts at Mr. Dorsey's insistence the following month, many employees were upset about the decision, according to a person involved in the decision. At the company's next all-hands meeting known as "Tea Time," one employee asked about it.

Mr. Dorsey instead turned the question over to Ms. Gadde, who said.

In an interview, Mr. Spencer said he doesn't recall being told by Twitter why his accounts had been shut down until Twitter offered to reinstate one of them. He said he found the reasoning "a bit incredible," but "I went with it because it's a public space; it's the way everyone can issue their own little press release."

Mr. Borrman of Twitter said the company emailed Mr. Spencer soon after shutting down his accounts Nov. 15.

—Marc Vartabedian and John McKinnon contributed to this article.

# Twitter's Dorsey Takes Heat

**Continued from Page One**  
which has hired thousands of content reviewers in the past couple of years to review posts and built out technology to flag inappropriate content. Twitter has far less staff and typically only investigates harassment and abuse that has been reported by users.

Last month, after Twitter's controversial decision to allow far-right conspiracy theorist Alex Jones to remain on its platform, Mr. Dorsey told one person that he had overruled a decision by his staff to kick Mr. Jones off, according to a person familiar with the discussion. Twitter disputes that account and said Mr. Dorsey wasn't involved in those discussions. Twitter's initial inaction on Mr. Jones, after several other major tech companies banned or limited his content, drew fierce backlash.

A similar chain of events unfolded in November 2016, when the firm's trust and safety team kicked alt-right provocateur Richard Spencer off the platform, saying he was operating too many accounts. Mr. Dorsey, who wasn't involved in the initial discussions, told his team that Mr. Spencer should be allowed to keep one account and stay on the site, according to a person directly involved in the discussions.

Twitter said Mr. Dorsey doesn't overrule staffers on content issues. The company declined to make Mr. Dorsey available. "Any suggestion that Jack made or overruled any of these decisions is completely and totally false," Twitter's chief legal officer, Vijaya Gadde, said in a statement. "Our service can only operate fairly if it's run through consistent application of our rules, rather than the personal views of any executive, including our CEO."

After a user flags a tweet, the company said, a user-services team first decides whether to elevate a complaint to Twitter's trust and safety

other social-media sites. Mr. Borrman said he told Mr. Dorsey in a text message that the staff wasn't planning to ban Mr. Jones. On Aug. 14 the company did suspend Mr. Jones for seven days after CNN flagged tweets to the company. Many staffers viewed that as a half measure and complained that the company hadn't acted decisively. Mr. Jones's account has since been restored.

With Mr. Spencer, Twitter shut down his accounts in November 2016 amid what Mr. Dorsey internally declared "an abuse emergency," according to people familiar with the matter.

After Twitter reinstated one of Mr. Spencer's accounts at Mr. Dorsey's insistence the following month, many employees were upset about the decision, according to a person involved in the decision. At the company's next all-hands meeting known as "Tea Time," one employee asked about it.

Mr. Dorsey instead turned the question over to Ms. Gadde, who said.

In an interview, Mr. Spencer said he doesn't recall being told by Twitter why his accounts had been shut down until Twitter offered to reinstate one of them. He said he found the reasoning "a bit incredible," but "I went with it because it's a public space; it's the way everyone can issue their own little press release."

Mr. Borrman of Twitter said the company emailed Mr. Spencer soon after shutting down his accounts Nov. 15.

—Marc Vartabedian and John McKinnon contributed to this article.

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## FROM PAGE ONE

# Strong Stock Run Faces Test

Continued from Page One

**Morgan Stanley** and RBC Capital Markets have recommended unloading technology stocks, the best-performing S&P 500 sector in 2018.

Fall has often been a volatile stretch for global markets. Stocks tumbled in 2017 after North Korea-U.S. tensions ratcheted higher, lost ground in 2016 as investors questioned central-bank policy and fell in 2015 when the global economic expansion appeared to stall. The phenomenon is far from new: Going back to 1945, the S&P 500 has notched its worst monthly return in September, followed by February and then August, according to investment research firm CFRA.

The prospect of a market jolt is keeping even optimistic investors and analysts guarded.

"Traditionally this is a season of a lot of volatility and uncertainty to begin with, and we certainly have the ingredients to experience that," said

Katie Nixon, chief investment officer of Northern Trust's wealth-management business. "Things are getting a little bit tougher from a relative perspective as we get into 2019."

Few believe the U.S. is on the precipice of a recession. Data still show strong second-quarter economic growth, consumer confidence tracking at nearly 18-year highs and consumer spending ticking higher.

Analysts are heartened that measures of investor enthusiasm, while rising, have remained off the highs they hit at the start of the year. About 44% of individual investors expect the stock market to rise over the next six months, above the historical average of 39% but still below the 60% that said so when global stocks were catapulting to records in early January, according to the American Association of Individual Investors' weekly survey.

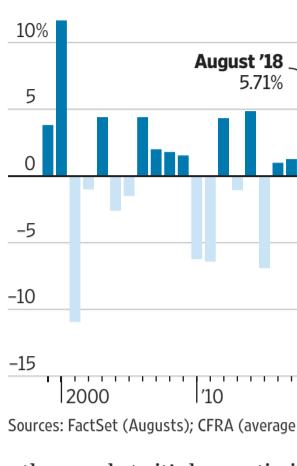
That is reassuring for those who believe that elevated levels of investor enthusiasm are a sign of a market "melt-up," a surge in prices driven by a fear of missing out on a rally, rather than optimism over corporate earnings, valuations or economic data.

"We're in a real sweet spot here of strong economic growth and really low inflation," Ms. Nixon said. "But in

## Not This Year

The Nasdaq Composite posted its best August since 2000, right in the middle of what is normally a sleepy stretch for the index.

### Nasdaq Composite's change in August



Sources: FactSet (Augusts); CFRA (average change)

other markets it's less optimistic because there's a lot more uncertainty, and a lot of that is around trade."

Part of investors' uneasiness stems from the speed and scale of the stock market's gains over the past few weeks.

After languishing in a narrow range for seven months, the S&P 500 has broken out to fresh highs, climbing 3% in August and ending its longest streak without a record close in two years. The tech-heavy Nasdaq Composite has risen even faster, advancing 5.7%

### Average change in S&P 500 between 1945 and 2018



THE WALL STREET JOURNAL.

last month to post its biggest gain for August since 2000—the year when the dot-com era peaked before skidding to an end.

Many investors have also grown increasingly worried that much of the stock market's gains have been driven by a handful of large technology companies, including Apple Inc., Google parent Alphabet Inc. and Amazon.com Inc.

"It's starting to hark back to the 2000s," said Mark Senseman, chief investment officer at Wealth Consulting Group,

adding that, even with strong earnings, valuations on many technology companies "are getting frothy."

The pace of the gains—and because much of it came on relatively low trading volumes—have left some investors wary of a possible pull-back.

"It makes you wonder what happens when summer vacation is over and volumes finally show up," Mr. Senseman said.

But he said he still thinks stocks can continue their run nine years into the bull-market rally.

"The economy's got a lot of power," Mr. Senseman said. "You keep your eye on the consumer, make sure they're generally healthy and having lower debt-to-income levels—that for me at least for the time being would tell me we can go higher."

Others worry that, with global trade negotiations still in flux, investors may be caught off guard by an unexpected breakdown in talks. Even as trade fears have spurred selling in markets across Asia and Europe, the U.S. has held up relatively well—something some analysts worry points to complacency among investors. The S&P 500 is up 8.5% for the year, compared with the

Shanghai Composite's 18% fall, the Stoxx Europe 600's 1.6% decline and the Hong Kong's Hang Seng Index's 7.4% fall.

"For the most part, the U.S. has brushed aside trade concerns, which means if this escalates, we could see an asymmetric reaction to this," said Jason Drahos, head of Americas asset allocation at UBS Global Wealth Management's chief investment office.

Then there is the recent softening in the U.S. housing market, which has cast a pall on an otherwise bright economic picture. Sales of existing homes have fallen for four consecutive months, the longest such streak in five years. The drop-off is a troubling sign to many analysts, especially because the housing market is considered an indicator of the U.S. economy's overall health.

With a number of potential risks on the docket—including midterm elections, further trade negotiations between the U.S. and China and a Sept. 30 deadline for a new federal budget—investors said they are mentally preparing for more market swings.

"Sometimes it feels like you have a handle on [market risks] in the morning, and then whether it's a tweet or a comment, you have to rethink your own base case," Ms. Nixon said.

# Kavanaugh Battle Heats Up

Continued from Page One

additional vote if needed, once Arizona Gov. Doug Ducey, a Republican, names a replacement for Sen. John McCain, who died Aug. 25.

Republicans have made judicial nominations a top issue, stressing the importance of the courts to conservative priorities like gun rights, property rights and issues such as religious freedom and abortion.

Democrats plan to press Judge Kavanaugh on his views on when it is acceptable to overturn the high court's precedents and whether precedents like Roe v. Wade, the 1973 ruling that recognized a constitutional right to abortion, are sacrosanct.

Democrats have complained that Judge Kavanaugh hasn't revealed his views on Roe, though Sen. Susan Collins (R., Maine) said after meeting with him last month that he said he considers Roe "settled law."

The approach by Supreme Court justices to precedent can vary significantly, but some scholars believe the new court's expected conservative majority would move steadily to undo at least some of what it sees as past errors.

"I don't think this court is going to shy away," said Erwin Chemerinsky, dean of the law school at the University of California, Berkeley.

The judicial doctrine of *stare decisis*—respect for precedent—is a pillar of the U.S. legal system, and justices generally are reluctant to toss out

a ruling without a compelling reason that goes beyond believing it was wrongly decided. The Supreme Court prides itself on steadiness and often favors stability over correcting errors, particularly in cases where Congress could step in and change a law if it wished.

If the court does aggressively overturn precedent, it would mark a shift. Under the 13-year leadership of Chief Justice John Roberts, a conservative appointed by President George W. Bush, the court has issued a handful of major decisions overturning prior rulings, but hasn't explicitly overruled precedents as often as in previous eras.

The current justices have a range of views on when overturning is appropriate. Conservative Justice Clarence Thomas, for one, has been particularly forceful in arguing that the court should walk away from precedents he sees as misguided.

When the Roberts Court has overturned decisions in recent years, Justice Anthony Kennedy, whom Judge Kavanaugh would succeed, has been central. The maverick conservative wrote the 2010 Citizens United ruling invalidating longstanding restrictions on corporate and union political spending.

In 2015, Justice Kennedy held that same-sex couples have a constitutional right to marry. And in his final majority opinion this year, he overturned two cases that limited states' ability to require internet merchants to collect sales taxes.

"When Kennedy really cared about something he didn't care about precedent," said Case Western Reserve University law professor Jonathan Adler.

The Roberts Court has sent precedents, major and minor, to the graveyard about once a



Confirmation hearings on Judge Brett Kavanaugh's Supreme Court nomination are to begin Tuesday.

## White House Curbs Release of Records

Administration to withhold some Kavanaugh documents

The Trump administration is withholding some 100,000 pages of documents from Brett Kavanaugh's records as a lawyer in the George W. Bush White House, something Democrats say clouds the Supreme Court nominee's confirmation hearings that begin Tuesday.

Judge Kavanaugh spent

nearly six years with the George W. Bush administration, first as an associate counsel and then as the president's staff secretary, overseeing the documents and issues reaching the Oval Office.

The Trump White House's decision to withhold the documents, disclosed late Friday, intensifies the already-deep partisan divide over the Kavanaugh nomination, which is intended to shift the Supreme Court's ideological center to the right ahead of midterm congressional elections.

Senate Judiciary Committee Chairman Chuck Grassley (R.,

Iowa) infuriated Democrats at the outset of the confirmation process by declining to request Judge Kavanaugh's staff secretary records.

The White House decision to withhold a vast number of his counsel records also has intensified discord over the nomination.

Sen. Grassley has described the Kavanaugh process as "the most extensive and transparent in history" but dismissed Democratic document requests as a "fishing expedition" he won't countenance.

—Jess Bravin

year on average, though it did so three times last term. The prior William Rehnquist Court averaged about two overturned cases a year, while the court under Chief Justices Warren Burger and Earl Warren were nearer to three, Mr.

Adler said.

President Trump's first

high court nominee, Justice Neil Gorsuch, has so far proved receptive to course correction.

He wrote he was

"pleased" to join Justice Kennedy's opinion in the sales tax

case.

Justice Gorsuch was also part of a 5-4 majority that overruled a precedent to rule that public-sector employees can't be required to pay union dues, a decision that produced heated ideological divisions.

Lori Walsh, who works at the Federal Trade Commission in Washington, D.C., said she is guilty of leaving gift shopping until the last minute. "I've driven my husband crazy because it's like the last hour of the vacation, and I'm like,

sive treats, particularly if they traveled internationally. A box of macarons from Ladurée, a bakery in Paris, for example, proved you had taken a fancy vacation.

"When you come back from vacation and you don't have anything to set on the conference table, the air wasn't as jovial and welcoming," said Ms. Kim, 37. "But good treats would help make up for past grievances."

When Ms. Kim traveled to Japan, for example, she picked up Pocky. The chocolate-covered biscuits can be found stateside, so Ms. Kim made sure to buy special-edition boxes only sold in Japan.

Sometimes, the drive to return with a bona fide treat from a faraway land can backfire. Three years ago, Siyu Zhou picked up some durian-flavored candies while visiting friends and family in China. Durian is a fruit so pungent it's banned from hotels and public transportation in Southeast Asia, but Ms. Zhou said she wanted to bring something authentic back to her office from her trip across the world.

"I thought people might appreciate the curiosity of it," said Ms. Zhou, 29, who works at consulting firm Fulcrum

Analytics.

Ms. Zhou arranged the cream-colored hard candy on a plate with a note: "Try at your own risk."

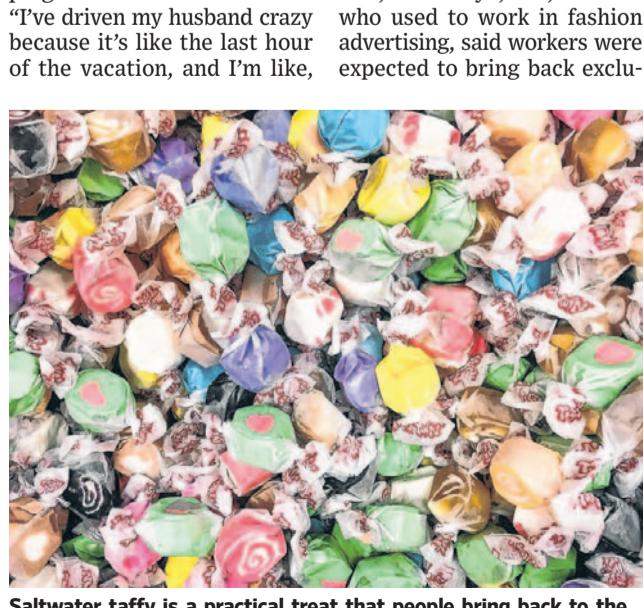
Despite the disclaimer, she said her co-workers complained, "You didn't tell us it would be this bad."

Every time Ms. Zhou went to China after that, colleagues jokingly worried she would bring back durian candy, said her former colleague Katherine Swintek. "It had that kind of feet taste, that funk that you usually don't get in candy," said Ms. Swintek, 30.

Diane Gottsman, founder of the Protocol School of Texas, a company specializing in business etiquette, said she recently brought her assistants three graham-cracker-and-marshmallow treats known as moon pies that she carefully wrapped for the journey from Tennessee.

Those were a hit, but Ms. Gottsman warned office workers not to push food on people. "You offer it, you might say 'enjoy,' and you let it be," she said. "If the end of the day it's still there...it's your job to pack it up and take it home or throw it out."

Strategic plating can encourage consumption. Leftovers from catered meetings



Saltwater taffy is a practical treat that people bring back to the office from vacation, but some flavors linger longer than others.

put out in the office kitchen are "snapped up immediately," said Genevieve Burgess, a manager at a royalties-processing company in Washington, D.C. But when people bring back candy from vacation and leave it out on their own desks, it can stick around.

"Maybe there's a sense that 'oh, they're looking at me, I can't take too much of their candy,'" says Ms. Burgess, 32.

That has happened with maple-sugar candies she brought back from Canada and mini, chocolate-covered crepe candies from Paris. "I ended up eating a lot of them," she said.

Food souvenirs have increased in popularity over the past 10 years as customers lost interest in limited-edition collectibles, said Chuck Henline, owner of Nebraskan souvenir shop Fort Cody Trading Post. Customers frequently ask him "what is authentically Nebraska?" He points them toward shelves stocked with popcorn and chokecherry jam.

"A lot of it's made in Nebraska," he said. Then there are some products that say Nebraska on them but are made in other states, like Montana and Texas. "They don't care, they just want to take home a jar of jelly that says 'Nebraska.'"

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# GREATER NEW YORK

## Brooklyn Parade Celebrates Caribbean Heritage



**FINE FEATHERS:** Costumed revelers turned out Monday for the West Indian American Day Parade, part of the New York Caribbean Carnival. Police tightened security for the festivities, which included J'Ouvert, an early-morning street party marred by violence in the past.

## Absences Plague NJ Transit

BY PAUL BERGER

Lisa Lebowitz was sitting in a delayed NJ Transit train departing Hoboken one recent Monday evening when she overheard an exasperated passenger complain about the frequency of last-minute cancellations.

"Don't worry," Ms. Lebowitz recalled a crew member telling the passenger. "You should be good tomorrow because we take off Mondays and Fridays."

NJ Transit has been forced to cancel hundreds of trains this summer resulting from shortages of railcars, locomotives and workers.

But it has also had to cancel trains because of last-minute calls from train operators saying they are sick or need time off for family or medical reasons, according to data provided by NJ Transit.

The calls, known as unplanned absences, come most frequently over the weekend. But they are also common on Fridays and Mondays, when they impact service more extensively because the rail system runs at capacity.

When conductors or ticket collectors take an unplanned absence, NJ Transit can still run trains, albeit with smaller crews. But when engineers, who drive the trains, call out, the agency must cancel services.

The situation is compounded during summer months, when not only are many workers on vacation but, according to agency data, unplanned absences are also at their highest.

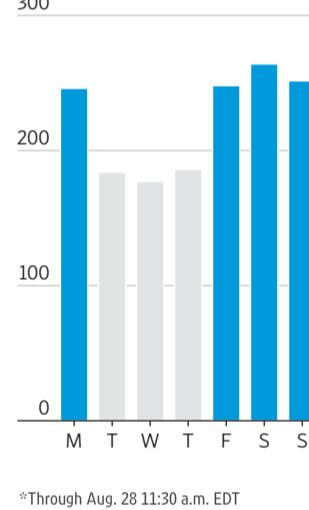
State transportation officials say NJ Transit currently employs just under 350 engineers, about 50 short of what it needs to run a reliable service.

According to the agency's data, between July 1 and Aug. 26 this year, on average, 23 engineers took an unplanned absence on a Tuesday, Wednesday or Thursday. That average rose to 31 engineers taking an

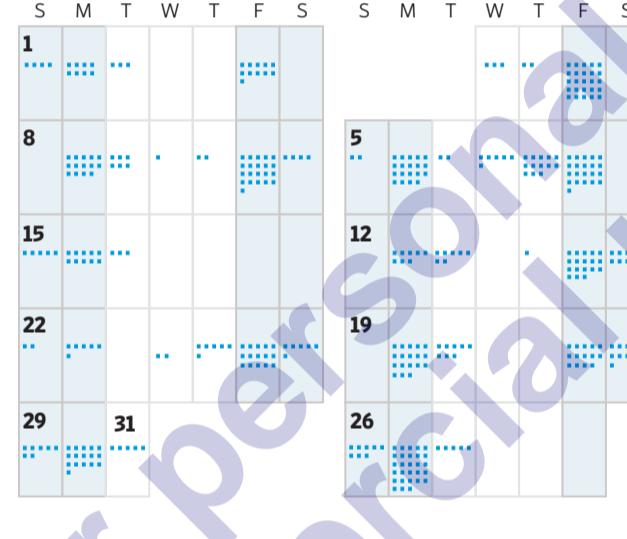
### Summer Outages

NJ Transit engineers are more likely to take an unplanned absence from work from Friday through Monday. This summer, these absences have led to a spate of last-minute cancellations, especially on Mondays and Fridays.

#### Unplanned engineer absences, July 1-Aug. 26, 2018



#### Cancellations due to engineer unavailability\* ■ = 1 cancellation



unplanned absence on Fridays and Mondays. The rate peaked on Saturdays when, on average, 33 engineers took unplanned absences.

These absences have forced NJ Transit to cancel trains at the last minute and to merge them with other services, leading to overcrowding and longer journeys as trains make extra stops.

During July and most of August, NJ Transit recorded, on average, 12 cancellations due to engineer shortages on Mondays and 16 cancellations on Fridays. Those averages fell to four cancellations because of engineer shortages on Tuesdays, less than two on Wednesdays and three on Thursdays.

The transit agency has spoken to union leaders "to express our concerns and to reinforce the impact that the pattern of

unplanned absences has on our customers," NJ Transit Executive Director Kevin Corbett said.

Mr. Corbett, who took over the agency earlier this year, said NJ Transit is trying to hire and train engineers faster.

The engineers' union disputed NJ Transit's data but didn't offer an explanation for why unplanned absences rose Fridays through Mondays.

James Brown, NJ Transit general chairman of the Brotherhood of Locomotive Engineers and Trainmen, called the data "misleading."

In some cases, NJ Transit logs an unscheduled absence when an engineer has mandatory training or medical testing,

Mr. Brown said. He added that at other times the agency has canceled services citing a crew shortage, when in fact workers were available but rail equipment

was taken out of service.

"The railroad is attempting to use its locomotive engineers as scapegoats, publicly reporting 'unscheduled' locomotive engineer absences in an effort to pass the blame for canceled trains onto its workers," Mr. Brown said.

Stephen Burkert, general chairman of SMART-TD Local 60, a union that represents NJ Transit workers including conductors and ticket collectors, said: "I am highly doubtful of the veracity of New Jersey Transit's figures."

Democratic state Senate President Steve Sweeney said NJ Transit should have altered its schedule ahead of the summer to deal with the engineer shortage. "In my world, if you establish a pattern that you're taking off on Fridays and Mondays," he said, "that's an abuse."

## Retailers Try Out Short-Term Leases

BY KEIKO MORRIS

Two years ago, executives at the RealReal set their sights on the SoHo neighborhood but weren't quite sure it was the right fit for a store. So the secondhand, luxury-goods consignment company did what a growing number of retailers are doing in Manhattan: make a deal for a short-term shop to test the market.

"Our model is all about testing things, getting smarter, seeing what's working and not working," said Rati Levesque, chief merchant at the RealReal, a seven-year-old company that got its start online. "That's how we run our website."

The RealReal opened up a holiday pop-up store in 2016 and proved its hunch was right. The store brought in new customers, deepened the company's overall engagement with its existing customers and consignors in the region and helped boost their spending and consigning with the retailer, Ms. Levesque said. The following year, the RealReal signed a five-year lease for its store at 80 Wooster St., which also serves as a mini-fulfillment warehouse, she said.

As uncertainty continues to hang over the retail real-estate market, retailers like the RealReal are finding more opportunities to negotiate commitments as short as a month to three years and dip their toes into Manhattan's choice shopping districts where rents were once seen as prohibitively expensive. Since 2016, deals for temporary stores for periods of three years or less have increased sharply, according to a new report from real-estate services firm CBRE Group Inc.

The CBRE report counted 53 short-term retail deals in 2017, slightly more than quadruple the 13 counted in 2016. As of the second quarter this year, there were at least 28 short-term deals, keeping pace with 2017, CBRE's research showed. Apparel was the most active tenant category taking advantage of short-term stores.

A heavy concentration of short-term deals made from the beginning of 2016 through the second quarter of 2018 took place in the SoHo neighborhood, which has been one of several Manhattan areas hit hard by the retail industry's upheaval. The rapid growth of

online shopping has prompted big shifts in traditional bricks-and-mortar strategies that have included thousands of store closures across the country.

SoHo notched 20 of the 94 short-term deals in the past two and half years, while the Plaza District, which incorporates upscale Fifth Avenue between 49th and 59th streets, and Upper Madison Avenue recorded nine in the past year and a half, according to the CBRE report. The company cautioned that its data may not have captured all transactions.

"The obvious positive on the tenant side is that they can test the market," said Michael Slattery, CBRE's manager of research. The benefit for landlords is, if tenants like the location, they will extend their leases, he said.

*'The obvious positive on the tenant side is that they can test the market.'*

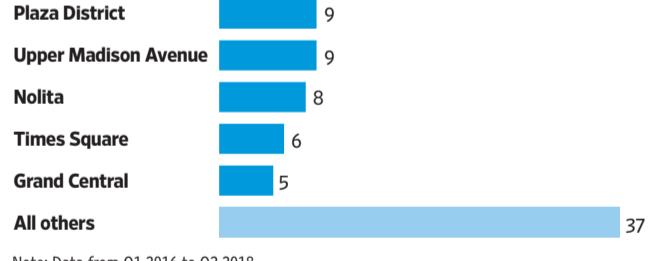
Retail landlords who are optimistic that rents will once again rise are willing to make a short-term deal with a good tenant, create buzz in the space and bring in revenues until the market returns in their favor, some brokers said. However, for many owners of Manhattan retail properties, the downside of the short-term deal can come when refinancing a property or selling a property because long-term leases offer lenders and investors more certainty of a building's future income, real estate brokers have said.

Retailers as well as other businesses from technology firms to entertainment companies are making use of shorter-term deals, using retail space as not just a place to sell goods but boost consumers' awareness of brands, said Ross Bailey, chief executive of Appear Here, a website that allows merchants to search for short-term space, set up viewings and sign agreements. And landlords are using these deals to keep their properties attractive, he said.

"The landlord is saying we have to act more like media, make sure we are relevant to the moment, stay fresh and keep audiences coming back again and again," he said.

### Popping Up

Short-term retail deals in Manhattan since 2015, by neighborhood



Note: Data from Q1 2016 to Q2 2018  
Source: CBRE Group

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## Enrollment Slips at City Schools, Increases at Charters

BY LESLIE BRODY

expects to welcome about 962,000 children in prekindergarten through 12th grade when school opens Wednesday, down from 980,767 in the last school year. Officials attribute the decline to normal fluctuations as well as growth in charters.

Charter schools, which are publicly funded but run independently from the district,

are projected to teach 117,297 children in the city, up from 109,882 last year. They will get more than \$2 billion in tuition from city and state coffers this school year.

The district will spend nearly \$508 million on central office personnel, up from roughly \$471 million last year. Watchdog groups criticized the department for being

plagued by too much bureaucracy and inefficiency.

District officials attribute the rise in spending to initiatives run by headquarters, such as literacy coaches, anti-bias training and helping staff teach computer science, as well as pay increases from collective-bargaining agreements.

Overall, the district will spend \$32.3 billion, including

debt service, about \$867 million more than last year.

These are just a few details from a massive data release Friday. In response to a new state law to bolster transparency, the city submitted a range of school-funding data to the state Division of the Budget in a new format that allows easier comparison of expenses, enrollment and

staffing levels among city schools.

Total annual per-pupil spending for the city system will average \$24,173, when central office expenses are included, and about \$17,500 without them. But there are wide disparities in each school's allocations.

—Coulter Jones contributed to this article.

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## GREATER NEW YORK

# Silent Films Make Roaring Return

Younger fans are helping to drive a renaissance in New York City of movies from the pre-talkie era

BY MENGQI SUN

Steve Stern's job as a pianist playing music for silent movies started on a whim about four decades ago.

He was at a friend's party and decided to tinkle the ivories while a silent cartoon played. Impressed with the performance, his friend, who worked at the Thalia, a now-closed theater on the Upper West Side of Manhattan, invited him to play along to a full-length feature silent film at the theater.

This fall, Mr. Stern is celebrating his 35th anniversary as a piano accompanist at Film Forum by playing 12 silent movies of his choice at the theater in Greenwich Village. He has picked movies starring Harold Lloyd and Buster Keaton and ones directed by Frank Borzage. The series started in August and goes until early November.

"All these films are wonderful," said Mr. Stern, who is also an actor and a singer. "People might not have heard of or seen them, but they are little gems waiting to be discovered."

The silent-film era peaked almost a century ago and fizzled out with the advent of the talkies, or movies with synchronized sound. But now, silent films are making a comeback in New York.



**STEVE REMICH FOR THE WALL STREET JOURNAL**  
This fall, Steve Stern is celebrating his 35th anniversary as a piano accompanist at Film Forum.

City, with increasing popularity among young people.

Film Forum, a nonprofit, puts on two to three silent movies with live accompanying music every quarter, including at least one silent comedy for its junior audience. These showings are always popular and often sold out, with at least 100 people typically attending each screening, according to its repertory program director Bruce Goldstein.

Over the past three de-

cades, he said he has seen more people, especially younger audiences, coming to see silent films.

"For many years people didn't pay attention to silent films," Mr. Goldstein said. "But now people discover that silent films are the roots for movies."

One example is the stunts in silent films, which actors performed without special effects. Mr. Goldstein said action movies still imitate those stunts today.

Shane Fleming, 14, of the East Village, is among the young fans driving the silent film renaissance. He started watching silent movies when he was 7. When he was 8, he saw Mr. Stern perform live at Film Forum.

"Metropolis" from 1927, that's one of my favorites," Shane said. He said he also likes "City Lights" from 1931—"Charlie Chaplin's masterpiece."

Ben Model, one of the founders of the Silent

Clowns Film Series, saw the popularity of silent films growing over the years. The series, which celebrated its 20th anniversary last year, has been showing 10 silent film programs each year for free at the New York Library for the Performing Arts in Lincoln Center.

He said they usually get a full house of 180 to 200 people, with newer and younger fans coming to the shows. He credited the internet for the change, as video sites like YouTube have made it easier for people to discover silent films.

Mr. Model, who is a resident film accompanist at the Museum of Modern Art, is also helping program a fall silent-film series at the museum. MoMA has been collecting, preserving, restoring and showing silent films since 1935, according to its film curator, Dave Kehr.

The series, called Silent Comedy International, runs from Nov. 23 to Dec. 2 and features 10 programs of rare silent comedy films with live musical accompaniment. This includes films with Max Linder, Betty Balfour and the clown known as Grock.

"I feel like today because of smartphones and social media, our left brain is filled with information. Silent films, more than other forms of cinema, engage your right brain and use your imagination," Mr. Model said.

## GREATER NEW YORK WATCH

### NEW JERSEY

#### Two Killed, Two Hurt In Paterson Shooting

Authorities say a man and a woman were shot and killed and two other people injured while sitting in a sport-utility vehicle in New Jersey.

The Passaic County prosecutor's office said Monday that the four were in an SUV in Paterson at about 11:15 p.m. Sunday when someone opened fire. The driver attempted to flee before the SUV came to a stop.

Prosecutors say officers found a 48-year-old man and a 33-year-old woman dead. A 32-year-old woman was critically injured and a 30-year-old man had injuries not considered life-threatening. All were Paterson residents.

The names of the victims haven't been released. No arrests have been announced.

—Associated Press

### CONNECTICUT

#### Officer Dies After Breaking Up Fight

Police say a Connecticut police officer has died from injuries he sustained while trying to break up a bar fight in South Carolina.

South Windsor Police say 41-year-old Matthew Mainieri was a 20-year veteran of the department. The Hartford Courant reports Officer Mainieri was attempting to break up the fight when he sustained a fatal blow to the head.

Officer Mainieri was off duty at the time and died Sunday from his injuries.

County sheriffs in South Carolina charged 21-year-old Kelton Jess Todd in the assault. He was taken to a local jail. It was unclear whether he is represented by an attorney who could comment.

Over his two-decade career, Officer Mainieri received his department's Medal of Valor, the Chief's Award and multiple certificates of commendation.

—Associated Press

## Teen Falls to Her Death While Trying to Retrieve Cellphone

BY CHARLES PASSY

A 15-year-old girl trying to retrieve a cellphone fell to her death from the fifth floor of an apartment building in Manhattan's Tribeca neighborhood, police said.

Imogen Roche, a student at Beacon High School, was at a house party Sunday night at 110 Reade St., near West

Broadway, said officials with the New York Police Department. In an effort to get her cellphone from a locked room in the apartment, she decided to try entering from the outside, making her way via the windows and possibly the fire escape, police said.

She fell during the process, according to police, who said the incident occurred around 9 p.m. The teen was pronounced dead at Bellevue, part of the NYC Health + Hospitals system.

Police said the incident was considered accidental, but added they are still investigating the matter.

Imogen's family members couldn't be reached for comment. Her father, Theseus Roche, is an actor, playwright and director who heads up pro-

grams at Manhattan Youth, a child-care and after-school center that works at different sites.

"He loved her immensely," said Vicki Winters, a travel agent and blogger who lives in the same building as Mr. Roche and his daughter in Manhattan's Financial District. "He was proud of raising a good girl."

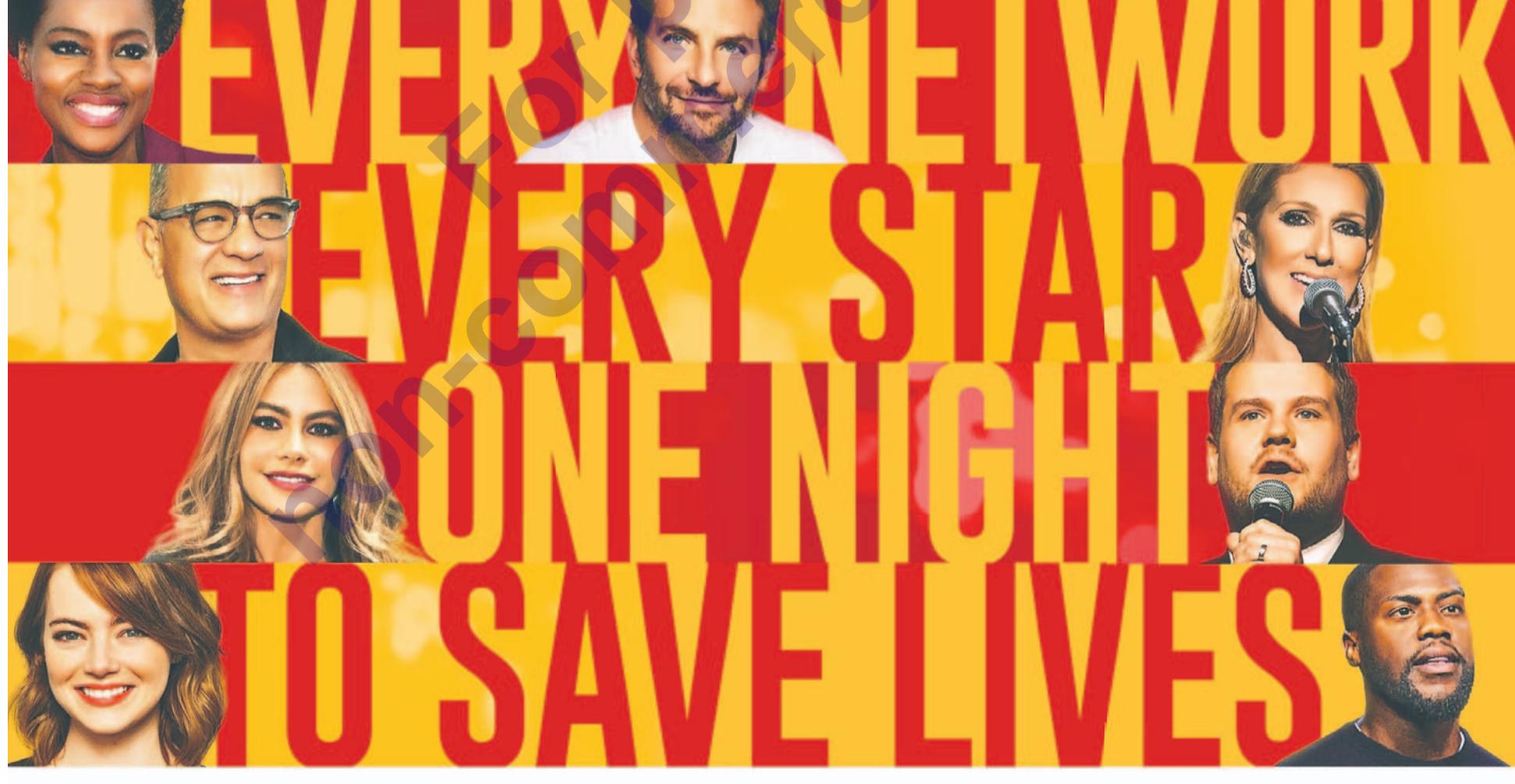
The school year is set to start on Wednesday.

By midday Monday, there were no signs of the tragedy at the Reade Street building.

Longtime Tribeca resident Andy Luisi, 58, paused outside the location and said it was sad to think it might have all been because of a cellphone.

"That stuff can be replaced," he said.

—Zolan Kanno-Youngs contributed to this article.



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# LIFE & ARTS

## MOVIES

## A Golden Age for Documentaries

Streaming services and more funding sources have the genre flourishing; Mister Rogers surprises at the box office

BY BENJAMIN DIN

**WHEN MORGAN NEVILLE** began making documentaries 25 years ago, it was almost impossible to get funding or distribution for his movies.

Back then "there was absolutely nothing cool" about the genre, said Mr. Neville, who directed this summer's surprise hit "Won't You Be My Neighbor?" The film about Fred Rogers, host of the children's television show "Mister Rogers' Neighborhood," has made more than \$22 million at the box office.

The world of documentaries has changed and some people making them today say it's a golden age for the genre. The quantity and quality of documentaries have increased in recent years, thanks in part to the explosion of streaming services. The services have driven demand for content at the same time that new sources of financing for filmmakers have emerged.

In the past, there were just one or two breakout documentaries a year—typically nature films, concerts or political takedowns. This summer alone has seen three hits: "Won't You Be My Neighbor?" as well as "RBG," about Justice Ruth Bader Ginsburg, which has made nearly \$14 million, and "Three Identical Strangers," about triplets reuniting, with \$11 million.

Those figures pale in comparison with the hundreds of millions of dollars superhero blockbusters rake in. But documentaries usually cost far less to make and market than big studio productions. Their success this summer has surprised many in Hollywood, especially people who worried that streaming services would keep viewers at home on their couches and not in theaters.

Series such as Netflix's "Making a Murderer" and HBO's "The Jinx" have stoked an appetite for a versatile art form that can educate as well as entertain. Documentaries offer complex storytelling that some filmmakers say big studios have forsaken in their pursuit of superhero franchises and thrillers.

"If my film or 'RBG' had come out two years ago, they would have done well but they wouldn't have done what they're doing now," Mr. Neville said.

Michael Donaldson, an entertainment lawyer in Los Angeles, said that a decade ago, his firm provided legal services for 20 to 25 documentaries a year. Today, it's at least 275.

At one time, television outlets such as PBS and HBO were the

Three documentaries became hits this summer (clockwise): 'Won't You Be My Neighbor?,' 'RBG,' and 'Three Identical Strangers.'



main sources of funding and distribution. Just as streaming services have expanded the distribution channels, funding options have multiplied with private-equity firms, grants and crowdsourcing.

That has accelerated the pace of filmmaking, said Nathaniel Kahn, an Oscar-nominated documentarian, giving creators "an enormous sense that if we make something, it will be seen."

"There's a lot of really fantastic work," said Mr. Kahn, who directed the art-world documentary "The Price of Everything," coming this fall. "Sometimes volume just means more, but in this case, it's more and it's really good, and it's really varied."

Streaming services offer documentaries on subjects from true crime to cooking. About 80% of Netflix customers watched a docu-

mentary in the last year, said Lisa Nishimura, who oversees the company's original documentary programming. "The days of 'That documentary is important but...feels too sterile or it feels too educational,' I think those days are behind us," she said. Netflix won an Oscar this year for "Icarus," a documentary on the Russian sports-doping scandal, and one last year for the short "The White Helmets" about the Syrian Civil Defense.

At the 2017 Sundance Film Festival, Netflix was in bidding wars for documentaries that rose into the millions of dollars. Acquisition prices have edged down, sales agents said, as the streaming service makes in-house documentary production a priority.

Focus Features, Universal Pictures' specialty-film distributor, released two documentaries this year: Mr. Neville's movie and a



CLOCKWISE FROM LEFT: FOCUS FEATURES; MAGNOLIA PICTURES; NEON

bio-pic about Pope Francis, which has earned almost \$2 million during its U.S. theatrical run.

Traditionally, producers of documentaries don't count on box-office returns to make back their investment. Instead, they often rely on subsequent TV deals for income. The Mister Rogers film will air on PBS in 2019. CNN started running "RBG" on Monday and will also show "Three Identical Strangers." The network's motion-picture division helped produce both.

The image of documentary filmmakers as starving artists is changing, said Mr. Donaldson, whose firm, Donaldson & Callif, represents several of them. "A run-of-the-mill documentary—the sales prices are not eye-popping in any way, but they're there. You're going to get some of your money back," he said. "You really have to make a bad film to not be able to

sell it in this day."

Industry veterans differ on whether the documentary boom will last. Mr. Neville, who has seen banner years come and go, said he isn't sure this era will endure.

Thom Powers, who programs documentaries for the Toronto International Film Festival, said the momentum is likely to continue with this year's gathering. The festival, which opens Thursday, will feature more than 10 highly anticipated documentaries with sales agents attached, he said, more than in most years.

David Linde, CEO of Participant Media, which acquired "RBG" with Magnolia Pictures, has high hopes. "Audiences are inspired by these movies and want to see them, and distributors are becoming increasingly confident in their ability to distribute them," he said. "I don't think that's going to stop."

## BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

## WHO SHOULD PAY ON A DATE? IT'S COMPLICATED



39% wished men would reject their offers and 44% said they were bothered when men expected them to help pay.

There is no longer a dating script, says David Frederick, associate professor of psychology at Chapman University in Orange, Calif., and a co-author on the study. "Many women will offer to pay, and so men are in a bit of a pickle as they try to figure out if it's a genuine offer, or if it's part of a dating ritual," he says.

Dr. Frederick, who is 38, says that before he met his girlfriend he navigated this scenario with a "sleight of hand." "If the woman

made an offer to pay, I usually took the strategy of saying, 'No, no, I've got it. You can get it next time.'

He says this was a safe strategy because some women would have lost interest if he split the bill; it allowed him to be generous while also showing that he supports equality; and it helped him figure out what the woman really wanted.

Traditionally, men have paid for courtship because men had the money. They thought of themselves as chivalrous, respectful and protective when they paid. Then women entered the workforce, the

feminist movement attempted to level the playing field, and women began offering to pay. They want to signal their independence, show that they aren't looking for a free ride, and prevent the perception that they owe their date anything.

The Sage Open study found that nearly half of women aged 55 and older and a fifth of women aged 18 to 25 prefer to pay on a date because it makes them feel less pressured to engage in sexual activity later. Sixteen percent of all male participants said they expected sex if they paid for the date.

Although no one wants to admit it, both men and women are often still uncomfortable when a woman offers to pay on a date. Men sometimes feel emasculated. They also wonder if a woman's insistence on paying is a signal that she isn't interested in them romantically. And many women—even the most independently minded—feel that when a man lets them pay, he's not a gentleman and he's not that serious.

"You will be hard-pressed to find a woman who doesn't feel at least a hiccup of hesitation if a guy were to let her pay on the first date," says Kerry Cronin, associate director of the Lonergan Institute at Boston College, a philosophy research organization, who lectures about dating on college campuses. "We are all about equality and not wanting to be controlled and not wanting to be expected to have

sex. But the reality is that there are these deeply held meanings and values about dating and how we want to be treated."

There is an evolutionary reason for this, says Helen Fisher, a biological anthropologist and senior research fellow at the Kinsey Institute at Indiana University Bloomington. "Women want to know if a man will spend his resources on her," she says. "For millions of years they needed a partner to provide for their young, and they keep looking for that signal."

So what's a courting couple to do? Splitting the check doesn't seem quite right, says Boston College's Dr. Cronin. "It feels like we are two individuals who just arrived at the coffee shop at the same time," she says. "And a date feels like it should be an opportunity to care and treat another person." She tells students that who ever asked for the date should pay.

Mr. Katz continued to see the woman who had insisted he take her money at the movie theater—at least for a while. After that first outing, he always let her pay for herself.

Then one day she told Mr. Katz that she was hurt he never treated her. Stunned, he reminded her how she'd insisted on paying for herself on the first date and said he thought he'd been respecting her wishes.

Her response? "She said I should have tried again," he says.

## LIFE &amp; ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

# Hanging Ten While Staying Dry

A Denver attorney got hooked on indoor surfing as a way to improve core strength and balance for skiing and hiking

**ADRIENNE SCHEFFEY** has found a way to get her surf on without worrying about ocean hazards like jellyfish and sharks. Or water, for that matter. She hangs 10 in a studio more than 1,000 miles from the closest ocean. The Denver-based labor and employment attorney is a regular at a surfing gym.

The studio, called City Surf Fitness, is equipped with surfboards secured atop stability balls set 10 to 12 inches off the floor. The extra wobble forces you to recruit your stabilizing muscles to stay on the board while performing exercises like squats and lunges.

Ms. Scheffey, 30, went to law school in Miami but was always too intimidated to try surfing. When she moved to Denver after graduation in 2015, she joined ClassPass, which lets users sample boutique workouts for a monthly fee. Intrigued by the idea of indoor surfing, she tried City Surf, one of the pass offerings. "I thought it would be a novelty, but it quickly became my favorite workout," she says.

It isn't unusual for Ms. Scheffey to work 12-hour days. She says juggling different classes at different studios wore her out. But the surf workout combined the benefits of the others. "I was strengthening my core and stabilizing muscles, regularly doing high-intensity cardio and also lifting more than I did in most other group courses," she says. "I loved that it wasn't monotonous, like running on a treadmill, or competitive, with leaderboards."

Much like real surfing, the workout forces participants to be in the moment. "When I'm on the board I have to focus on the move I'm performing," she says. "I even forgot about work emails." Ms. Scheffey has noticed the benefits of a stronger, more stable lower body. She says her legs don't burn out as quickly on the ski slopes or hiking trails.

An added bonus is that her fiancé, Vikrama Chandrashekhar, also an attorney, enjoys the workout. The classes have allowed them to get in shape together ahead of their September wedding. She jokes that the workout has replaced romantic dinners or movie nights, which neither of them has time for with work. "Many days of the week, City Surf is the only thing that gets us away from our desks," she says. "It's our standing weekly date."

## The Workout

Ms. Scheffey tries to attend the 6:15 a.m. class twice during the



Adrienne Scheffey, a Denver attorney, does surfing-themed workouts that combine high-intensity cardio and strength and stability training.

workweek and attends a later morning class on the weekend. She alternates between cardio and strength-specific workouts. Participants spend the majority of each 50-minute class on the board. Some moves are surf-inspired, like the paddle out, where you lie on your stomach and pretend to swim, and the pop-up, where you push up from your belly and jump into a surf stance on the board.

In cardio classes, they might jump up and over the board or jump onto the board landing in a squat position. In strength classes resistance bands are added to the board so students can do biceps curls and triceps extensions.

Ms. Scheffey says exercises like push-ups, squat jumps, lunges and burpees are twice as challenging on the surfboard. She likens the workout to performing exercises on the flat side of a BOSU ball. "It kicks my butt every time," she says. "I've always done exercises that work my big muscles. But this works all of my small, stabilizing muscles, particularly around my knees."

## The Diet

Ms. Scheffey makes French press coffee each morning. "I love half and half," she says. "That's my cheat." Peach-flavored fat-free Greek yogurt is her go-to breakfast. Lunch is often leftovers. Her fiancé is from southern India and



eats a mostly vegetarian diet. Lentil-based dishes and salads are staples. Dinner might be couscous salad with vegetables and tzatziki sauce or vegetable sambal.

## The Gear &amp; Cost

"I love that workouts at City Surf are done barefoot," Ms. Scheffey says. "I can't tell you how many times I have forgotten sneakers or worse, socks, at the gym and then I have to decide whether I skip my workout or have



sweaty feet." She keeps a set of leggings and a sports bra in her work bag with her laptop. She pays \$50 a month for her membership with Fabletics, a women's athletic-wear subscription retailer. An unlimited membership at City Surf Fitness costs \$119 a month.

## The Playlist

"I like older pop and '90s rap," she says. "Despacito" by Luis Fonsi is her push song. "It changes the energy in the room," she says.

## Strike a Balance at The Gym

Younger adults should be concerned with their balance, says Cedric Bryant, president and chief science officer of the American Council on Exercise in San Diego. "We think of balance as an older person's problem because we hear about older people falling and breaking a hip," he says.

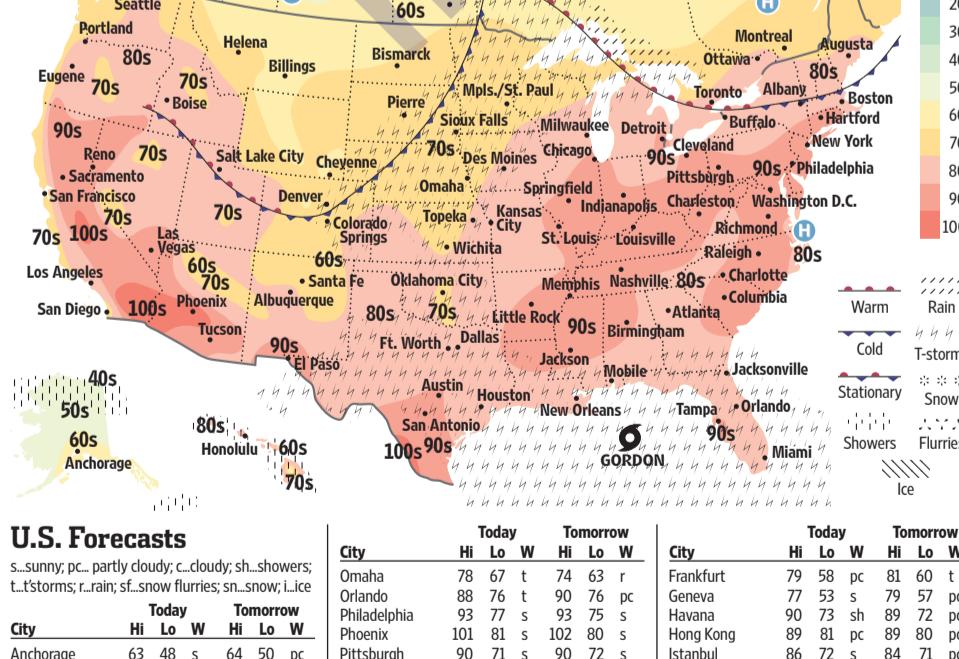
A 2016 study published in the Journals of Gerontology showed that balance tends to start to decline in midlife. "As we age, we tend not to engage in activities that require us to display balance and stability," he says. Keeping your core and lower extremities strong will help maintain good balance.

Dr. Bryant suggests incorporating static balance poses into everyday life. Stand on one leg for 30 seconds and then switch during commercials or while you brush your teeth. To up-level, try closing your eyes or standing on a pillow or stability disc. At the gym, try doing dumbbell exercises, like biceps curls, while balancing on one leg and eventually on an unstable surface like a BOSU ball.

Improving your balance can also be fun. "Grab your kids and play a game of hopscotch," he says.

REBECCA STUMPF FOR THE WALL STREET JOURNAL

## Weather



## U.S. Forecasts

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

| City          | Today |    |    | Tomorrow |    |    |
|---------------|-------|----|----|----------|----|----|
|               | Hi    | Lo | W  | Hi       | Lo | W  |
| Anchorage     | 63    | 48 | s  | 64       | 50 | pc |
| Atlanta       | 88    | 73 | pc | 89       | 73 | pc |
| Austin        | 90    | 71 | t  | 92       | 72 | t  |
| Baltimore     | 93    | 74 | s  | 93       | 73 | s  |
| Boise         | 89    | 59 | s  | 95       | 63 | s  |
| Boston        | 87    | 69 | pc | 84       | 70 | pc |
| Burlington    | 82    | 65 | pc | 89       | 72 | pc |
| Charlotte     | 90    | 73 | s  | 90       | 72 | t  |
| Chicago       | 90    | 73 | s  | 86       | 63 | t  |
| Cleveland     | 91    | 74 | s  | 92       | 72 | s  |
| Dallas        | 84    | 73 | t  | 89       | 74 | t  |
| Denver        | 79    | 53 | t  | 72       | 55 | t  |
| Detroit       | 90    | 72 | pc | 91       | 69 | s  |
| Honolulu      | 90    | 77 | sh | 89       | 77 | pc |
| Houston       | 84    | 75 | t  | 88       | 75 | t  |
| Indianapolis  | 90    | 70 | t  | 90       | 70 | s  |
| Kansas City   | 84    | 71 | c  | 78       | 68 | t  |
| Las Vegas     | 96    | 77 | s  | 97       | 78 | s  |
| Little Rock   | 90    | 72 | s  | 87       | 72 | t  |
| Los Angeles   | 81    | 65 | pc | 82       | 65 | pc |
| Memphis       | 88    | 77 | t  | 89       | 75 | pc |
| Minneapolis   | 86    | 72 | pc | 81       | 61 | t  |
| Nashville     | 93    | 73 | s  | 90       | 73 | pc |
| New Orleans   | 85    | 76 | r  | 86       | 78 | r  |
| New York City | 92    | 77 | s  | 75       | 75 | s  |
| Oklahoma City | 77    | 66 | t  | 80       | 68 | t  |

## International

| City         | Today |    |    | Tomorrow |    |    |
|--------------|-------|----|----|----------|----|----|
|              | Hi    | Lo | W  | Hi       | Lo | W  |
| Amsterdam    | 75    | 60 | sh | 73       | 59 | sh |
| Athens       | 93    | 74 | s  | 92       | 72 | s  |
| Baghdad      | 110   | 77 | s  | 110      | 76 | s  |
| Bangkok      | 89    | 78 | t  | 89       | 77 | t  |
| Beijing      | 89    | 64 | s  | 89       | 67 | pc |
| Berlin       | 77    | 56 | s  | 75       | 58 | pc |
| Brussels     | 74    | 60 | c  | 74       | 60 | sh |
| Buenos Aires | 70    | 52 | s  | 73       | 54 | pc |
| Dubai        | 110   | 92 | s  | 106      | 92 | s  |
| Dublin       | 62    | 46 | s  | 64       | 45 | c  |
| Edinburgh    | 62    | 43 | p  | 63       | 44 | c  |

## The WSJ Daily Crossword | Edited by Mike Shenk



## DIMINISHED RETURNS | By Gary Cee

## Across

- 1 Monte dealer's accomplice
- 31 In disrepair
- 33 "Insecure" czar
- 10 "Aw, nuts!"
- 14 Mike's pickup
- 15 Emmy winner Kudrow
- 16 "Lovely" girl in a Beatles song
- 17 Dumbbell, e.g.
- 19 Omar of "Shooter"
- 20 Airline app datum
- 21 Rugged rock face
- 22 Gold purity measure
- 23 Data storage
- 26 What boosters boost
- 29 Busybody

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

## 6 Epic poem of the Trojan War

## 7 Mortensen of "Captain Fantastic"

## 8 Tough wood

## 9 D.C. baseball player

## 10 Imagined

## 11 Loud and lively

## 12 For face value, as bonds

## 13 Delish

## 18 White-tailed eagle

## 22 Country bordering Lake Victoria

## 23 Hindu princess

## 24 Some revolve around Mars

## 25 Dole (out)

## 26 Uncanny luck

## 27 Composer's creation

## 28 Gulf of Mexico catch

## 31 Mikhail Gorbachev's first lady

## 32 Bottom-row key

## 34 Stake in a pot

## 35 Problems in an all-star cast

## 37 Gathering of witches

## 38 It comes with the Magic Keyboard

## 39 Iranian currency

## 44 "My Favorite Year" star

## 45 Print at an angle: Abbr.

## 46 "Anything you want"

## 47 Realm of a biblical queen

## 48 Poisonous

## 49 Farfalle or pappardelle

## 50 "My guess is..."

## 53 "Cimarron" writer Ferber

## 54 Within earshot

## 55 Prohibition proponents

## 57 Some discography listings

## 58 Deep fryer's fill

## 59 Prop for Paul Bunyan

## Previous Puzzle's Solution

COGNAC S VIOLATE  
OHRIGHT AMHERST  
PIONEER LENGTHY  
SLOWSEE LAOPAP  
TALLRAMEN JAPE  
ONSET KAY DUPES  
BARBS BIDED  
CATTYCORNERS  
COLOR CRT HALTS  
ALANORALB WART  
VOWGRE ARI TAE  
INACOMA SUNSIGN  
AEROBAT TITANIC  
RLSTINE STOMACH

The contest answer is the CHESHIRE CAT from "Alice in Wonderland." The three hints at 35-Across are (1) the answer is a cat; (2) you look in the four corner squares to find it; and (3) you move one space "catty-corner," or diagonally, inward from each corner square. Performing steps (2) and (3) four times, moving clockwise from the upper left, spells out CHESHIRE.

## LIFE &amp; ARTS

## ART REVIEW

# Seeing Her Worldview In a Circle

Howardena Pindell's favorite motif connects a childhood memory to much of her work

BY JAMES PANERO

*Richmond, Va.*

**THE ART OF** Howardena Pindell comes back around to the circle. In "What Remains to Be Seen," her 100-work retrospective now on view at the Virginia Museum of Fine Arts, there are brushed circles, sprayed circles, and circles punched out of paper. There are paper disks, thousands of them numbered by hand, and the holes from which they were cut. And there are depictions of stars and planets—in her 40s, Ms. Pindell took up the study of astronomy: Orbs of color and light cluster together in dense, spiraling constellations of collage.

In her life, as in her work, Ms. Pindell resists the easy fit. As a black woman, in 1967, she became a pioneering graduate of the Yale School of Art. While continuing to paint, she joined New York's Museum of Modern Art as its first black female curator. "We owe our vocation as career curators to the trail blazed by Pindell," write this exhibition's organizers, Valerie Cassel Oliver of the VMFA and Naomi Beckwith of the Museum of Contemporary Art Chicago, where the show originated. (On Jan. 24, 2019, the exhibition will open at Brandeis University's Rose Art Museum in Waltham, Mass.)

With her wide-ranging style and broad use of materials, Ms. Pindell has long been a round peg in a square hole. Enigmatic at times, didactic at others, she is an innovative abstractionist who also works in photography and video.

Ms. Pindell, now age 75, says the recurring motif of the circle, connecting much of her art, goes back to a childhood memory. While traveling with her father—a mathematician who influenced her own interest in statistics—she stopped at a root-beer stand and looked down at the red circle painted on the bottom of her mug. The symbol designated

the mugs for use by blacks only. "I see that as the reason I have been obsessed with the circle," Ms. Pindell recounts in the exhibition catalog, "using it in a way that would be positive instead of negative."

In Richmond, where this exhibition is divided between two sections at opposite ends of the museum, the show opens in a gallery that follows Ms. Pindell's circular developments on canvas. In her early paintings, such as "Space Frame" (1969), circles appear to orbit in square grids. By the early 1970s—for example in a canvas recently purchased by the VMFA—the circles have become dots, sprayed through the holes of hand-

creasing stridency. Her canvases, now left unstretched, are cut up and stitched back together.

While the first section of this exhibition displays Ms. Pindell's range on canvas, the second shows her diversity of media. Here, works on paper are encrusted in shimmering material. Watercolor, gouache, crayon, ink, punched papers, spray adhesive, and thread may appear in a single composition. Collages made out of postcards from her many travels are cut into mesmerizing designs. Meanwhile, a suite of video work demonstrates the range of her art. In the mid-1970s, and again in 1988, Ms. Pindell took photographs of her television set, which she appended with cryptic notations on sheets of acetate adhered through static to the screen. "Free, White and 21," a harrowing 12-minute video performance piece of 1980, speaks to her work's confessional turn, as her biography became her subject matter.

"Things cycle back around in Pindell's work," note the co-curators of this exhibition. While it may have complicated her career, her art's nonlinear progression speaks to her aesthetic independence and suits the divided arrangement of this show. I could have used a trail of chads to connect the two sections, but a walk through the VMFA's encyclopedic collection hints at the many sources of Ms. Pindell's elliptical art, from Washington Color School painting to African textiles. As her latest works at one end of the museum—swirling abstractions such as "4C the Planets" (2007) and "Night Flight" (2015-16)—recall her earliest paintings at the other, we see her art come full circle.

## Howardena Pindell: What Remains to Be Seen

Virginia Museum of Fine Arts, through Nov. 25

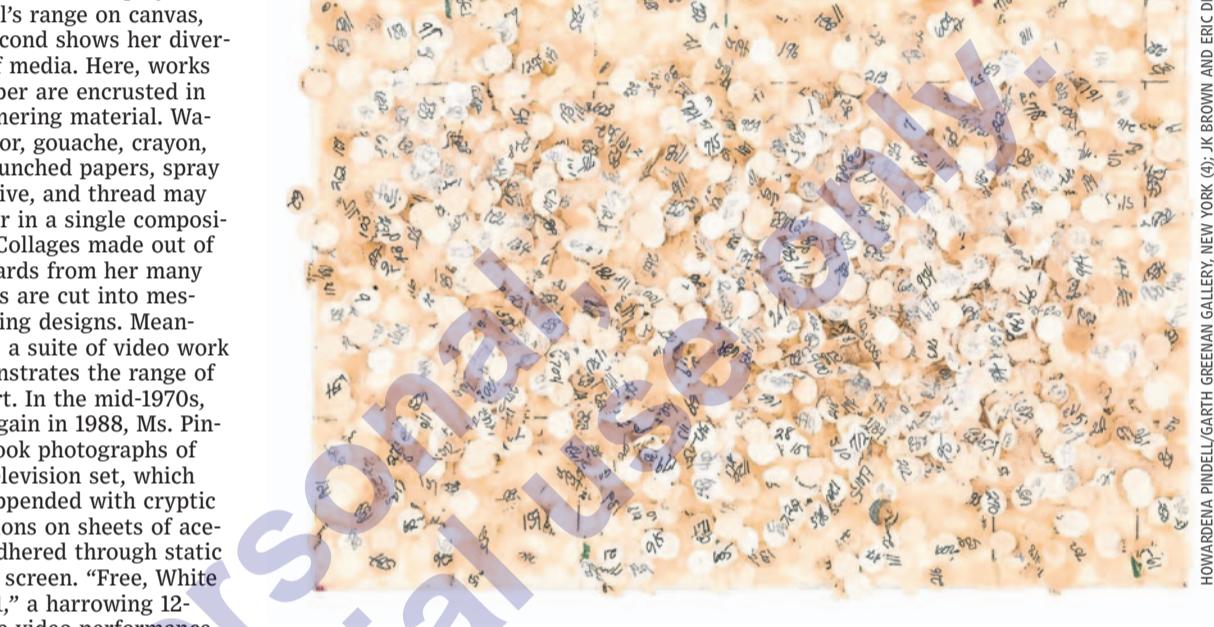
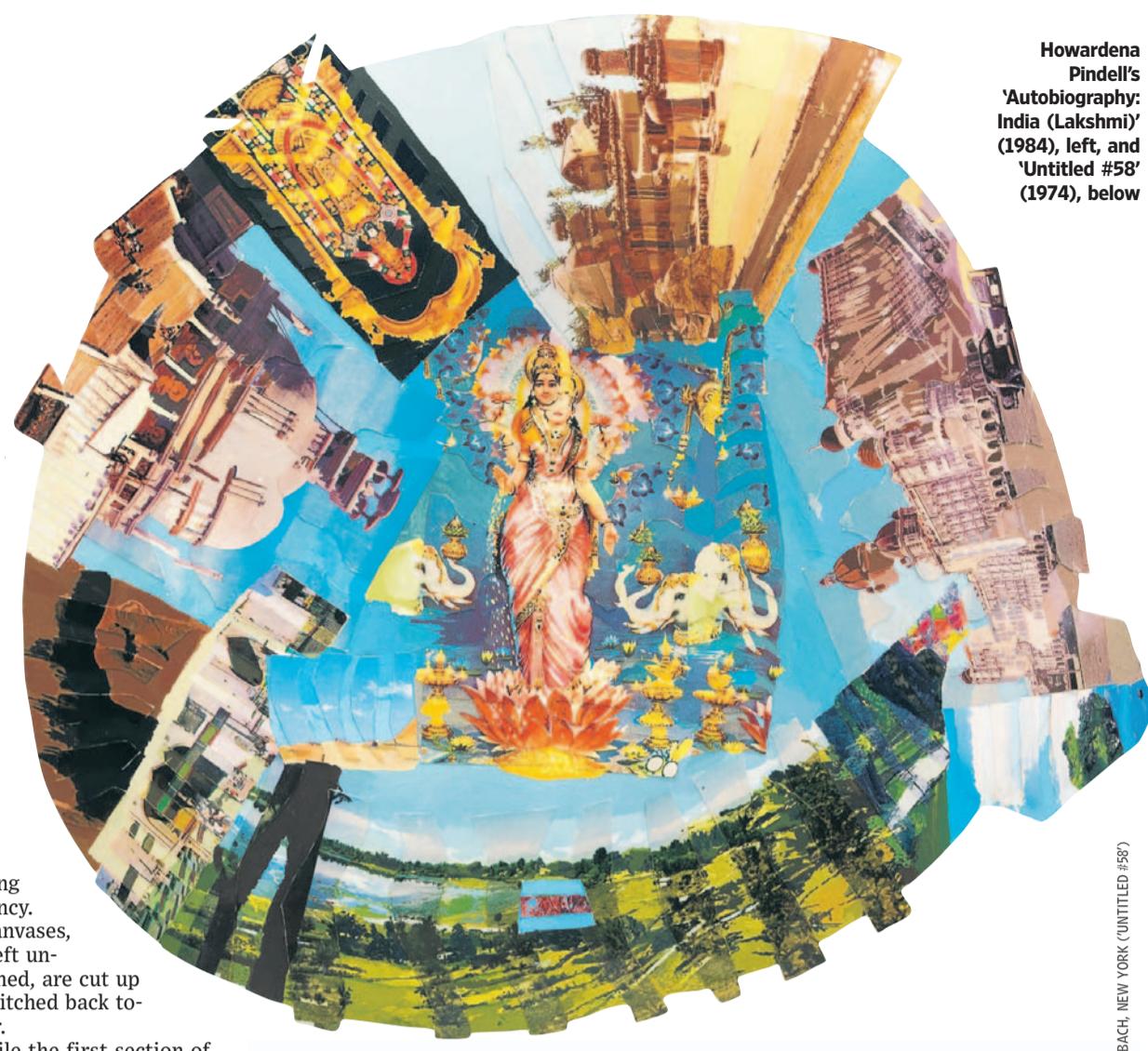
*Mr. Panero is the executive editor of the New Criterion.*



Her art's nonlinear progression speaks to her aesthetic independence

made templates, while the hole-punches themselves reappear as dappled chads pasted on the canvas surface.

In 1979, Ms. Pindell's art pivots around two events: her departure from MoMA for a professorship at Stony Brook University, where she continues to teach today, and a serious car crash that affected her memory and sight. Politics, once sublimated in her abstractions, bubbles up to the surface. Words and images appear in her compositions with in-

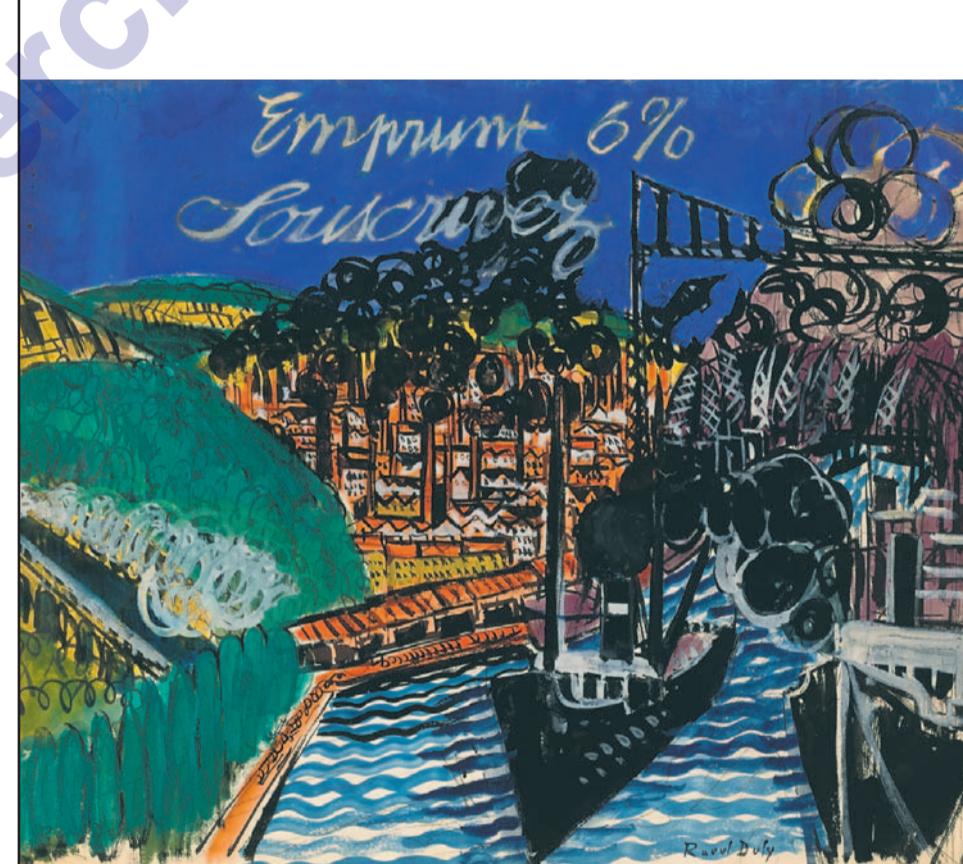


Howardena Pindell's 'Autobiography: India (Lakshmi)' (1984), left, and 'Untitled #5B' (1974), below

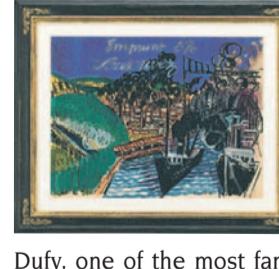
HOWARDENA PINDELL/GARTH GREENAN GALLERY, NEW YORK (4); JK BROWN AND ERIC DIEFENBACH, NEW YORK (5)



Howardena Pindell in her 'Free, White and 21' (1980), top center; the artist's 'Space Frame' (1969), above, and 'Untitled #5B (Krakatoa)' (2007), below



## PATRIOTISM IN PAINT RAOUL DUFY



Celebrated painter. Postwar commission. French resilience. This vibrant gouache by Raoul Dufy is not only a work of exceptional artistry, but also represents an important period in history. It was a special commission ordered by the French government, who sought to encourage people to join the reconstruction efforts after WWI. The government turned to

Dufy, one of the most famous artists of the day, to create this work as an advertisement seeking subscribers to a rebuilding loan paying 6% interest. Today, the original painting represents one of the most effective patriotic campaigns of all time. Circa 1919. Signed (lower right). Paper: 19" h x 25" w; Frame: 28" h x 33 3/4" w. #30-7592

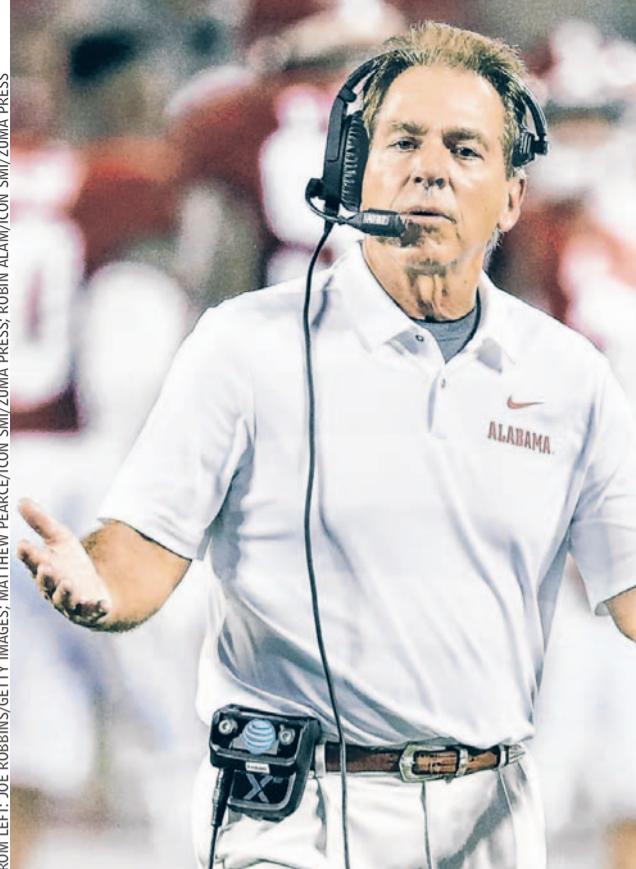
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## SPORTS



Nick Saban, left, has Alabama in top form; LSU linebacker Jacob Phillips, center, celebrates during a win over Miami; Michigan coach Jim Harbaugh, right, during a 24-17 loss to Notre Dame.

COLLEGE FOOTBALL | By Jason Gay

# Nick Saban Is Already Cranky

**BY JASON GAY**  
The first weekend of college football is (almost) a wrap. As is the new norm, a lavish buffet of school-based gridiron action was spread over Thursday, Friday, Saturday, Sunday—and Florida State played Virginia Tech Monday!—for the benefit of the people who matter most in college athletics: network television executives.

One of these years, someone is going to program a college-football game at 3 a.m. on Tuesday morning, right up against an infomercial for a robot dog walker, and you know what? It will probably be a hit. (The college football game—not the robot dog walker. Though who couldn't use a robot dog walker now and then?)

Maybe universities should just play a 24-hour run of college football games—nonstop college football, around the clock. Oh wait: They already did that with college basketball! Beautiful. Remember friends, when you think college sports, it's all about the kids—and by kids, I mean middle-aged vice-presidents of programming.

You'd think someone in college football may wonder if they've

sold out too hard to television—look no further than Journal reporter Rachel Bachman's recent story on declining attendance rates for major college football games. Attendance is down, even more than previously reported, and Bachman writes that TV is largely the culprit: the home-watching experience is superior to sitting in the stands; there are a zillion games to watch; networks are constantly flipping around game times to accommodate the TV schedule; and four-hour, commercial-interrupted games are an agonizing nightmare to watch in person.

It's television, not schools, who rule college football's roost—even more so now that there's a playoff, which undoubtedly will expand and further diminish the regular season.

Until then, here are a few notable developments from Week 1. As always, this column may contain a few misstatements, but in the words of a recent college football investigation, they are not deliberate, so no big deal.

**Alabama is No. 1 and Nick Saban's Grumpypants are in Mid-season Form.** The Crimson Tide

are right where you left them at the end of last year: undeniably, aggravatingly the best team in college football. If there's any suspense with Bama in the early season, it exists at quarterback, where the Tide have two high-level choices: junior Jalen Hurts, who led Alabama to back-to-back title games, and sophomore Tua Tagovailoa, who stepped in and pro-

**It's TV, not schools, who rule college football's roost—even more so now that there's a playoff.**

pelled the Tide to last season's playoff title. Tagovailoa very much looks like the top man here—he was the better QB in Alabama's 51-14 pancaking of Louisville, but don't ask Saban about naming a starter, without risking Nick-lash! Saban was very curt with ESPN after Saturday's game, telling reporter Maria Taylor to "quit asking" him about the choice, even though the reason Saban makes

many millions and is worshiped as NICK SABAN, KING OF COLLEGE FOOTBALL is the endless attention and largesse of network TV. He apologized for it later, but ask yourself: how many national championships has a calm, sweet, laid-back Nick Saban ever won? Asking Saban to be pleasant with the media is like asking Grumpy Lobster Boat Captain Bill Belichick to open a frozen daiquiri stand in the Florida Keys. I'm penciling in the Tide to the title game in Santa Clara on Jan. 7, 2019.

**LSU lost another big early season game and its aggrieved fans are again losing their minds.**

Wait. No. The Tigers won against No. 8 Miami. Whoa. That's new. Never mind. Congrats LSU! Geaux Tigers!

**Texas lost another big early season game and its aggrieved fans are again losing their minds.** Well, this one is true. For the second consecutive year, the Longhorns were turtle bait, falling to the Maryland Terrapins.

**The Chip Kelly Era began at UCLA with an impressive display of...does anyone know what that was?** Kelly sure has had himself some coaching jobs in recent

years: Oregon Ducks, then the Philadelphia Eagles, then the San Francisco 49ers, and now the UCLA Bruins, where he arrived with fanfare and that famous secrecy, treating a football club like it's a revolutionary prototype of a car that runs on acorns and Cheez-Its. Well, the big secret's out, and it looks to be a rather ordinary football team, which lost to underdog Cincinnati 26-17.

**Appalachian State nearly did it again.** The Mountaineers were oh so close to another historic upset versus Penn State, only to have the Nittany Lions rally to win in overtime. Appalachian State has won this sort of game before, which reminds me...

**Yeah, Michigan lost.** To Notre Dame. Look, I don't want to make too big a deal about it. I want to take the high road...at least until the Wolverines play my Wisconsin Badgers on Oct. 13. Besides, I don't want to vanquish a struggling Michigan and an embattled Mr. Khakipants...I want to play Mr. Khakipants at full khaki strength, not when he's the rumored next coach of the Browns. I'm a classy guy. OK, that's a deliberate misstatement.

## SOCCER

# LIVERPOOL'S HANDS-ON APPROACH

BY JOSHUA ROBINSON

The only part of a soccer match when field players use their hands tends to be the most uneventful. The ball goes off the field and the players mill around until someone wings it back into play. That's pretty much it. It happens 40 to 50 times a match and no one gives it much thought.

That is until a hipster German soccer manager met a Danish former bobsledder in the Northwest of England.

The manager was Liverpool's Jurgen Klopp, who was plotting to topple Premier League champion Manchester City. And the Danish former bobsledder made a living coaching soccer's most overlooked skill. "To be honest, I'd never heard about a throw-in coach," Klopp said.

Once he did, he knew there was only one man for the job. Thomas Gronnemark, a 42-year-old from small-town Denmark, who travels to clubs convincing them that throws-in are worth obsessing over. Though Gronnemark has never played professional soccer, his credentials speak for themselves: he holds the Guinness world record for the longest soccer throw-in at 56.1 yards. His attempt featured a forward roll.

"I'm thinking about throw-ins every day," Gronnemark said in a phone interview. "I'm doing this the past 15 years because I'm passionate about throw-ins. I love

throw-ins."

The skill is so narrow and so esoteric that, as far as he knows, Gronnemark has no competitors in the field.

"Too many people have accepted that if a throw-in is bad, that's just the way it is," Gronnemark said.

And yet, they happen all the time. Deployed correctly, they can spark counterattacks, relieve pressure, and even lead to goals. One club Gronnemark worked with, FC Midtjylland of Denmark, treated throw-ins like set plays last season and scored 10 goals on the way to championship.

In the Premier League, meanwhile, last season saw only one goal begin with a throw-in. The season before saw just four.

Throw-in technique isn't as simple as it looks. To comply with the rules, the thrower must keep both feet in contact with the ground, use both hands and bring the ball behind their head. If that seems an unnatural way to throw a ball, it's because it is. The whole point is to keep the throwing component of soccer inconsequential.

Gronnemark is building a career doing the opposite.

For \$99, he will teach you his secrets in a series of videos on his website. For slightly more, he'll come to your club and show you. The most successful throwers use their whole bodies to deliver the ball, bowing their legs, core and back to generate maximum distance and accuracy.



Liverpool's Trent Alexander-Arnold prepares to take a throw-in during a match against Crystal Palace on Aug. 20

"When I heard about Thomas, it was clear to me I wanted to meet him," Klopp said. "When I met him, it was 100% clear I wanted to employ him."

The search for market inefficiencies is baked into everything Liverpool does, from club owner John W. Henry, who pushed for Moneyball methods at the Boston Red Sox, all the way to Klopp's overhaul of the players' lunch. So finding an edge in something that actually happens on the field seemed like a no-brainer.

Gronnemark now visits Liverpool's training ground sporadically to train youth players and the first team. He was not at liberty to discuss the specifics of his work with Klopp. Gronnemark preaches the gospel of what he calls "fast" and "clever" throws, which he insists can be worked into the tactics of quick-passing, possession-oriented teams. "One of the biggest chal-

lenges is that throw-ins have been seen as something primitive," he said.

The reason they're treated like caveman soccer is that using your hands in buildup play doesn't sit well with the purists. They see it as cheap, a tactic of desperation employed traditionally by struggling teams.

In fact, no one weaponized the throw-in like perennial strugglers Stoke City, who relied on the unusual soccer talent of midfielder Rory Delap: throwing the ball really, really far.

Combining his missiles from the sideline with the team's size and ability in the air, Stoke could suddenly turn every throw in the attacking third of the field into potential danger. From 2009 to 2014, a five-season spell that encapsulates most of Delap's time at the club, Stoke generated 162 attempts from Hail Mary throw-in situations

and scored 15 goals, according to Opta Sports, by far the most of any team in the major European leagues.

At no point, however, did Stoke hire a throw-in coach.

That's because soccer has historically resisted specialized coaching for everyone but goalkeepers, whose job is so different it's practically a different sport. A small handful of teams have employed coaches to focus solely on defensive aspects and even fewer have tapped set-piece specialists, but those would be the exception.

But if Liverpool is going to challenge an era-defining Manchester City for the title, it needs all the cutting-edge help it can get.

"We have the fitness, medical department, we have the nutrition, and now we have somebody for throw-ins," Klopp said. "You cannot have enough specialists around you."

## OPINION

## An Ocasio-Cortez for the GOP?

MAIN STREET  
By William McGurn

When 28-year-old Alexandria Ocasio-Cortez came from nowhere to defeat Rep. Joe Crowley in the Democratic primary for New York's 14th Congressional District, she became a media darling overnight. Time magazine called her win "the biggest upset of the 2018 elections so far." Within days Ms. Ocasio-Cortez was appearing on "The Late Show with Stephen Colbert" and "The View."

Now Republicans looking for their own Ocasio-Cortez think they may have found her. Meet Elizabeth Heng—a Republican running in California's 16th Congressional District. Like Ms. Ocasio-Cortez, Ms. Heng is young (33). Like Ms. Ocasio-Cortez, she's a racial minority (Cambodian). And like Ms. Ocasio-Cortez, she's a millennial female running against an established male politician.

What makes her race interesting is California's "jungle" primary system, in which candidates of all parties run against one another. The top two finishers then face off in November's general election. California's 16th is a reliably blue district in a state practically synonymous with the term "blue." But a funny thing happened on the way to this year's primary: The virtually unknown Republican

## OPINION

## REVIEW &amp; OUTLOOK

## The Kavanaugh Hazing

**T**he Senate Judiciary Committee opens confirmation hearings for Supreme Court nominee Brett Kavanaugh on Tuesday, and don't expect the "bipartisanship" that everyone extolled at John McCain's memorial services last week. Democrats are out to tarnish the nominee even if they fail to defeat him, and the main goal is to drive voters to the polls to elect a Democratic Congress in November.

Toward that end, you will hear that the 53-year-old judge will join four other conservatives on the High Court eager to eviscerate the rights of Americans. You will hear they want to require back-alley abortions, deny contraception to women, end gay marriage, strip voting rights from minorities, empower corporations to crush workers, and remove constitutional checks and balances on Donald Trump so he can reign supreme.

Have we missed anything?

The hyperbole of the attacks is self-refuting. No Court with Chief Justice John Roberts as the swing vote is going to overturn precedents willy-nilly, even if an originalist interpretation of the Constitution suggests that it should. The Court has other things to consider, such as how deeply precedents have become embedded in law and social practice.

A classic example is the *Miranda* warning when police arrest a criminal suspect. Justice William Rehnquist was a critic of that 1966 decision, but in 2000 he refused a chance to overturn the ruling because the warning had been universally in use for so long. Likewise, a conservative Court will not overturn thousands of legal same-sex marriages.

The real reason Democrats are furious about a Court with five conservatives is that it may no longer be an engine of progressive policy. If liberals want to guarantee a minimum income or a right to suicide, they will have to persuade voters and pass it democratically. No longer will five or six Justices be able to find such rights in the "penumbras" and "emanations" of the Constitution.

Or at least that is our hope. No one can know how a Supreme Court Justice will rule, and some Justices change as the decades go by. Sandra Day O'Connor began as a conservative but moved left over the years on race and other issues. Some conservatives fear that Judge Kavanaugh, as a denizen of the Beltway, will also be pulled left by the forces of liberal social conformity.

He will suddenly have a new set of courtiers, and the media will treat him like one of B.F. Skinner's pigeons. They'll assail him as they

### Democrats fear the High Court will no longer be a liberal legislature.

now do Justices Clarence Thomas or Samuel Alito when he rules the way they dislike, while rewarding him as they did former Justices Anthony Kennedy and O'Connor if he moves their way. Judge Laurence Silberman on the D.C. Circuit Court of Appeals calls this "the Greenhouse effect," after a liberal reporter who covered the Court.

Our sense from reading Judge Kavanaugh's essays and opinions—he wrote more than 300 on the D.C. Circuit—is that he has the personal and constitutional grounding to stand up to such hazing. There is also now enough of a conservative counterculture in the Federalist Society and courts that he will get some reinforcement for originalist rulings.

On this point, one question is what Judge Kavanaugh thinks about issues that divide legal conservatives these days. Is he closer to J. Harvie Wilkinson of the Fourth Circuit who roundly criticized the *Heller* gun-rights ruling as conservative activism? Or is he more like Justice Thomas in a willingness to revisit doctrines that prevailed before the era of liberal judicial activism of the 1960s? GOP Senators might try to elicit some insight from Judge Kavanaugh on these questions this week.

By the way, readers can ignore the Democratic protests about the GOP failure to produce more documents from Judge Kavanaugh's tenure in George W. Bush's White House counsel's office. The Trump Administration decided to withhold some 101,000 document pages entirely under executive privilege and allow Senators and their staff to view 147,000 or so in a secure room on Capitol Hill.

Minnesota Senator Amy Klobuchar said Sunday that this is "not normal." She must be running for President, because the process is similar to how the Obama White House handled documents related to Elena Kagan. We're told no Democratic Senators had bothered to look at the documents by Monday. Judiciary Chairman Chuck Grassley also said he'd support Senator Klobuchar's request to make some of those documents public if she wishes. She has not done so—which suggests how little of political consequence is in those pages.

As long as Republicans stay united, they can confirm Judge Kavanaugh without a Democratic vote. But if it looks as if confirmation is assured, don't be surprised if Minority Leader Chuck Schumer gives a pass to some of the Democrats running for re-election in conservative states this year. Mr. Schumer wants to show he is fighting as hard as possible to defeat Judge Kavanaugh, but he wants to be Majority Leader even more.

## Good News for the Americas

**T**he crisis in Venezuela threatens to destabilize the Western Hemisphere, but doing something about it requires addressing the support from Cuba that is keeping strongman Nicolás Maduro in power despite his overwhelming unpopularity. Ditto for Daniel Ortega, whose government has been killing fellow Nicaraguans.

One man who understands the Cuban role is Mauricio Claver-Carone, who will soon join the Trump White House as senior director of the National Security Council for Western Hemisphere Affairs. The media call Mr. Claver-Carone a "hard-liner" on Cuba and a staunch defender of the U.S. trade embargo, which is true.

But as the son of a Cuban exile, the 43-year-old Mr. Claver-Carone is also a Catholic Univer-

### A new White House aide knows the Cuban role in destabilizing the region.

sity-educated lawyer who has spent years fighting for human rights in Cuba. As the editor of the blog Capitol Hill Cubans, he showed a sophisticated understanding of how Cuba uses intimidation and propaganda to attack democracy in the hemisphere. Mr. Claver-Carone has extensive experience working with other countries as a senior adviser

for international affairs at the U.S. Treasury and acting U.S. executive director at the International Monetary Fund.

The world has stood by as more than 2.3 million Venezuelans suffering under socialist deprivation have been forced to flee their collapsing country. Mr. Claver-Carone's arrival is a sign that the White House is serious about addressing the root cause of the problem.

## ObamaCare's Hotel California

**D**emocrats say they're champions of health care for all, but that narrative needs a reality check. Progressives around the country are working to outlaw insurance products that could cover Americans who have no other affordable options.

On Governor Jerry Brown's desk is a bill that bans the sale of short-term, limited-duration insurance in California. The Trump Administration recently issued rules on the plans, which don't have to comply with Affordable Care Act mandates. The coverage can now last up to a year, which was the norm before the Obama Administration limited the options to three months. Plans also can be renewed for up to 36 months.

The stock line from critics is that the plans are junk insurance because they aren't required to cover, say, mental-health services. But short-term plans are subject to California's state benefit mandates and thus have to cover treatments for diabetes, among other services. They're a bargain compared with the ObamaCare exchanges. In 2017 the average short-term plan sold in California by online broker eHealth cost \$184 a month compared to \$426 for a midlevel plan on the exchanges.

By one estimate some 620,000 Californians would select a short-term plan next year if given the choice, and that's the rub. Sacramento politicians are concerned that the healthy will leave the ObamaCare exchanges, which will drive up premiums for everyone who stays. Yet most people on the exchanges are insulated from premium increases by generous taxpayer subsidies. And why should some Californians pay more for no reason other than to prop up

the left's signature health-care project?

The bill's sponsor, Democratic state Senator Ed Hernandez, says that short-term plans offer a "false sense of security." Translation: He thinks individuals aren't capable of making an insurance decision for themselves. The Trump rule requires that insurers inform customers in a prominent place that the insurance isn't as comprehensive as ObamaCare plans.

But most Americans know this—and many are looking for an off-ramp from ObamaCare. The irony is that the Trump rule would allow "guaranteed renewability" that can protect consumers from higher premiums if they become ill. Michael Cannon of the Cato Institute has noted that such arrangements would allow people with expensive medical conditions to "obtain secure coverage that does not depend on taxpayer subsidies"—that is, without showing up sick at the exchanges. That's better for the health of ObamaCare.

Democrats in Illinois recently tried to prohibit renewability guarantees, among other efforts to clamp down on short-term options, but Governor Bruce Rauner vetoed the bill. Wisconsin Democrat Tammy Baldwin is pushing a resolution under the Congressional Review Act to reject the Administration's short-term rule.

Remember: There is nothing compulsory about short-term plans. Any consumer who concludes the product isn't worth the value is free to sign up on the exchanges. But Democrats are focused on ensuring that no American has that option. Democrats need to update Barack Obama's famous line to its current status: If we like your plan, you can keep it.

### Democrats work to ban an affordable health insurance option.

## LETTERS TO THE EDITOR

### Needed FBI Changes Require Accountability

Regarding Thomas J. Baker's "How to Restore the FBI's Culture" (op-ed, Aug. 28): FBI Director Christopher Wray probably won't be the person to restore credibility at the FBI. He has stonewalled Congress from its rightful access to documents, and when eventually dribbled out, they were heavily redacted and later than promised. The redactions often seemed to conceal information that was embarrassing to Mr. Wray's agency. He acted to remove miscreant agents only when their treachery was publicly exposed and he could no longer protect their continued employment.

Mr. Wray's obfuscation demonstrates a lack of respect for Americans and their elected representatives. He demonstrates complicity with the culture of deceit at the FBI. Nobody above him at the Justice Department has shown a willingness to clean up this mess for which they are responsible.

MYRON D. MARTIN  
Oktatie, S.C.

Conspicuously absent from Mr. Baker's piece is the concept of consequences for those in the FBI and Justice Department who were involved in the "HQ special" that Hillary Clinton got for her email security abuses. The piece reads as if we will move along, forget the email and other debacles, and do better in the future. No point in dwelling on the FISA irregularities either. This approach is totally unacceptable and won't move the FBI toward

fixing the "problems" Christopher Wray acknowledges. The apparent reluctance to fire Andrew McCabe and Peter Strzok, and the fact that Bruce Ohr is still employed, given his role in relaying Christopher Steele's dossier to the FBI, indicates that fixing the problem is still a work in progress.

Laws were broken, sacrosanct FBI protocols were violated and those responsible need to be punished. Where appropriate, jail time and removal from federal employment with loss of benefits will go a long way to reforming a deeply damaged FBI. The clear delineation of responsibilities and consequences for violations must be known and respected by current and future FBI employees. They were ignored by too many in the recent past.

RANDAL S. SCOTT  
Fairfax, Va.

Like Thomas J. Baker, we are chagrined to learn that new FBI agents are no longer given pocket copies of the U.S. Constitution. Cato doesn't accept funding from any government and certainly has no interest in subsidizing the government. But in this case we will make an exception: We hereby offer a copy of our Cato Pocket Constitution—with over six million copies already distributed—to each new agent, with our compliments.

PETER GOETTLER  
President and CEO  
Cato Institute  
Washington

### DeVos Could Do Much Better on Disclosures

Your editorial "DeVos's Gainful Disregulation" (Aug. 18) repeats the claims of Marc Jerome's study which I, as the nonprofit college representative, criticized when he presented it at the department's negotiated rule-making session. Mr. Jerome admitted at the time that public and nonprofit college data weren't comparable to for-profit institutions' data.

The "gainful employment" rule was poorly written eight years ago, but Education Secretary Betsy DeVos's solution is little better. Publishing the earnings information on 46% of undergraduates, the percentage that receive federal student aid, and imputing it to an entire college program is a distortion. College Scorecard earnings data also excludes students enrolled in graduate school, who earn more when they graduate. Creating a system that makes no account for student demographics (socioeconomic, parents' level of education, etc.) penalizes institutions serving first-generation students.

The real metrics for student success favor independent colleges and universities. In Ohio, 8% of independent college students are in federal loan default three years after leaving an institution. This is below the 11% national rate. Public four-year colleges are at 10%, for-profit colleges have a 15% rate and two-year colleges have a 21% default rate.

Nonprofit college students graduate

at a faster rate than those in other sectors. The department should focus its efforts on students misled into enrolling in expensive certificate programs with poor job prospects, rather than the modest earnings of nonprofit college graduates who choose to teach in low-income schools, spread the word of God or nurse the elderly.

C. TODD JONES  
President, Association of Independent Colleges and Universities of Ohio Columbus, Ohio

I was one of the GAO special agents who enrolled undercover in several for-profit colleges. I went to inner-city for-profit schools in which mostly African-American young women, 18 to 19 years old, had agreed to pay \$40,000 for a two-year nursing degree that would cost less than \$10,000 at a community college but there was no community college where they lived. I applaud Ms. DeVos's proposed deregulation which states the Education Department's goal is to "enable students to make informed decisions" before enrollment. Regardless of a college being for-profit, nonprofit or publicly funded, each should be partially responsible if students don't repay their loans. Universities and colleges having skin in the game is worth tens of thousands of pages of regulations.

STEVEN MARTIN, CPA  
Richardson, Texas

### Models May Run the World. Improvement?

Steven A. Cohen and Matthew W. Granade's "Models Will Run the World" (op-ed, Aug. 20) raise provoking and frightening ethical considerations, and illustrate how technology favors economic bigness. Technology scales well, so large companies have increasing advantages in the marketplace. Build software once and you have invested most of the cost of delivering it to billions of customers.

Models provide a big company with more advantages over smaller competitors and allow it to evolve and adapt faster if its data is complete and comprehensive.

In the past, smaller competitors were more nimble and could take advantage of a brilliant insight to steal a march on the entities with more assets. Are we looking at a future economy populated by only a few large companies that are able to adapt and exploit trends and niches so they are unassailable by competition? I fear that may alter our economy for the worse. Perhaps government isn't the only Leviathan to be dreaded.

JAMES CONNELLEY  
Bedford, Texas

Let's not forget, models aren't real

ity, and the consequences of mis-specification (including learning algorithms) can be serious. One real life example was the use of models to assess financial-sector risk before 2008—the assumed probability distribution was simply wrong, with serious results. We should use AI tools, including modeling, but let's not give AI the keys to the kingdom.

R.L. PROMBOIN, PH.D.  
Vienna, Va.

Politics involves huge, multidimensional information bases. Could the Cohen and Grenade predictions for business-data modeling not be applied to politics as well? What if a small set of political organizations were to develop modeling programs that could recommend accurate, model-tested campaign strategies and provide accurate vote-count predictions? What if they all should line up more or less on one side of the political spectrum? Would software eat democracy?

WILLIAM L. SHIELDS  
Tucson, Ariz.

### Pepper ... And Salt

THE WALL STREET JOURNAL



### CORRECTION

The Aug. 30 op-ed "A Visit to Islamic England" referred to a sign that declared "Alcohol-restricted zone." Such signs refer to a prohibition on public drinking and appear in many English neighborhoods, irrespective of Muslim population.

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

# Kavanaugh and the Ginsburg Standard

By David B. Rivkin Jr.  
And Andrew M. Grossman

**D**on't blame Brett Kavanaugh when he demurs at his confirmation hearings from answering questions on legal issues that might come before the Supreme Court. It's the senators who will be in the wrong, for demanding commitments that no judicious nominee could provide. To answer "direct questions on stare decisis on many other matters, including *Roe* and health care"—as Minority Leader Chuck Schumer has called for—would itself be disqualifying.

'No hints, no forecasts, no previews,' she said in 1993, responding to a question about discrimination.

That principle has come to be called the Ginsburg Standard, after Justice Ruth Bader Ginsburg. As she explained in the opening statement of her 1993 confirmation hearing: "A judge sworn to decide impartially can offer no forecasts, no hints, for that would show not only disregard for the specifics of the particular case—it would display disdain for the entire judicial process." Or, as she later responded to a question about constitutional protections against discrimination based on sexual orientation: "No hints, no forecasts, no previews."

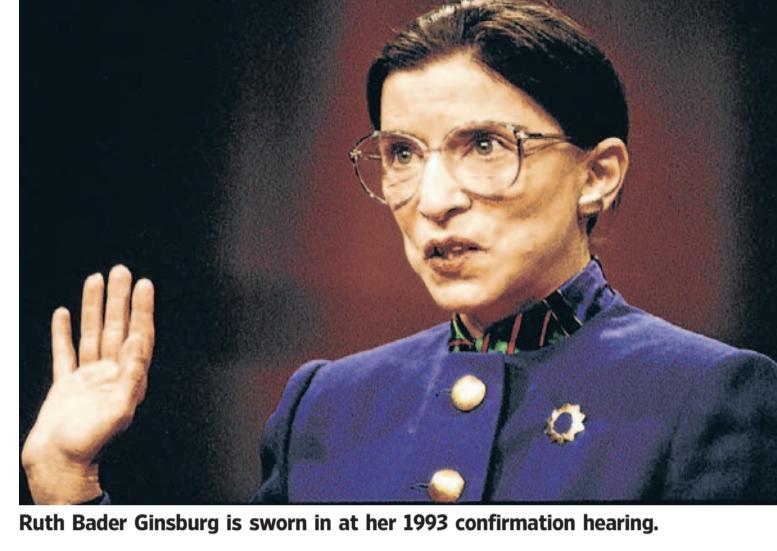
It would be a mistake to associate the rule too closely with Justice

Ginsburg, who honored it inconsistently at her hearing, or to view it as driven only by policy considerations. In fact, the standard has deep roots in the law and history.

Begin with the Constitution. The Appointments Clause provides that judges, including Supreme Court justices, are appointed by the president "with the Advice and Consent of the Senate." From the nomination of John Jay as the first chief justice in 1789 through the mid-1950s, public confirmation hearings were rare. Few nominees attended them when they did occur, and only a handful testified. Senators had no occasion to grandstand by demanding that a nominee declare his stance on legal controversies.

Since hearings became the norm, the number of questions asked of nominees has exploded, with recent nominees facing more than 700 apiece. Yet two aspects of the process haven't changed. The first is the refusal of nominees to opine on actual or hypothetical cases that may come before the high court. The second is senators' griping in response. At a 1968 hearing, Sen. Sam Ervin (D., N.C.) bemoaned that the nominee, Judge Homer Thornberry, had "virtually created a new right not found in the Constitution, which might well be designated as the judicial appointee's right to refrain from self-incrimination."

Ervin was wrong. Judges are appointed to exercise the "judicial power." As per the Constitution, this involves deciding specific "cases" or "controversies"—that is, concrete disputes involving real facts, as opposed to abstract questions of law. Judging, in turn, entails the applica-



JEFFREY MARKOWITZ/SYGMA VIA GETTY IMAGES

Ruth Bader Ginsburg is sworn in at her 1993 confirmation hearing.

tion of law to the facts of a particular case. The facts matter greatly: The way in which the circumstances of a given case can be distinguished from one in the past or one in the future is often what creates the basis for a legal rule, because it is that distinction that becomes legally material.

Judges don't decide cases in a vacuum or through divine inspiration. They do it in the crucible of adversarial testing. Appellate judges read the parties' briefs. They hear the lawyers' arguments. They review the precedents and the factual record. Then they piece it all together, rendering a decision that, in Justice Ginsburg's formulation, "should turn on those facts and the governing law, stated and explained in light of the particular arguments the parties or their representatives present."

Opining on a legal question divorced from the context of a particular case is not judging at all. It is speculation, a guess as to what the right rule might be.

In that sense, a senatorial demand that a nominee take one side or the other on a given "issue" is futile. Who is to say which of any number of possible factual circumstances might be relevant when, because there is no case, there are no facts? How can anyone judge the correctness of an argument when, because there are no parties, no one has argued for or against it? Answering at all would be deceptive.

It also would run up against another constitutional guidepost, the Fifth Amendment's guarantee of due process of law. Litigants are entitled to a "fair trial in a fair tribunal," including a judge who is impartial and

whose mind is not implacably closed to persuasion. A nominee's advance commitment to decide a question a certain way is incompatible with the appearance of fairness and impartiality that gives the law its legitimacy. It also compromises the independence of the judicial branch, a crucial check on overreaching by the political branches. Even a judge who has decided an issue in an earlier case remains open to the prospect of going the other way in a later case, on different facts or different arguments. A judge who exchanges a commitment for a confirmation vote—or merely appears to do so—will forever be tainted.

All this holds true for issues already decided by the court, given that what constitutes "settled law" on the Supreme Court is in the eyes of the beholder. Nearly any issue may arise again, and the justices, unlike their counterparts on lower courts, are free to reconsider high-court precedent.

This week senators would do well to stick to more illuminating lines of inquiry: the more than 300 written opinions Judge Kavanaugh issued over his 12 years on the bench, his speeches and articles, his judicial philosophy, his character. There is no legitimate reason to demand hints, forecasts and previews that Judge Kavanaugh is duty-bound to deny.

*Messrs. Rivkin and Grossman practice appellate and constitutional law in Washington. Mr. Rivkin served at the Justice Department and the White House Counsel's Office. Mr. Grossman is an adjunct scholar at the Cato Institute.*

## Congress, Don't Let Trump Usurp Your Power Over Trade

By Robert B. Zoellick

**C**ongress should reassert its constitutional authority over trade. To start, lawmakers should insist on their prerogative to decide whether to retain the North American Free Trade Agreement or adopt President Trump's proposed replacement.

Congress passed Nafta in 1993 after a major debate and enacted legislation to implement it. Members should remind the president that the executive's role does not extend to overriding Congress's votes and statutes. Article I of the Constitution grants Congress the authority "to regulate Commerce with foreign Nations" and "to lay and collect Taxes, Duties, Imposts and Excises." Congressional conservatives concerned about the overreach of the administrative state should not permit the executive to bypass Congress's own determinations. Congress has authority to hold on to Nafta or vote for a new deal.

The first question for lawmakers is which countries should be in a new agreement. As Sen. Patrick Toomey and others have pointed out, Congress authorized negotiation of a pact with Mexico and Canada, not only Mexico. The original idea behind Nafta, which Congress endorsed, was to create a free

North American market that would help all three countries compete with Asia and Europe. That worked. Dropping Canada, the largest U.S. market for exports, is no mere technicality.

Congress also needs to scrutinize carefully the administration's new terms, which are sketchy. There appears to be some useful modernization of rules, drawn from provisions of the Trans-Pacific Partnership (which the president abandoned). But other administration priorities will thwart trade and investment.

The heart of the new deal is a government dictate for auto supply chains, inputs and wages that would impede imports, raise prices, and make North America's auto industries less competitive globally. Congress needs to investigate reports of a side letter with Mexico that would set a quota for car imports with an unspecified tariff for cars above that limit. The administration appears to want to retain its national-security justification for raising tariffs, which it has used against Mexican and Canadian steel and aluminum and has threatened to apply to autos.

Congress should insist that Mr. Trump stand by his own deal. Mexico and Canada are America's partners, not national-security threats.

There is no national-security justification for blocking Mexican or Canadian steel, aluminum or autos. If the administration will not agree, Congress could use the implementing legislation for the agreement to exempt Mexico and Canada from Section 232 tariffs.

The administration's auto pact sets an international minimum wage of \$16 an hour for workers who produce 40% to 45% of each car's value. That would set a major precedent.

### The law gives legislators the authority to hold onto Nafta as it is or vote for a new deal.

Congress will need to decide whether trade agreements should set wage rates for autos and other sectors and, if so, at what levels. Flexible U.S. wages give America's producers an advantage. Other countries, for example in Europe, may demand higher U.S. wages to produce goods they buy.

The new deal would weaken the rights of U.S. investors in Mexico. Instead of preserving the principle of equal protection under the law, the administration retains protec-

tions for investors in three industries, but abandons almost all safeguards for everyone else. The new policy would remove assurances for U.S. investors who may wish to bring profits home, a reversal that conflicts with Congress's 2017 tax overhaul. The removal of investor protections is especially ironic given the administration's complaints about China's unfair requirements for investors. Nafta's current rules check that type of discriminatory behavior by incorporating U.S. constitutional principles of protection against "takings" of private property. Under these rules, the U.S. has never lost a case in any international investment tribunal.

The terms with Mexico would eliminate another dispute-resolution process, which sought speedy justice—another American principle—in cases of dumping and unfair subsidies. Canada is fighting hard to keep this system.

Congress should want to know why the Trump administration is unwilling to defend cases about unfair practices under the terms of its deal. Other administrations have believed that the U.S. competes most successfully through the fair application of the rule of law.

Congress needs greater clarity on the expiration date of the "new Nafta," too. Nafta is a long-term

commitment, based on legal rules, that gives the private sector—businesses, farmers and ranchers, investors, workers and civil society—confidence to build new linkages across the continent. Unlike the European Union's idea of "shared sovereignty," the U.S., Mexico and Canada each prize their national independence and sovereignty. The North Americans developed a new, mutually beneficial model of economic integration based on closer private-sector ties, an expanding recognition of common interests, and respect. That commitment should not have an expiration date.

Past Congresses have championed their prerogatives assertively. If today's Congress is hesitant, it should keep an eye on public opinion. A recent poll by the Chicago Council of Global Affairs reveals that 82% of Americans say trade is good for the economy, 85% believe trade is good for consumers, and 67% think trade is good for creating U.S. jobs. Support for Nafta is now at 63%. The president's deal-making has been long on self-congratulation and short on substance. Congress needs to step up.

*Mr. Zoellick is a former World Bank president, U.S. trade representative and deputy secretary of state.*

## Ten Things They Didn't Tell You at Freshman Orientation

By David Gelernter

**W**elcome to Yale. Please disregard what you've been told so far, and follow these instructions.

1. *Understand that you're here to learn how to be good citizens of the United States.* Many of you come from Japan or Ghana or France, and we're glad to have you. But Yale can't teach you to be a good Japanese citizen; we don't know how. Nor can we teach you to be a "global citizen" or "citizen of the world," because there is no such thing. The "globe" has no citizens, because the globe, as such, has no art, religion, music, literature, theater, traditions, folk songs, heroes, traumas or TV

stations; no tastes, fads, styles, treasures or shared experience. So you might as well learn to be good Americans for now.

Like all nations, America is defined by its shared experience, and by the enemies it's made: the Kaiser, the Nazis, the Japanese imperialists and the Soviet Union, among others—in just the past century or so. We are the one nation that always marks itself "C-minus: room for improvement!" Americans work constantly to clarify, concentrate and distill our principles and become more like ourselves—more like the luminous city on a hill to which all nations look up.

2. *You are now a part-owner of Western civilization.* This should be

no surprise: You have come, after all, to one of the country's leading schools for training Western leaders.

You can tell this and other American colleges are Western because they are dedicated to noisy public argument about the truth, to the teaching of history without chauvinism, factionalism or (theoretically) self-hatred, and to competition among everyone over everything. Furthermore, we love sports more every year, starting at age 2, until at last we die of sheer boredom.

3. *Now that you are a college student, learn skills.* Everything else can wait. Learning science, mathematics or engineering centers on learning skills. Much of the arts, letters and history is centered on skills too. Learn as much music as you can. Master at least one foreign language completely. Reading and writing English are the most important skills of all.

4. *Listen skeptically.* Grade-school education is built on the myth that the teacher knows what he's doing. Here, things are different. Never close your mind to the possibility that your teacher—despite his authoritative tone, his many books, papers, patents, theorems or epic poems, his international reputation and his world-wide following—might not know what he's talking about.

5. *Remember that a professor has no business mentioning his personal politics in class, ever.* Teachers must not abuse their positions of authority for the purpose of propaganda. We're all human, and our biases slip out occasionally no matter how careful we are. But if they keep slipping out, the professor should be in a different line of work, and

you should be in a different class.

6. *There are only two oppressed minority groups on campuses today—practicing Jews and Christians.* They are not badly oppressed. But you will hear them mentioned with a caustic disrespect that is strictly forbidden with respect to all other groups. The damage is minor; caustic disrespect is what college is for. But if contempt for Jews and Christians is OK, any group should be fair game.

### Learn how to be a good American, challenge your teachers, study a language, and tackle hard subjects.

7. *If you want to be educated, you can't skip the hard subjects.* You must master at least a year of college-level biology and a year of physics—and you'd be foolish not to take a term of computer science. You must know contemporary history from the start of World War I, and Western history from the start of the Renaissance.

8. *You must know the Bible and Shakespeare.* They used to be the shared heritage of all educated Anglo-Americans, and Western civilization still takes them for granted. If you don't know them, you won't even know what you're missing. For a similar reason, you must learn to read French. Until recently, all educated writers assumed that you could, so you must. For the past few decades, ignoramuses have argued that because children are more likely

to hear Spanish on the streets than French, they should forget French and learn Spanish. But we're not teaching street skills here. We are trying to produce cultured men and women.

9. *Don't expect to be guided in your social life by the behavior of older students.* Most of your peers have no clue how to lead their lives, in part because the older generation hasn't bothered to give any real guidance. Of all the ways in which we old people have failed you young ones, this is the worst. Many students are miserable—more than you would ever guess. If you can find one older person anywhere in the world whom you trust and can talk to, you'll be way ahead of the game. Ask yourself what you want, not what people expect. This is one of the hardest questions you'll ever face.

10. *Relax—you, your fellow students and your professors already agree about nearly everything:* President Trump, taxes, environmental policy, military spending, federal regulation, gun rights, voting rights, voting fraud, China, Brexit, immigration, religion in American culture, Ukraine, Putin, school vouchers, public-school spending, corporate average fuel economy, Supreme Court appointments, the space program, urban transportation, highways, Palestinians, Benjamin Netanyahu, the former Iran deal, affirmative action, school violence and many other topics. But now you're adults. Why not disagree just once, so you can tell your grandchildren about it?

*Mr. Gelernter is a professor of computer science at Yale and chief scientist at Dittach LLC.*

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## WORLD NEWS

# Blaze Engulfs Major Brazilian Museum

BY PAULO TREVISANI

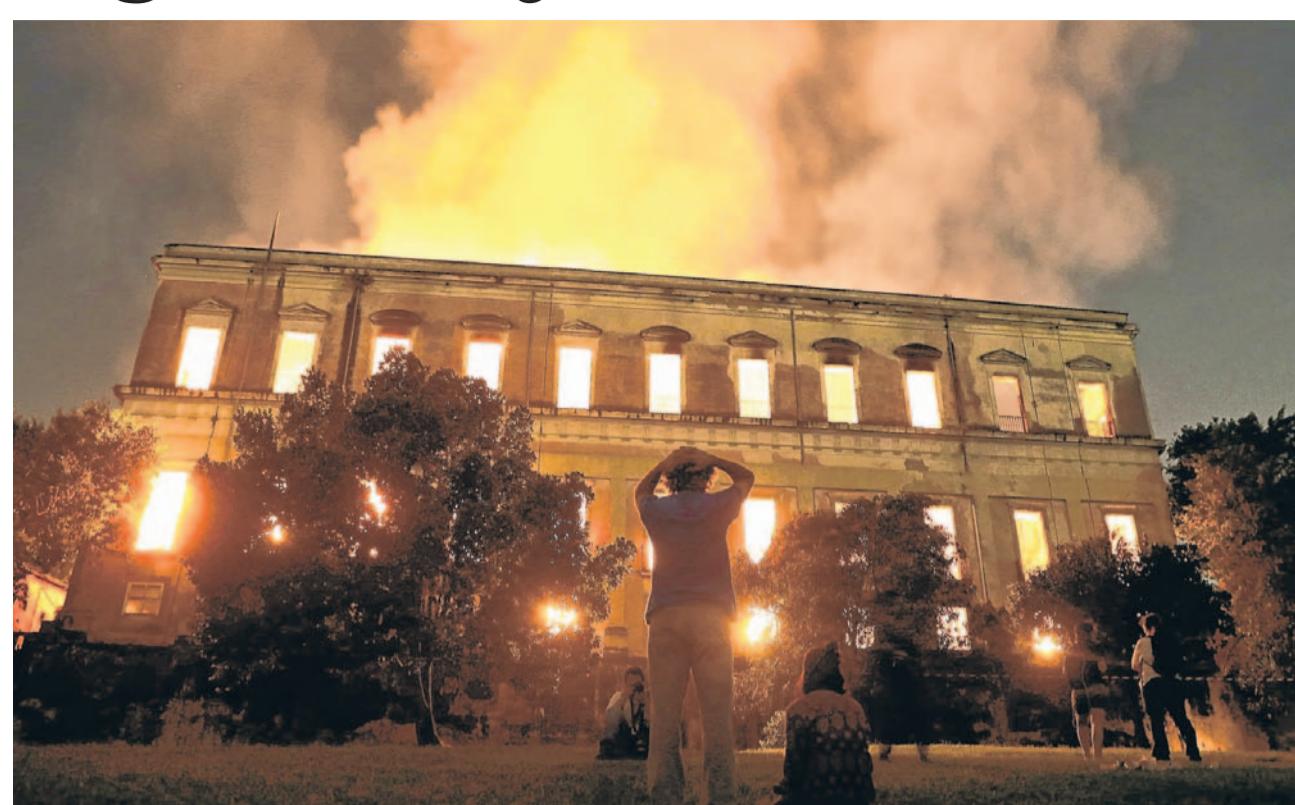
A massive fire engulfed Brazil's largest history and science museum, home to a collection of 20 million items including the Americas' oldest human fossil, Egyptian mummies, archaeological pottery, gigantic tropical beetles and much more.

As firefighters in Rio de Janeiro were going through the burned remains of the Quinta da Boa Vista National Museum on Monday, it seemed unlikely that Luzia—a skeleton that is at least 10,000 years old and that was found in Brazil in 1975—survived the fire. Hundreds if not thousands of other artifacts appeared to have been reduced to cinders.

Local media images showed ashes carpeting burned walls, as city officials feared that the entire building would collapse.

Neighbors called firefighters when they spotted flames on Sunday evening burning through the windows of the museum, the lofty former home of Brazil's 19th-century monarchs where the Declaration of Independence from Portugal was signed in 1822 and the country's equivalent of New York's **American Museum of Natural History**.

Early responders found nearby hydrants with low pressure, which hobbled the



The Quinta da Boa Vista National Museum in Rio, home to the Americas' oldest human fossil and other items, in flames on Sunday.

RICARDO MORAES/REUTERS

operation, Rio's Fire Department said in a statement. Firefighters used water from their trucks and from a neighboring lake in a six-hour effort to tame the flames that lit up Rio's warm night.

A five-ton meteorite known as Bondegó, the largest ever

found in Brazil, appeared to have been one of the few major artifacts to have survived the blaze.

There were no reported casualties. Four security guards who were in the building when the fire started were able to leave unharmed, a museum

spokesman said.

But for residents of picturesque Rio de Janeiro, an ebullient metropolis and former headquarters of both the Portuguese and the Brazilian crowns, the loss was evident.

"The feeling I got from walking

these figures from history books once lived is beyond words," said Catharina Bastos, 55, an unemployed Rio resident.

President Michel Temer, who has been accused by opponents of starving the country's cultural apparatus of much-needed funds, lamented

the incident. "Two hundred years of work, research and knowledge have been lost," he said in a statement.

On Monday, an angry crowd of a few dozen people gathered in front of the burned museum to protest budget cuts, local media reported.

## WORLD WATCH

## PAKISTAN

**U.S. Suspends Aid As Pompeo Arrives**

The Pentagon said it suspended \$300 million in military aid to Pakistan, accusing it of not doing enough to tackle militant groups, in a move certain to heighten tensions between the two countries ahead of Secretary of State Mike Pompeo's visit this week to Islamabad.

The Trump administration made the decision to suspend

the Coalition Support Fund this year before a Sept. 30 deadline and the Pentagon confirmed the decision this weekend.

The fund is intended to reimburse the Pakistani military for counterterrorism efforts.

But the Trump administration says Pakistan is offering sanctuary to terror groups threatening Afghanistan's security.

Among the issues Mr. Pompeo is expected to raise on his visit is counterterrorism in the region.

—Nancy A. Youssef

## ARGENTINA

**Macri to Tax Exports, Slash Ministries**

The government said it would impose a temporary tax on exports and enact other measures to try to regain investors' confidence and convince the International Monetary Fund to speed up the disbursement of financial aid the country could need to make debt payments next year.

The administration of President Mauricio Macri, which has

struggled to cut the deficit amid high inflation, a shrinking economy and a falling currency, expects to start collecting the temporary export tax this week.

Mr. Macri has also slashed the number of ministries in his government and will cut spending on public works and government payrolls as part of an effort to reduce the federal budget deficit, excluding interest payments, from a projected 2.6% of gross domestic product this year to zero in 2019.

—Jeffrey T. Lewis

## ISRAEL

**Netanyahu Welcomes Philippine President**

Prime Minister Benjamin Netanyahu welcomed Philippine President Rodrigo Duterte, the latest in a line of populist strongmen Israel has courted as it seeks to elevate its place in the world and press the sale of Israeli technology and arms.

Mr. Netanyahu is drawing closer to a host of controversial world leaders, from Hungary's Prime Minister Viktor Orban to

Russia's President Vladimir Putin and Rwanda's President Paul Kagame. The visits have set off a debate in Israel over Mr. Netanyahu's outreach, and whether he is sacrificing his country's principles for prospective commercial and diplomatic benefits.

The prime minister's allies say there is nothing unusual about opening new markets for Israeli exports and making new friends who can help defend Israel when it comes under fire at the United Nations.

—Felicia Schwartz and Dov Lieber



Reuters reporters Wa Lone, wearing glasses, and Kyaw Soe Oo, in handcuffs, leave the court Monday.

## Myanmar Jails 2 Journalists Who Reported Mass Killings

A court sentenced two **Reuters** reporters who exposed human-rights abuses by Myanmar's military to seven years in prison on Monday for obtaining state secrets, in a case that

By Myo Myo in Yangon, Myanmar, and Jon Emont in Hong Kong

raised questions about judicial independence and became emblematic of the country's faltering transition to democracy.

Defendants Wa Lone and Kyaw Soe Oo were entrapped by police officers who planted classified documents on them to disrupt their reporting into atrocities in Rakhine state, according to their defense. Myanmar has been accused by United Nations investigators of genocide in a crackdown launched a year ago against ethnic Rohingya Muslims that left about 10,000 people dead and forced more than 700,000 to relief camps in Bangladesh.

Messrs. Wa Lone and Kyaw Soe Oo shed light on abuses that included the massacre of 10 Rohingya men and boys in the village of Inn Din. Their photos of the victims, who were tied together before being executed, prompted a rare admission of wrongdoing by Myan-

mar's military, which has otherwise rejected claims that it violated human rights in what it calls an antiterrorism campaign.

Prosecutors said the two had intended to harm the state by obtaining secret documents for Reuters' commercial benefit, which clashed with Myanmar's national interest.

Reuters and the men's lawyers rejected the argument, saying the men are obviously reporters, not spies. Government spokesman Zaw Htay declined to comment, saying the government couldn't interfere with the proceedings.

Amnesty International said the sentence "sends a stark warning to other journalists in the country of the severe consequences that await should they look too closely at military abuses. This amounts to censorship through fear."

Reuters will decide in coming days how to proceed, according to Stephen J. Adler, Reuters' editor in chief.

At a security forum in Singapore in June, a senior figure in Myanmar's government suggested the country's president would consider pardoning the two journalists if they were found guilty. Government spokesman Mr. Zaw Htay said

he was unavailable to comment.

After the verdict was read out, the two reporters were led out of the courtroom in handcuffs. They briefly addressed reporters before being shoved into a waiting police van. "We were sent to prison to close the eyes and ears of people in Myanmar," Mr. Kyaw Soe Oo said.

Their ordeal began on Dec. 12, when police officials invited them for dinner at a restaurant in suburban Yangon. During their trial, the reporters told the court that Police Lance Cpl. Naing Lin and another officer handed them documents that were rolled up inside a newspaper, and that they were arrested as they left.

During the trial, Police Capt. Moe Yan Naing testified that a police general had given instructions to entrap the reporters. Lance Cpl. Naing Lin acknowledged meeting the reporters but denied giving them anything.

Mr. Kyaw Soe Oo said his interrogators ignored the documents that he and Mr. Wa Lone had been accused of obtaining and focused instead on their reporting.

—James Hookway  
in Bangkok  
contributed to this article.

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# BUSINESS & FINANCE

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## WPP Aims for Continuity With CEO Pick

Ad giant selects one of its own as chief to battle digital disruption after founder's exit

By NICK KOSTOV

**WPP** PLC named Mark Read as chief executive Monday, tapping a company veteran in a push for continuity at the world's largest ad firm after the departure of founder Martin Sorrell.

In an interview, Mr. Read said he doesn't plan to merge or sell any of WPP's marquee creative agencies, such as

Young & Rubicam and J. Walter Thompson, focusing instead on how to make them work more closely with the company's digital-advertising and data-science firms.

That strategy spells relief for company insiders who once worried Mr. Sorrell's resignation in April would lead to the dismantling of WPP's sprawling empire. Mr. Read, however, now faces the challenge of yoking together disparate businesses as WPP scrambles to cope with disruption that Facebook Inc., Alphabet Inc.'s Google and other tech companies are causing across the ad industry.

"We need to move quickly and decisively," Mr. Read said.

Mr. Sorrell, 73 years old, built WPP into a colossus over three decades of acquisitions, but the scale that once allowed the company to thrive has lately made it a sluggish competitor. WPP is under pressure from investors and sizable clients—such as Ford Motor Co., and Unilever PLC—to make the process of buying, creating and measuring the effectiveness of ads more simple and transparent. That is difficult for a holding company like WPP that has based its business model on pitting agencies against each other to

**Mark Read doesn't plan to merge or sell any of WPP's marquee creative agencies.**

win clients.

"There's no doubt our industry is going through a period of structural change, but it's not a period of structural decline," Mr. Read said.

Mr. Read, 51, also is under pressure to move past WPP's public duel with its founder. After resigning, Mr. Sorrell

launched a rival ad holding company that recently outbid WPP to acquire MediaMonks, a Dutch digital production house. He has also continued to publicly needle WPP over its strategy and personnel moves.

On Monday, Mr. Sorrell said he had congratulated Mr. Read while reiterating that he would have preferred to see WPP promote Andrew Scott along with Mr. Read to serve as co-chief executives. Instead, WPP named the 49-year-old Mr. Scott as chief operating officer on a permanent basis, a position he had temporarily held with Mr. Read during

WPP's chief-executive search.

"Andrew is a very strong, capable executive," Mr. Sorrell wrote to The Wall Street Journal in a text message.

WPP signaled that it aims to keep CEO pay in check after facing investor criticism for handing Mr. Sorrell some of the industry's largest payouts—£70.4 million in 2015 and £48.1 million in 2016—in part because of generous, long-term incentive stock awards, which made up most of his compensation.

Mr. Read will receive a fixed salary of £975,000 (\$1.3 million), slightly less than Mr. Please turn to page B4

### STREETWISE

By James Mackintosh

## Emerging Markets Are No Bargains



Emerging markets look increasingly chaotic, with plummeting currencies, messy politics and the biggest-ever International Monetary Fund bailout capturing headlines. Emerging stocks appear far cheaper than those in developed countries, especially compared with the pricey U.S. market. So is now the time to close your eyes to the headlines, ignore the sick feeling in your gut and just buy?

Frankly, no. There are times when such a pure contrarian approach makes sense, but today isn't such a time. True, the MSCI Emerging Market Index trades at just 11 times estimated earnings for the next 12 months, against almost 17 times in the U.S. True, the falls of roughly half in the Turkish and Argentine currencies against the dollar this year have helped drag down the currencies of even countries such as India and Indonesia with better-balanced economies. True, the biggest emerging equity market, China, is back in a bear market, and so are emerging-stock indexes with big China exposure.

Yet, neither emerging equities nor the major emerging-bond indexes have even given back all of last year's gains and income, let alone dropped to true bargain prices. Valuations aren't especially low by historical

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SUNDAY ALABA/ASSOCIATED PRESS

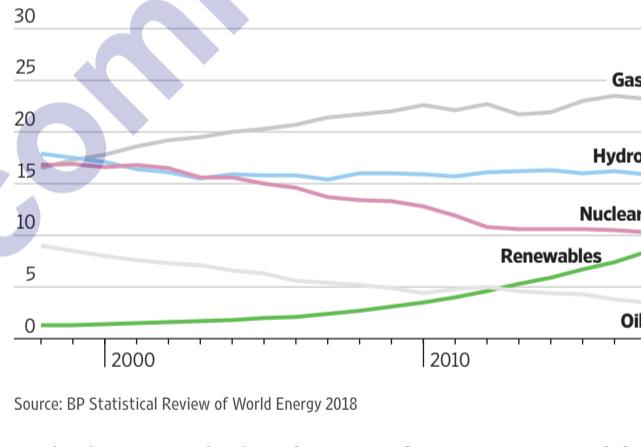
In Nigeria, where coal is abundant and cheap, officials want to deliver electricity from coal-fired plants to more of the population.

## Coal's Global Rebound Heats Up

By NEANDA SALVATERRA

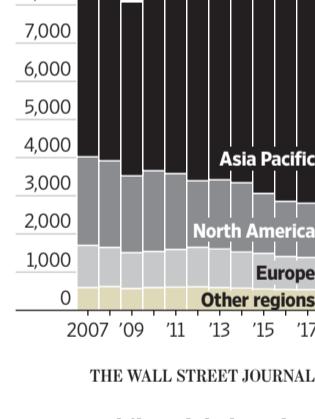
### Staying Power

Coal's share of global electric power generation is at the same level as 20 years ago...



Source: BP Statistical Review of World Energy 2018

...but is increasingly used to generate electric power in Asia, while declining elsewhere.



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Meanwhile, global carbon emissions from coal and other fossil fuels rose 1.4% in 2017 after three flat years. The rise is attributed to economic growth and increasing energy

Please turn to page B2

## China's Selloff Stokes Foreign Bulls

By ANDREW PEAPLE AND SHEN HONG

A dismal year for China's stock markets has given rise to an unusual situation: Foreign institutions seem more optimistic about prospects for the country than local investors.

Overseas money has poured into Chinese equities this year via a trading link with Hong Kong, despite a 16% decline in Shanghai stocks that has made it one of the world's worst-performing major markets. But trading volumes in Shanghai, which are powered by an army of retail investors, last week fell to their lowest level since January 2016 when the market was in the midst of an unprecedented crash.

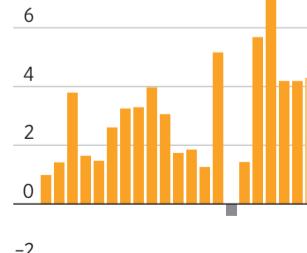
"There is a rare dynamic right now, with foreign investors more positive on Chinese stocks than local investors," said Kinger Lau, chief China equity strategist at Goldman Sachs in Hong Kong.

Mr. Lau said U.S.-based hedge funds are looking for opportunities to buy in China

### Heading North—and South

Money moving into Chinese stocks via a trading link with Hong Kong has picked up this year, while shares in Shanghai are among the world's worst performing.

#### Stock-Connect monthly net flow into mainland China\*



\*Through Aug. 28; Converted from Chinese yuan 1 yuan=\$0.15  
Sources: Wind (flow); SIX (index)

#### Shanghai Composite Index



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given that the market is cheap both by recent historical standards and relative to U.S. stocks. The Shanghai market is trading at 10.4 times expected earnings this year, according to Thomson Reuters, well be-

low the S&P 500 of 18 times.

While foreign buyers appear to be focused on potential bargains, local investors are worried by government attempts to rein in credit and a burgeoning trade dispute with

the U.S. That has led to fragile confidence in stocks, despite official data showing the economy is still growing at more than 6% a year.

Foreign inflows were set to rise again last week when index provider MSCI was to increase the weighting of stocks listed in mainland China in its widely followed Emerging Markets Index. Passive funds which track the index will then automatically have to buy more of the roughly 230 Chinese companies that were first included in May.

Partly thanks to MSCI, foreign ownership of Chinese-listed stocks has risen to 3.5% of the market from 3% at the start of the year, according to BNP Paribas. Some \$31 billion has flowed into China's two main markets—in Shanghai and Shenzhen—through the trading link with Hong Kong this year. That is tiny in the context of an \$7.4 trillion market, but still more than flowed in during all of 2017.

Index inclusion isn't the

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### INSIDE



#### BUY THE CHEAP STUFF WHILE IT'S THERE

TECHNOLOGY, B4



#### OLD ADS HAUNT PAINT COMPANY

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While Mr. Kaepernick is engaged in a pitched battle with the league, alleging that he has effectively been blackballed, Nike is one of the league's biggest partners, with a reported billion-dollar apparel deal as the official uniform maker. The campaign comes months after Nike reupped its partnership with the league.

The NFL didn't immediately respond to a request for comment.

Mr. Kaepernick had been signed with Nike when he was an up-and-coming star with the 49ers, who he once led to back-to-back playoff appearances, including a Super Bowl. But following injuries and his absence from the league last season, he hadn't been featured in Nike campaigns or had any prominent product lines.

Now Mr. Kaepernick has a new, multiyear deal with Nike, according to a person familiar with the negotiations, who said Mr. Kaepernick will be a

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## BUSINESS & FINANCE

### Nike Ads Feature Kaepernick

Continued from page B1

face of the "Just Do It" campaign. The person described it as a "top of the line" deal for football players.

"Nike's team recognized that, even with links to the

league, that they wanted to be socially conscious and authentic in the spirit of what 'Just Do It' meant," the person said. "Colin was the ideal fit and nobody represents that quite like Mr. Kaepernick."

The Nike spokeswoman said that the characterization of the company's decision is "not accurate" and that "Nike has a long-standing relationship with the NFL and works extensively with the league on all campaigns that use current players. Colin isn't currently employed by an NFL team and

has no contractual obligation to the NFL."

In recent months, Nike has been grappling with the fallout of an internal scandal in which nearly a dozen executives left the company amid complaints of inappropriate workplace behavior. Last month, two former Nike employees filed a lawsuit alleging gender discrimination and detailing specific accounts of alleged harassment.

Nike has said it "opposes discrimination of any type and has a longstanding commit-

ment to diversity and inclusion."

Mr. Kaepernick filed his grievance against the league last October. Last week, the arbitrator denied the NFL's request for a summary judgment to dismiss the case.

Although filing for a summary judgment is often standard operating procedure, the ruling was a win for Mr. Kaepernick's team because it effectively meant that the arbitrator saw sufficient evidence for Mr. Kaepernick's grievance to raise a "genuine issue."



ROBERT HANASHIRO/REUTERS

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## 'Crazy Rich Asians' Enjoys Strong Labor Day Weekend

Associated Press

LOS ANGELES—"Crazy Rich Asians" isn't slowing down at the box office even in its third weekend in theaters and is helping to send a strong summer moviegoing season off on a high note.

Studios said the romantic comedy has topped the domestic charts again. Warner Bros. estimates that the film added an additional \$28.3 million through Monday. To date, the film has grossed \$117 million from North American theaters, passing the lifetime domestic

total of 2015's "Trainwreck," one of the last big studio rom-com success stories.

"Crazy Rich Asians" could also have one of the biggest Labor Day weekends ever by the time final numbers are reported on Tuesday.

It easily won out over the holdovers and a few newcomers, like the Nazi war crime film "Operation Finale" and the sci-fi thriller "Kin." Warner Bros.' shark picture "The Meg" took second place with an additional \$10.5 million, bringing its global total to \$462.8 million.

## Estimated Box-Office Figures, Through Monday

SALES, IN MILLIONS

| FILM                                    | DISTRIBUTOR  | WEEKEND* | CUMULATIVE | % CHANGE |
|---|--------------|----------|------------|----------|
| 1. <i>Crazy Rich Asians</i>             | Warner Bros. | \$28.3   | \$117      | 14       |
| 2. <i>The Meg</i>                       | Warner Bros. | \$13.4   | \$123.4    | 5        |
| 3. <i>Mission: Impossible – Fallout</i> | Paramount    | \$9.1    | \$206.4    | 12       |
| 4. <i>Operation Finale</i>              | MGM          | \$7.8    | \$9.5      | --       |
| 5. <i>Searching</i>                     | Sony         | \$7.7    | \$8.2      | 1868     |

\*Friday, Saturday, Sunday and Monday Source: comScore

### Exports of Coal Pick Up Steam

Continued from page B1

demand in Asia, according to the IEA. Emissions are linked to rising global temperatures and more extreme weather patterns, experts say, and coal is a leading contributor to human health problems.

The World Bank stopped financing coal in 2010 because of the hydrocarbon's link to global warming, and many international banks are turning away from fossil-fuel projects. Last year, Deutsche Bank said it wouldn't grant financing for new coal mining or coal-powered projects. In July, **Lloyds Banking Group** said it would stop extending loans for new

coal ventures.

Still, coal plants are attractive because they are less expensive to build than renewable-energy facilities. The cost of constructing a renewables plant is roughly double the outlay of a fossil-fuel facility, experts say.

Government officials in developing nations, many of whom say they want to curb the use of coal to combat climate change, often face the difficult challenge of doing so without slowing economic growth. That tricky balance is seen particularly in Nigeria, where coal is abundant and cheap yet some 54% of the country's 190 million citizens lack access to electricity. The country has a plan under way to deliver power from coal-fired plants to more of its people.

Today, Nigeria generates all of its power with a mix of hydroelectric dams and natural gas, but frequent vandalism of pipelines causes power shortages. By 2030, Africa's biggest economy plans to add 30 gigawatts of power, of which about 30% will be produced by renewable sources and about 3% will be from coal. The project will cost about \$3.5 billion a year.

The World Bank approved a \$350 million loan for solar mini-grids and other equipment to provide electricity in Nigeria. But the bank has said it would no longer finance projects involving coal—anywhere in the world. Bank officials say countries looking to fund coal ventures should look to the private sector.

"I think it's simplistic to begin to separate renewable energy from fossil fuel," said Babatunde Fashola, Nigeria's minister of power, works and housing. "What the world really needs is to achieve a balance."

There are some 2 billion tons of coal in the country, according to estimates, and economists say putting it to use to spread power could be a boon for the economy.

Many emerging nations are

fighting similar issues, even as more prosperous countries such as the U.S. and the U.K. have reduced the use of coal to produce electricity.

On the Asian continent, home of the world's largest coal reserves, China and India account for most of the growth in coal use. Vietnam plans a fivefold increase in its coal capacity through 2035, according to the Clean Coal Centre, a division of the IEA.

Bangladesh plans to use coal to generate 50% of the country's power by 2030, up from 2% today. Like many countries in the region, it is funding its expansion with loans and technological help from China and Japan.

**Toshiba Corp.** and other partners are building a coal power plant and port on Matarbari Island in Bangladesh. The project will cost about \$4 billion, with most of its financing coming from the Japan International Cooperation Agency.

## Emerging Markets No Bargain

Continued from page B1

standards. Worse, the index only looks inexpensive because it is weighted toward sectors few want to buy, even in developed markets.

The last point is perhaps the least understood.

Emerging markets have far more banks and commodity producers, which trade at lower valuations than more fashionable areas. Adjust sector weights to match those of developed markets,

### Not Cheap, Just Different

Emerging-market stock indexes look cheap compared to developed stocks because they have more stocks in unpopular sectors.

#### Emerging P/E ratio as proportion of developed



Emerging-market stocks have fallen fast but are still up since the start of last year.

Emerging-market price-to-forward-earnings ratios have been much lower in the past.

THE WALL STREET JOURNAL

valuations than the same sectors in developed markets excluding the U.S.

By market value, the biggest stocks by some distance are the major Chinese technology firms, which are also expensive even after hefty falls this year.

"Looking at the [price/earnings ratio] of the emerging-markets index will lead you astray," said Christopher Smart, head of macroeconomic and geopolitical risk at Barings. "A lot of the index is global tech and global commodity cycle, much more than it is the emerging middle class."

The lack of widespread

emerging-market bargains still leaves open the idea of searching for opportunities in the hardest-hit countries. The trouble is that Turkey and Argentina are both

struggling with heavy dollar debts; devaluation helps deal with the problem of too many imports and too

few exports but makes it even harder for the Argentine government and Turkish banks to pay their debts.

Investors who think the problems will be solved without defaults can find plenty of Turkish bank stocks trading at less than half book value, with four-year dollar bonds yielding 20%-plus.

The Argentine 100-year dollar bond yields more than 10%, again making the bare assumption of no default.

Recent history suggests that buying stocks after a big devaluation often works out, as it did after Mexico's 1994 Tequila crisis, the 1998 Russian default or even the Argentine default of 2001. But success depended on timing, much of which is luck.

An investor who put dollars into Argentine stocks at the start of 2002, immediately after the default, lost half of his money within six months. Those who waited until July tripled their money in dollar terms in the next 18 months.

Recent history might be misleading. Most big devaluations in the past came when pegged exchange rates were abandoned, so there are few examples of falls in floating currencies as big as Argentina's or Turkey's to use as a guide.

The political repercussions are tough to predict, but capital controls are entirely plausible and would make it hard to realize any gains.

Investors should accept that in emerging markets right now, where assets are cheap they are cheap for good reasons. Disagree with the reasons after hard analysis, sure, but this isn't the time for simple-minded contrarian buyers.

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## BUSINESS NEWS

# JD.com CEO Denies Wrongdoing in Arrest

**JD.com** Inc. Chief Executive Liu Qiangdong denies any wrongdoing in connection with his arrest on suspicion of sexual misconduct in Minneapolis, and it is likely no charges will be filed, his attorneys said Monday.

By Shan Li in Beijing  
And Steven Russolillo  
in Hong Kong

Mr. Liu, 45 years old, was taken into custody by Minneapolis police on Friday and released the next day. Police haven't disclosed the nature of the sexual-misconduct complaint, but have called it an "active investigation."

"He was absolutely innocent of any wrongdoing in this case," attorney Earl Gray said in a telephone interview. "Once the police realized it was a mistake to arrest him without proper evidence, they released him without bail and without taking his passport."

Mr. Gray and attorney Joseph S. Friedberg said they met with Mr. Liu in the Hennepin County Jail in Minneapolis on Saturday afternoon after being retained as legal counsel. Both men are criminal defense lawyers in the Minneapolis-St. Paul area.

"After I had been with him for a few minutes, a deputy put his head in the door and said to him, 'You're being released,'" Mr. Friedberg said, adding that Mr. Liu is now back in China.

"He was free to go back to his homeland China," Mr. Gray said. "It's very unusual and virtually tells us that no charges will be brought against him."

Both attorneys said they didn't have specific knowledge of the complaint against Mr. Liu. Mr. Gray said the two lawyers would represent Mr. Liu if charges were filed, but said "that's a very remote possibility."

Mr. Liu was in Minneapolis to attend a weeklong resi-

dency at the University of Minnesota from Aug. 26 to Sept. 1, where he is enrolled as a student with the Carlson School of Management's China Doctor of Business Administration, the school said.

Carlson's professional doctoral program was launched last year in partnership with China's Tsinghua University School of Economics and Management in Beijing, where JD.com is based. It is tailored for top-level executives working full time in China, with most courses taught at Tsinghua and a summer residency program in Minneapolis.

Mr. Liu's e-commerce company, JD.com, has been dealing with disappointing sales.

JD's American depositary receipts have fallen 38% since hitting a record high in January, which has pushed the value of Mr. Liu's position on paper down by about \$4.3 bil-



Liu Qiangdong,  
CEO of e-commerce firm  
JD.com, faces a sexual-misconduct complaint.

lion, according to a Wall Street Journal calculation based on corporate filings.

Nasdaq-listed JD fell 13% in August. Analysts say the company has been hit by tougher competition by e-commerce giant Alibaba Group Holding Ltd. and by weaker consumer demand as China's economic growth cools.

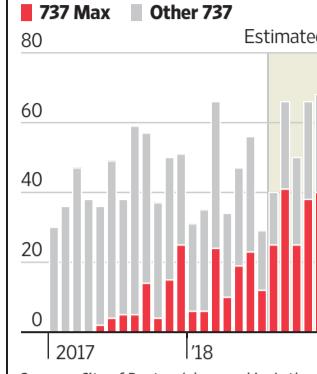
Mr. Liu's company put out a statement Sunday saying "police quickly determined there was no substance to the claim against Mr. Liu," but a Minneapolis police spokesman said there was an "active investigation" into sexual misconduct.

—Chunying Zhang  
in Shanghai and Liza Lin  
in Singapore contributed to this article.

## Tight Spot

Boeing has secured a 90-day agreement with Renton, Wash., that allows the manufacturer to park four 737 airliners on a taxiway at the city's small airport.

### Boeing 737 deliveries



### How the planes will be stored



Sources: City of Renton (plane parking); the company (deliveries); Cowen & Co, WSJ research (estimated deliveries); Google Earth (satellite image)

# Boeing Jets Pile Up at Plant

By ANDREW TANGEL  
AND DOUG CAMERON

**Boeing** Co. is facing a problem as it races to meet demand for single-aisle, fuel-efficient jets: where to store unfinished 737s piling up at a factory near Seattle.

One answer in late July was the taxiway of the small airport in Renton, Wash., next to its factory there.

"Boeing is running out of space," Renton public-works administrator Gregg Zimmerman wrote to city council members in a July 27 memo about the taxiway plan. "They have encountered an emergency production challenge that threatens to interfere with their ability to keep their airplane production lines running."

A Boeing spokesman said the request for parking space was part of a "recovery plan" to get deliveries to match production rates. Mr. Zimmerman declined to comment.

The unfinished airplanes illustrate a challenge to Boeing, the world's biggest aircraft manufacturer by sales, as it tries to make enough of its new 737 Max jets to meet fast-growing demand. Boeing and rival **Airbus** SE together have more than \$1 trillion in orders for planes, driven by a global boom in air travel that is adding 100

million passengers a year.

Boeing delivered just 29 of the 737s in July, though more than 50 mostly finished jets roll off the production line each month. Company officials have said deliveries could slow in the third quarter but pick up in the fourth as suppliers get back on track. The 737 is Boeing's most popular commercial aircraft and a top moneymaker that has helped propel the company's stock more than 40% in the past 12 months.

The delays are largely because of two suppliers: engine maker **CFM International**, a joint venture between **General Electric** Co. and **Safran SA**, and fuselage manufacturer **Spirit AeroSystems Holdings** Inc. Both companies have said that some of their own small suppliers are struggling to meet demand.

CFM executives have pledged to catch up on engine deliveries that have been several weeks behind. Spirit AeroSystems said it has resolved problems and resumed on-time shipments to Boeing.

Airbus has missed delivery deadlines for the A320neo, its popular single-aisle competitor to the 737, because of parts shortages, and the world's No. 2 plane maker has had to park unfinished jets around its factories. The company is working

on reducing a fleet of undelivered planes that peaked at more than 100 earlier this year.

Both companies stand by their full-year delivery guidance and have put pressure on suppliers to catch up. Until then, Boeing and Airbus will have to deal with the unfinished planes.

Boeing's urgent request to store planes on the Renton airport taxiway came in late July, according to emails and other documents that city officials

**Delays in delivering jets are largely because of two parts suppliers.**

provided to The Wall Street Journal in response to a public-records request.

The documents show how local officials tried to help a hometown company meet the surging demand for its products. In one email exchange, Boeing also asked the city to enforce parking rules around railroad tracks to make sure fuselages could reach the factory during Renton River Days, a local festival.

The emails reflect Renton officials' interpretation of Boeing's problems. The engine shortage is "severely hampering production needs as we now have aircrafts ready to go but no engines," one Renton airport official wrote to Federal Aviation Administration officials on July 24.

"The plant manager indicated they may be in crisis mode this afternoon," another Renton official wrote to other city leaders the next day, relaying what another Boeing employee told him.

Renton Mayor Denis Law said in an interview that Boeing didn't suggest the storage crunch was an existential threat to production at the factory, Renton's biggest employer. Boeing had 16,531 employees in Renton last year, according to financial disclosures.

But, the mayor added: "There was no question that time was of the essence."

The FAA in late July approved a plan under which large planes taking off from and landing at the Renton airport provide two hours' notice to give Boeing time to move planes on the taxiway.

Boeing is also tucking planes between buildings and parking them on at least one employee parking lot at its factory, people familiar with the matter said.

—Robert Wall contributed to this article.

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## TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By David Pierce



From New York to San Francisco, lunch prices are starting to get ridiculous.

Most days I cruise past \$13 salads and \$14 ramen before landing at a Chick-fil-A or Chipotle.

A few months ago, a colleague introduced me to MealPal, a lunch subscription service. Restaurants offer one dish each day, always \$6.39. I've eaten kimchi bowls, Thai chicken salads and just about every sandwich in the neighborhood. MealPal, which operates in a number of large cities, is a lifesaver for anyone with a net worth south of two commas. But my \$6.39 açai bowl is the same as the one on the menu for \$11.50.

These "Where's the catch?" deals are practically everywhere now, each causing me a similar dilemma:

◆ I take Uber Pools home, knowing that even if nobody else gets in the car the ride is still going to be cheaper. Are we stiffing drivers?

◆ I let MoviePass buy me tickets for next to nothing when I used to pay full price. Will this contribute further to the decline in nonsuperhero Hollywood films?

◆ I demand two-day shipping for everything I buy on Amazon. Am I destroying the Earth, one cardboard box at a time?

◆ I use the Blue Apron free trial, cancel it and switch to HelloFresh, then repeat with Sun Basket and Plated. Can decent, easy food delivery survive?

You can practically subsist on all the handouts, and worrying about this feels like looking a gift horse in the mouth. But I've seen companies I liked fail because they charged too little, and watched others punish their workers in order to



Amazon makes it easy to buy items on impulse and have those products shipped individually.

keep running.

What are the costs of this race to the bottom? And how does our behavior change as a result of the deals? Are we spending more? Or spending more wastefully? Just as we're reckoning with the privacy trade-offs we make when sharing baby pictures on Facebook, these low prices might have costs we don't see.

Selling something for less than its sticker price is hardly new. But the tech industry has gone to new heights. You might get an ad-supported music subscription that still gives you the world's music, a 100-night mattress trial or \$50 for referring a friend to MealPal.

To grow, companies need to stand out in some way, said Robert Dolan, a professor at Harvard Business School. "There's so much emphasis on growing their user base," all other considerations fade away.

If a product becomes in-

dispensable, its creator can sometimes raise prices without losing customers. That's why the prices of Amazon Prime and Netflix have risen lately: They're betting that because I love two-day shipping and "Stranger Things," I won't cancel. (They're right.)

Larger companies can also afford to make little or no money on some products, betting they will make it up elsewhere.

For smaller firms without a lot of money to lose, this is harder calculus. "Companies are very reluctant to raise their prices, especially in an era where everything you do automatically gets a reaction from the crowds on social media," said Prof. Dolan.

Kevin Gibbon, former chief executive of Shyp, a now-defunct clever service for shipping goods, blamed his company's downfall in part on its inability to shift away from charging a \$5 fee no matter what you were shipping. And when MealPal explored raising its price to

cents a meal, users bristled, says its CEO, Mary Biggins.

Mrs. Biggins says MealPal has been careful to make sure participating restaurants earn money. Since they're offering a single dish with no customizations, and they know exactly how many to make hours in advance, restaurants can easily make a huge number of MealPal meals, she says.

Uber makes a similar argument. Drivers' rates, calculated by time and distance, aren't affected by your fare, says the company. In a few cities, Uber has experimented with raising prices a small amount with few issues. Nevertheless, studies have found drivers earn less than minimum wage in some large markets. Surely my low fares play some role in that.

In general, "we as consumers have been trained to expect a lot for a little," Prof. Dolan said. While that's good in many cases, higher prices

## Deals, Deals, Deals

Tech companies are finding ways to sell just about anything at crazy-low prices.

## OLD WAY

Cab ride \$61.07

-\$25.52

NEW WAY, THANKS TO...

Uber \$35.55

iPhone cable 19.00

-11.01

Movie 12.50

-4.36

Lunch 10.75

-9.18

Amazon 7.99

MealPal 6.39

Movie-Pass 3.32

Source: WSJ analysis of the products

THE WALL STREET JOURNAL.

## BUSINESS &amp; FINANCE

# An Old Ad Haunts Sherwin-Williams

**Company fights ruling ordering millions in damages for promoting lead paint**

By ALEXANDRA BRUELL

When companies get in trouble over their advertisements, it usually happens quickly. In the case of **Sherwin-Williams Co.**, it took more than a century.

The paint maker is fighting a California court ruling that ordered it and two other companies to collectively pay hundreds of millions of dollars in damages for promoting lead paint over several decades, when they allegedly knew or should have known it was hazardous. The litigation has highlighted Sherwin-Williams ads dating back to 1904.

Sherwin-Williams and its co-defendants in July petitioned the U.S. Supreme Court to take up the case, arguing that they were unaware of the health risks of lead before it became accepted science and are being improperly punished for truthful advertising about a product that was legal at the time. The federal government banned the use of lead paint in

homes in 1978.

Companies already put their advertisements through a range of stress tests to ensure legal and regulatory compliance, adding careful wording and disclosures. But some advertising executives say the Sherwin-Williams ruling, if upheld, would raise the stakes, forcing marketers to consider whether advertising a product may open them to liability many years down the road.

That, in turn, could lead creative teams on Madison Avenue—which wasn’t implicated in the lead-paint litigation—to exercise even more caution when dreaming up ads.

“You can’t demand companies to have clairvoyance,” said Dan Jaffe, executive vice president of government relations for the Association of National Advertisers, a trade group of marketers that filed a brief in support of Sherwin-Williams. “It’s the precedent we’re concerned about.”

The ruling could potentially affect advertising of a range of products that are subject to frequent studies about their health effects, including everyday food items and consumer products, some ad executives said.

The health effects of lead are now well known. Exposure



The 1904 paint advertisement.

to it can affect physical and mental development, especially in children, according to the U.S. Environmental Protection Agency.

California argued in its suit that several paint companies were aware of lead paint’s toxicity for years while they marketed it. In the case of Cleveland-based Sherwin-Williams, the plaintiff referred to an internal communication in 1900 that described white lead—which was used in paint—as a “deadly cumulative poison.” The defendants said they didn’t have knowledge of risks now known to be associated with lead-based paint.

A California trial court ruled for the state in 2014, or-



A lawsuit against the paint maker puts its ads from the early 1900s under scrutiny.

dering Sherwin-Williams and two other companies involved in manufacturing and marketing lead paint in California, **ConAgra Grocery Products Co.** and **NL Industries Inc.**, to pay \$1.15 billion into a state

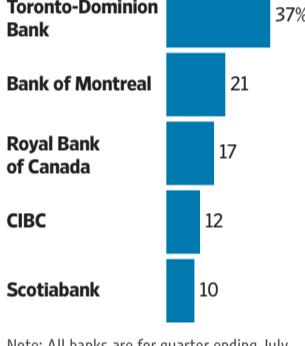
fund that would go toward removing health hazards posed by lead paint in homes. The substance of the ruling was upheld on appeal.

In their Supreme Court petitions, the defendants say the

state ruling violates their rights to free speech and due process. A lawyer for the California plaintiff said in a statement that there are no constitutional grounds for the high court to take up the case.

## Made in the U.S.A.

U.S. business income as a percentage of Canadian banks' total earnings



Note: All banks are for quarter ending July 31, 2018  
Source: the companies  
THE WALL STREET JOURNAL.

## U.S. Business Powers Canadian Bank Growth

By VIPAL MONGA

they are watching the talks closely given their firms’ dependence on domestic business for the bulk of earnings.

Canada’s economy would decline by 2.2% if Nafta were revoked, according to the Bank for International Settlements. The U.S., by contrast, would sustain a relatively meager 0.22% hit, suggesting U.S. businesses could become even more important for Canadian banks stung by any trade-related slowdown.

Toronto-Dominion Bank reported last week that strong growth at its U.S. unit pushed fiscal third-quarter earnings to

a record level. The bank, Canada’s largest by assets, owns the ninth-biggest retail banking operation in the U.S. by assets. Similar stories unfolded at Royal Bank of Canada, Canadian Imperial Bank of Commerce and Bank of Montreal.

“There’s a concerted effort by the banks to remind investors how important the U.S. is to their businesses and how well they’re doing there,” said Gabriel Dechaine, a banking analyst at National Bank of Canada.

The earnings increases come as U.S. business- and personal-lending rise and as economic

growth accelerates. The Commerce Department on Wednesday pegged second-quarter gross domestic product growth in the U.S. at 4.2%, compared with 2.9% in Canada.

In its earnings, TD reported business-loan growth of 2% in the U.S. for the quarter, while personal loans jumped 7%. Business borrowing has been picking up in the U.S., helping banks’ bottom lines.

U.S. growth has been so strong that Royal Bank of Canada decided to disclose how much it contributed to overall earnings for the first time. Income from the region accounted

for 18% of RBC’s total earnings for the 12 months ended July 31, up from 15% a year earlier.

Investors have largely rewarded Canadian banks with U.S. operations. Share-price increases this year have ranged from gains of 1% for Royal Bank to 6.8% for TD.

Bank of Montreal, which has long owned Chicago’s BMO Harris Bank, reported unadjusted personal- and consumer-banking earnings growth of 36% at the unit.

CIBC, which bought Chicago-based PrivateBancorp for \$5 billion last year, reported a 34% jump in the unit’s earnings.

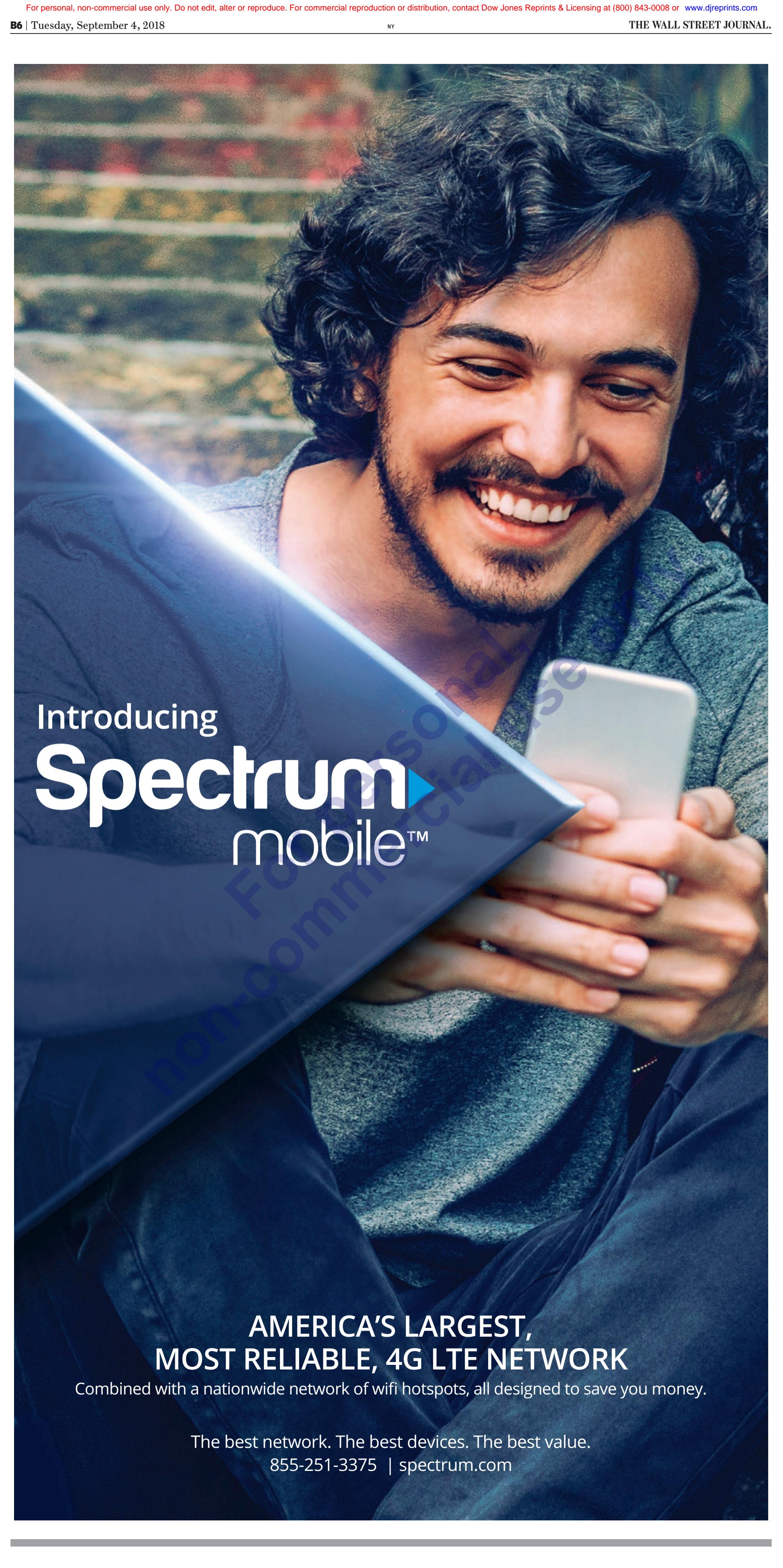
## COMBINED STRENGTH FOR CAPITAL SOLUTIONS



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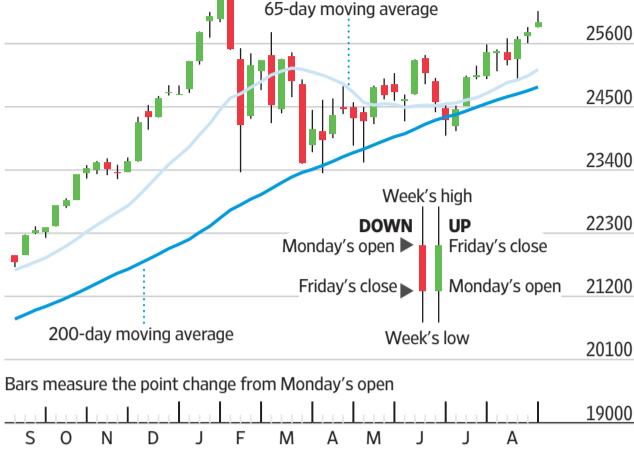
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## MARKETS DIGEST

## Dow Jones Industrial Average

**25964.82** ▲ 174.47, or 0.68% last week  
 High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 23.47 19.89  
 P/E estimate \* 16.78 18.53  
 Dividend yield 2.09 2.36  
 All-time high 26616.71, 01/26/18



Current divisor 0.14748071991788  
 Bars measure the point change from Monday's open



\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2901.52** ▲ 26.83, or 0.93% last week  
 High, low, open and close for each of the past 52 weeks

Trailing P/E ratio \* 24.53 23.86  
 P/E estimate \* 17.98 18.85  
 Dividend yield 1.81 2.00  
 All-time high 2914.04, 08/29/18



## Financial Flashback

The Wall Street Journal, Sept. 4, 2008

The Dow fell 344 points with investors worried that the collapse of two hedge funds run by Bear Stearns were a sign of larger problems in the financial markets.

## New to the Market

## Public Offerings of Stock

None expected this week

## Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

| Lockup expiration | Issue date    | Issuer                 | Offer price(\$) | Offer amt (\$ mil.) | Through Friday(%) | Lockup provision |          |
|-------------------|---------------|------------------------|-----------------|---------------------|-------------------|------------------|----------|
| Sept. 4           | March 8, '18  | BioXcel Therapeutics   | BTAI            | 11.00               | 60.0              | -16.4            | 180 days |
| Sept. 9           | March 13, '18 | Bridgewater Bancshares | BWB             | 11.75               | 90.5              | 9.4              | 180 days |

Sources: Dealogic; WSJ Market Data Group

## IPO Scorecard

Performance of IPOs, most-recent listed first

| Company                        | SYMBOL | IPO date/Offer price | % Chg From Friday's close (\$) | Offer price (\$) | 1st-day close | Company                    | SYMBOL | IPO date/Offer price | % Chg From Friday's close (\$) | Offer price (\$) | 1st-day close |
|--------------------------------|--------|----------------------|--------------------------------|------------------|---------------|----------------------------|--------|----------------------|--------------------------------|------------------|---------------|
| Longevity Acquisition          | LOACU  | Aug. 29/\$10.00      | 10.15                          | 1.5              | 0.2           | Aridis Pharmaceuticals     | ARDUS  | Aug. 14/\$13.00      | 13.45                          | 3.5              | 3.5           |
| Megalith Financial Acquisition | MFACU  | Aug. 24/\$10.00      | 10.02                          | 0.2              | ...           | Mesa Air Grp               | MESA   | Aug. 10/\$12.00      | 13.79                          | 14.9             | 17.4          |
| Bionano Genomics               | BNGOU  | Aug. 21/\$6.13       | 6.20                           | 1.1              | 0.8           | Spartan Energy Acquisition | SPAQ.A | Aug. 10/\$10.00      | 10.13                          | 1.3              | 0.6           |
| Tenzing Acquisition            | TZING  | Aug. 21/\$10.00      | 10.05                          | 0.5              | 0.2           | Vaccinex                   | VXNC   | Aug. 9/\$12.00       | 9.99                           | -16.8            | -12.2         |
| TKK Symphony Acquisition       | TKKSU  | Aug. 16/\$10.00      | 10.06                          | 0.6              | 0.2           | Arlo Tech                  | ARLO   | Aug. 3/\$16.00       | 19.73                          | 23.3             | -10.7         |

Sources: Dow Jones Market Data; FactSet Research Systems

## Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

| Symbol/<br>Primary<br>exchange | Offer<br>amount<br>(\$ mil.) | Friday's<br>price (\$) | 1st-day<br>close |
|--------------------------------|------------------------------|------------------------|------------------|
| FVCBankcorp<br>Finance         | Nq                           | 40.3                   | 19.65            |

## Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

| Issuer/Industry           | Takedown date/<br>Registration date | Deal value (\$ mil.) | Registration (mil.) | Bookrunner(s) |
|---------------------------|-------------------------------------|----------------------|---------------------|---------------|
| Select Bancorp<br>Finance | Aug. 27<br>June 22/18               | \$63.3               | \$85.0              | FIG Partners  |

## Public and Private Borrowing

## Treasurys

Tuesday, September 4

Auction of 4,13, and 26 week bills; announced on August 30; settles on September 6

## Public and Municipal Finance

Deals of \$150 million or more expected this week

| Final<br>Sale | maturity     | Issuer                              | Total<br>(\$ mil.) | Rating | Bookrunner/<br>S&P<br>Bond Counsel(s)                                 |
|---------------|--------------|-------------------------------------|--------------------|--------|---|
| Sept. 6       | Aug. 1, 2037 | California                          | 854.4              | N.R.   | Preliminary/<br>Orrick H & S  |
| Sept. 6       | June 1, 2038 | Dane Co.-Wisconsin                  | 501.5              | N.R.   | N.R. Preliminary/<br>Quarles & Brady (WI)                             |
| Sept. 6       | Aug. 1, 2028 | NYC<br>Transitional<br>Finance Auth | 500.0              | N.R.   | N.R. Preliminary/<br>Norton Rose Fulbright/<br>Bryant Rabbino LLP     |
| Sept. 7       | Aug. 1, 2040 | NYC<br>Transitional<br>Finance Auth | 750.0              | N.R.   | Loop Capital Markets/<br>Norton Rose Fulbright/<br>Bryant Rabbino LLP |

Source: Thomson Reuters/Ipreo

Closed-End Funds | [WSJ.com/funds](http://WSJ.com/funds)

| 52 wk<br>Fund (SYM)   | NAV Close/Disc | Prem Ttl   |
|---|----------------|------------|
| <b>Income &amp; Preferred Stock Funds</b>   |                |            |
| Calamos Strat Fd CSQ  | 13.46 13.36    | -0.7 21.2  |
| Cohen & Steers Dur Pf LDP   | 25.69 24.63    | -4.1 -0.4  |
| Cohen & Strs Sel Pf Inc   | 26.11 26.96    | +3.3 4.2   |
| FT Intern Duration Fd FPF   | 23.54 22.01    | -6.5 -4.0  |
| John Hancock Pf Inc HPI   | 21.41 22.61    | +5.6 11.7  |
| John Hancock Pf II HPII   | 21.13 21.63    | +2.4 7.5   |
| John Hancock Pf II Inc HPS  | 18.86 19.16    | +1.6 10.3  |
| Nuveen Pf & Inc Opp Fd JPC  | 10.18 9.39     | -8.7 -2.8  |
| Nuveen Pf & Inc Secs JDS  | 9.71 8.86      | -8.8 -7.0  |
| Nuveen Preferred & Incm FPI   | 24.36 23.24    | -4.6 -0.2  |
| Nuv Tax Adv Div Grp JTD   | 17.91 17.55    | -2.0 15.3  |
| TCW Strategic Income Fds TSI  | NA 5.54        | NA 3.4     |
| Virtus Global Dividend ZTR  | 11.22 11.97    | +7.6 2.1   |
| <b>Convertible Secs. Funds</b>  |                |            |
| Allianz GI Conv & Inc NCI   | 6.39 7.11      | +1.6 14.5  |
| Allianz GI Conv & Inc NLL   | 5.74 6.20      | +8.0 12.0  |
| Allianz GI Equity & Conv NIE  | 24.92 23.66    | -5.1 24.5  |
| Calamos Conv Hlco Fd CH   | 12.03 13.25    | +10.1 22.5 |
| Calamos CHI   | 11.40 12.60    | +10.5 21.5 |
| <b>World Equity Funds</b>   |                |            |
| Aberdeen Total Dyn Inv AD   | 10.09 8.89     | -11.9 8.9  |
| Calamos Glb Inv CHV   | 8.88 9.14      | +2.9 12.8  |
| Cdn Gen Inv CGI   | 37.14 26.06    | -29.8 26.6 |
| China Fund CHN  | 21.78 19.84    | -9.8 -0.7  |
| Eaton Vnc TaxAdvGrp ETG   | 18.55 17.85    | -3.8 13.7  |
| Eaton Vnc TaxAdvOppt ETG  | 24.62 25.38    | +3.1 16.2  |
| First Trust Dynamic Eru FDI   | 17.09 15.83    | -7.4 -8.4  |
| Gabelli Glb Multimedia GGT  | 9.10 9.12      | +0.2 6.6   |
| GDL Fund GDL  | 11.35 9.22     | -18.8 -6.1 |
| India Fund IFN  | 28.86 25.47    | -11.7 7.9  |
| Japan Smal Cap JOF  | 12.67 10.88    | -14.1 2.3  |
| Nuveen Pf & Inc Opp Fd JPC  | 10.18 9.39     | -8.7 -2.8  |
| Nuveen Pf & Inc Secs JDS  | 9.71 8.86      | -8.8 -7.0  |
| Nuveen Preferred & Incm FPI   | 24.36 23.24    | -4.6 -0.2  |
| Nuv Tax Adv Div Grp JTD   | 17.91 17.55    | -2.0 15.3  |
| TCW Strategic Income Fds TSI  | NA 5.54        | NA 3.4     |
| Virtus Global Dividend ZTR  | 11.22 11.97    | +7.6 2.1   |
| <b>Real-time U.S. stock quotes are available on WSJ.com. Track most-active stocks, new highs/lows, mutual funds and ETFs.</b> |                |            |

Source: Lipper

Friday, August 31, 2018

52 wk  
Fund (SYM)

NAV Close/Disc Ret

**General Equity Funds**

Adams Divers Equity Fd ADX 19.15 16.52 -13.7 22.1

Boulder Growth & Income BIF NA 11.17 NA 15.5

Central Securities CET 35.78 29.75 -16.9 22.7

CohSteer Opprtunity Fd OFD 13.73 13.16 -4.2 8.1

EtnVnc TaxAdvDiv EVT 24.25 24.37 +0.5 20.5

Gabelli Dividend & Income GDV 21.10 24.02 -1.6 13.6

Gabelli Equity Trust GAB 6.61 6.58 -0.5 15.1

GenlAmerican Investors GAM 43.97 36.90 -16.1 16.5

Hnckl Hng TxAdv HTP 21.20 16.77 -8.1 21.1

Royce Value Fund RVT 18.24 16.77 -8.1 21.1

# CLOSED-END FUNDS

wsj.com/funds

Continued From Page B7

| Fund (SYM)                           | NAV   | Prem12 Mo<br>Close/Disc | Yld   | Fund (SYM) | NAV                                   | Prem12 Mo<br>Close/Disc | Yld   | Fund (SYM) | NAV | Prem12 Mo<br>Close/Disc                | Yld   | Fund (SYM) | NAV   | Prem12 Mo<br>Close/Disc | Yld   |       |       |       |     |
|--------------------------------------|-------|-------------------------|-------|------------|---------------------------------------|-------------------------|-------|------------|-----|--|-------|------------|-------|-------------------------|---|-------|-------|-------|-----|
| BlackRock Corp Hi Yld Fd <b>HYT</b>  | 11.90 | 10.70                   | -10.1 | 7.9        | PIMCO Short Duration HY Fd <b>ISD</b> | 16.37                   | 14.23 | -13.1      | 7.6 | PIMCO Corporate & Income PCN           | NA    | 18.17      | NA    | 7.4                     | Invesco Qnty Mun Inco <b>IQI</b>              | 13.14 | 12.00 | -8.7  | 5.6 |
| BlackRock Durlin Co <b>BLW</b>       | 16.71 | 15.06                   | -9.9  | 6.3        | Wells Fargo Incm Opps Fd <b>EAD</b>   | 9.00                    | 8.04  | -10.7      | 8.2 | PIMCO Inco Str Fd <b>PFL</b>           | NA    | 8.92       | NA    | 11.1                    | Invesco Inv Grade Mun <b>VGM</b>              | 13.48 | 12.13 | -10.0 | 6.0 |
| Brookfield Real Assets <b>RA</b>     | NA    | 23.36                   | NA    | 10.2       | PIMCO IncoStratgey Fd <b>PFI</b>      | NA                      | 12.11 | NA         | 8.8 | BlackRock Invest <b>BKN</b>            | 15.39 | 14.16      | -8.0  | 5.1                     | BlackRock Muni 2030 Target BTT                | 23.64 | 21.36 | -9.6  | 3.9 |
| Credit Suisse High Yld <b>DHY</b>    | NA    | 2.62                    | NA    | 9.7        | Putnam Mas Inco <b>PIN</b>            | 4.93                    | 4.58  | -7.1       | 6.5 | MainStay Defend Muni <b>MMD</b>        | 20.25 | 19.88      | -1.8  | 5.5                     | Putnam Premier Income Tr <b>PTP</b>           | 5.49  | 5.24  | -4.6  | 5.9 |
| DoubleLine Incm Solutions <b>DSL</b> | 20.28 | 20.37                   | +0.4  | 8.9        | Wells Fargo Multi-Sector IT <b>IT</b> | 18.79                   | 17.64 | -6.1       | 8.8 | Well Fargo Multi-Sector ERC <b>ERC</b> | 13.49 | 12.49      | -7.4  | 10.2                    | Well Fargo Multi-Sector Opp Credit <b>DBL</b> | 20.18 | 21.07 | +4.4  | 9.1 |
| Dreyfus Hl Yld Strat Fd <b>DHF</b>   | 3.41  | 3.18                    | -6.7  | 8.9        | BlackRock Taxable Mun Bd <b>BBN</b>   | 23.10                   | 21.99 | -4.9       | 7.1 | Aberdeen Asia-Pacific <b>FAX</b>       | 4.81  | 4.20       | -12.7 | 9.7                     | Etn Vnc Short Dur Fd <b>EDV</b>               | 14.62 | 12.72 | -13.0 | 7.3 |
| Fst Tr Hl Inc Lng Shrt Fd <b>FSD</b> | 17.04 | 14.98                   | -12.1 | 9.6        | MS EmktDmdeb <b>EDT</b>               | 7.32                    | 6.76  | -7.7       | 8.6 | PIMCO Dynamic Credit <b>PCF</b>        | NA    | 24.28      | NA    | 8.1                     | MS EmktDmdeb <b>EDT</b>                       | 7.32  | 6.76  | -7.7  | 8.6 |
| Ivy High Income Opps Fund <b>IHV</b> | NA    | 14.37                   | NA    | 9.2        | PIMCO Dynamic Income Fund <b>PDI</b>  | NA                      | 32.85 | NA         | 8.0 | PIMCO Income Opportunity <b>PKO</b>    | NA    | 27.42      | NA    | 8.2                     | PIMCO Income Fund <b>PKO</b>                  | NA    | 27.42 | NA    | 8.2 |
| Neuberger Berman HYS <b>NHS</b>      | NA    | 10.99                   | NA    | 7.7        | PIMCO Strat Income Fund <b>RCA</b>    | NA                      | 9.94  | NA         | 8.6 | Templeton Emerging <b>TEI</b>          | 11.04 | 9.99       | -9.5  | 8.9                     | PIMCO Corporate & Income <b>PTY</b>           | NA    | 18.01 | NA    | 8.6 |
| NextPoint Strat Opps Fund <b>NHF</b> | 24.55 | 22.87                   | -6.3  | 10.6       | Templeton Global <b>GIM</b>           | 6.92                    | 5.99  | -13.4      | 5.1 | Templeton Emerging <b>TEI</b>          | 11.04 | 9.99       | -9.5  | 8.9                     | Templeton Global <b>GIM</b>                   | 6.92  | 5.99  | -13.4 | 5.1 |
| PGM Global Short Dur Hl <b>GHY</b>   | 16.12 | 13.80                   | -14.4 | 7.6        |                                       |                         |       |            |     |  |       |            |       |                         |   |       |       |       |     |

**Borrowing Benchmarks** | WSJ.com/bonds**Money Rates**

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

| International rates                          |          |               |              | Other short-term rates       |          |               |              | U.S. government rates              |          |               |              | Secondary market             |          |               |              |  |
|--|----------|---------------|--------------|------------------------------|----------|---------------|--------------|------------------------------------|----------|---------------|--------------|------------------------------|----------|---------------|--------------|--|
| Latest                                       | Week ago | -52-Week-High | -52-Week-Low | Latest                       | Week ago | -52-Week-High | -52-Week-Low | Latest                             | Week ago | -52-Week-High | -52-Week-Low | Latest                       | Week ago | -52-Week-High | -52-Week-Low |  |
| <b>Prime rates</b>                           |          |               |              | <b>Call money</b>            |          |               |              | <b>Discount</b>                    |          |               |              | <b>Fannie Mae</b>            |          |               |              |  |
| U.S. <b>5.00</b>                             | 5.00     | 5.00          | 4.25         | 3.75                         | 3.75     | 3.75          | 3.00         | 2.28                               | 2.21     | 2.31          | 1.14         | 30-year mortgage yields      |          |               |              |  |
| Canada <b>3.70</b>                           | 3.70     | 3.70          | 2.95         | 3.70                         | 3.70     | 3.70          | 2.95         | 2.50                               | 2.50     | 2.50          | 1.50         | 30-day <b>4.175</b>          | 4.152    | 4.344         | 3.253        |  |
| Japan <b>1.475</b>                           | 1.475    | 1.475         | 1.475        | 1.475                        | 1.475    | 1.475         | 1.475        | 2.50                               | 2.50     | 2.50          | 1.50         | 60-days <b>4.198</b>         | 4.173    | 4.371         | 3.281        |  |
| <b>Policy Rates</b>                          |          |               |              | <b>Euro Libor</b>            |          |               |              | <b>Treasury bill auction</b>       |          |               |              | <b>Federal funds</b>         |          |               |              |  |
| Euro zone <b>0.00</b>                        | 0.00     | 0.00          | 0.00         | 0.00                         | -0.392   | -0.393        | -0.391       | 1.90                               | 1.910    | 1.930         | 0.960        | Effective rate <b>1.9400</b> | 1.9400   | 1.9500        | 1.0700       |  |
| Switzerland <b>0.50</b>                      | 0.50     | 0.50          | 0.50         | 0.50                         | -0.353   | -0.361        | -0.349       | 2.1500                             | 2.1500   | 2.1500        | 1.3125       | Three month <b>2.3075</b>    | 2.31725  | 2.36906       | 1.31033      |  |
| Britain <b>0.75</b>                          | 0.75     | 0.75          | 0.25         | 0.75                         | -0.316   | -0.305        | -0.303       | 1.8800                             | 1.8500   | 1.9100        | 1.0000       | Six month <b>2.53563</b>     | 2.52300  | 2.53563       | 1.44767      |  |
| Australia <b>1.50</b>                        | 1.50     | 1.50          | 1.50         | 1.50                         | -0.217   | -0.219        | -0.209       | 1.9200                             | 1.9100   | 1.9200        | 1.0600       | One year <b>2.83888</b>      | 2.82000  | 2.84238       | 1.69511      |  |
| <b>Overnight repurchase</b>                  |          |               |              | <b>Treasury bill auction</b> |          |               |              | <b>Secondary market</b>            |          |               |              | <b>Discount</b>              |          |               |              |  |
| U.S. <b>2.03</b>                             | 2.05     | 2.18          | 1.01         | 4 weeks <b>1.930</b>         | 1.910    | 1.930         | 0.960        | 4 weeks <b>1.930</b>               | 1.910    | 1.930         | 0.960        | 30 days <b>4.175</b>         | 4.152    | 4.344         | 3.253        |  |
| <b>Liber</b>                                 |          |               |              | 13 weeks <b>2.080</b>        | 2.035    | 2.080         | 1.020        | 13 weeks <b>2.080</b>              | 2.035    | 2.080         | 1.020        | 26 weeks <b>2.210</b>        | 2.185    | 2.210         | 1.115        |  |
| <b>Euro Libor</b>                            |          |               |              | <b>DTCC GCF Repo Index</b>   |          |               |              | <b>DTCC GCF Repo Index Futures</b> |          |               |              | <b>Fannie Mae</b>            |          |               |              |  |
| One month <b>-0.391</b>                      | -0.393   | -0.391        | -0.420       | Treasury <b>2.039</b>        | 31.050   | 2.233         | 1.022        | Treasury Aug <b>98.003</b>         | 0.003    | 1434          | 1.997        | 30-day <b>4.175</b>          | 4.152    | 4.344         | 3.253        |  |
| Three month <b>-0.353</b>                    | -0.361   | -0.349        | -0.389       | MBS <b>2.054</b>             | 70.200   | 2.321         | 1.038        | Treasury Sep <b>97.950</b>         | 0.005    | 2086          | 2.050        | 60-days <b>4.198</b>         | 4.173    | 4.371         | 3.281        |  |
| Six month <b>-0.317</b>                      | -0.305   | -0.303        | -0.339       |                              |          |               |              | Treasury Oct <b>97.755</b>         | unch.    | 970           | 2.245        |                              |          |               |              |  |
| One year <b>-0.217</b>                       | -0.219   | -0.209        | -0.263       |                              |          |               |              |                                    |          |               |              |                              |          |               |              |  |
| <b>Euro interbank offered rate (Euribor)</b> |          |               |              |                              |          |               |              |                                    |          |               |              |                              |          |               |              |  |
| One month <b>-0.370</b>                      | -0.370   | -0.366        | -0.373       |                              |          |               |              |                                    |          |               |              |                              |          |               |              |  |
| Three month <b>-0.319</b>                    | -0.319   | -0.319        | -0.311       |                              |          |               |              |                                    |          |               |              |                              |          |               |              |  |
| Six month <b>-0.268</b>                      | -0.265   | -0.265        | -0.279       |                              |          |               |              |                                    |          |               |              |                              |          |               |              |  |
| One year <b>-0.166</b>                       | -0.166   | -0.161        | -0.194       |                              |          |               |              |                                    |          |               |              |                              |          |               |              |  |

August 31, 2018

| Inflation |          |               |              | Other short-term rates |          |               |              | U.S. government rates |          |               |              | Secondary market |  |  |  |
|-----------|----------|---------------|--------------|------------------------|----------|---------------|--------------|-----------------------|----------|---------------|--------------|------------------|--|--|--|
| Latest    | Week ago | -52-Week-High | -52-Week-Low | Latest                 | Week ago | -52-Week-High | -52-Week-Low | Latest                | Week ago | -52-Week-High | -52-Week-Low |                  |  |  |  |

## MARKETS

# Nafta Threats Hit Stocks

By JON SINDREU

President Trump's weekend threats to leave Canada out of the new North American Free Trade Agreement weighed on European and Asian stocks Monday.

Some investors were looking at the Nafta renegotiation as a bellwether for how far the U.S. is willing to take its trade spat with China.

Car makers in the Stoxx Europe 600 were the worst-performing sector in Europe and fell 1%, even as the broader index closed up 0.1%. Shares of Volkswagen, BMW and Daimler, which have car factories in the U.S. and Mexico, led the losses in Germany's export-heavy DAX, which fell 0.1%.

Stock markets in the Asia-Pacific region were also weaker, with Japan's Nikkei Stock Average closing down 0.7%, Hong Kong's Hang Seng falling 0.6% and Australia's S&P/ASX 200 dropping 0.1%.

U.S. markets were closed for Labor Day.

"There is no political necessity to keep Canada in the new Nafta deal," Mr. Trump tweeted Saturday.

Some analysts interpreted the comments as reinforcing Mr. Trump's tough stance on trade and a sign he could follow through with his threat to impose tariffs on a further \$200 billion of imports from China as soon as a U.S. public consultation on the matter ends Thursday. They believe China is likely to retaliate.

Concerns about a global

## Trade Tensions

The Stoxx Europe 600 ended slightly higher Monday amid jitters about global trade negotiations.



trade conflict have dented equity markets in Europe and Asia over the past few months but also helped U.S. stocks to reach records, boosted by risk-averse money.

"U.S. markets are the place to be," said Sean Clark, chief investment officer at Clark Capital Management. "I think the market is taking views on who the winners and losers could be, with the U.S. coming up on top," he said, underscoring the strength of U.S. earnings data.

China's stock markets have had a dismal year, with the Shanghai Composite recently falling below its lowest closing level of 2016, when global stock markets trembled at the prospect of a large yuan devaluation.

The U.S. employment report for August, due Friday, will give further clues on the strength of the U.S. economy.

The WSJ Dollar Index, which tracks the U.S. dollar against a basket of currencies, rose 0.1% on Monday.

Inflows into U.S. assets, however, have hurt emerging-market countries that are highly dependent on the dollar and foreign finance, chiefly Turkey and Argentina. Money managers are concerned about these issues spreading further.

On Monday, the Turkish lira fell 1.5% against the dollar, recovering from deeper falls earlier in the day after the Turkish central bank said it would take action again in this month's policy meeting, adding that officials "will take the necessary actions to support price stability."

That came after fresh economic data showed that Turkish inflation in August rose to almost 18%, albeit lower than

investors expected. The Argentine peso was broadly flat.

Many investors think it is unlikely that developing-market woes will grow large enough to affect U.S. growth through weaker demand for its exports.

"While the troubles in Turkey and Argentina are very real, we don't necessarily have the same kind of systemic weakness we've had in the past," said Brad McMillan, chief investment officer for Commonwealth Financial Network. "It's not going to hit us."

Elsewhere in Europe, a small rally in Italian government bonds narrowed the spread between Italian and German 10-year yields—a widely used measure of risk—after comments by Italy's deputy prime minister, Matteo Salvini, suggested the government wouldn't seek to break European rules when passing this month's budget.

Italian spreads are still hovering near their widest since 2013, which suggests that investors remain jittery about the budget creating a rift with European officials.

"Even though Italy has sold off, [and] is cheap relative to where it has been over recent years, the risk is that there could be even more volatility," Chris Iggo, fixed-income chief investment officer at AXA Investment Managers, said.

Meanwhile, sterling fell 0.7% against the dollar, after the August survey of purchasing managers showed U.K. manufacturing output growth falling to its lowest in more than two years.

# It Is Difficult to Be An 'Ethical' Investor

By JON SINDREU AND SARAH KENT

In life, ethics are in the eye of the beholder. In investing, ethics are up to the whims of your fund manager.

With little regulation governing what a fund manager can call a "socially responsible" or "ethical" investment, a myriad of bespoke standards have popped up. Increasingly, these fund strategies are designed to beat the market rather than uphold morality.

This has created a dizzying array of possibilities when it comes to what these funds might hold. Fund companies can craft their definitions in such a way that they can simply rename existing products with an ethical allusion, without having to change their fund holdings.

Fund managers have rebranded at least two dozen existing mutual funds over the past few years, adding terms such as "sustainable," and "ESG"—which stands for environmental, social and corporate governance. But the names haven't required the funds' holdings to change much.

"Our partners want to have that in the fund's name so clients realize those are ESG funds," but the impact is "often a minor one," said Harald Rieger, a senior investment specialist at DWS, Deutsche Bank AG's asset-management arm.

DWS has rebranded five funds as sustainable this year, including one launched in 1992.

Since its creation in 2010, Touchstone Investments' "Total Return Bond" fund had implicitly avoided controversial firms, said Tim Paulin, a senior vice president at Touchstone, until a couple of professional buyers reached out to say the fund was a perfect fit for their model ESG portfolios.

It was renamed last week to "Impact Bond"—industry jargon for an investment that leads to a positive change on the world.

Sustainable investing has become a way to entice ethically minded millennial investors, fund executives say. Beyond rebrandings, there were 40 sustainable-fund launches last year, compared with eight in 2013, according to fund-tracker Morningstar. About

## Buzzword Rating

Which sustainable buzzword is more sustainable? Fund tracker Morningstar scores funds' sustainability from 1 to 5 (3 is the average).

**Sustainability score for European funds whose names contain the words...**

|               |      |
|---------------|------|
| 'SRI'         | 4.26 |
| 'Responsible' | 4.24 |
| 'Sustainable' | 4.07 |
| 'ESG'         | 3.95 |
| 'Green'       | 3.77 |
| 'Ethical'     | 3.65 |
| 'Impact'      | 3.44 |
| 'Environment' | 3.16 |

Source: Morningstar  
THE WALL STREET JOURNAL.

53% of all assets managed in Europe and 38% in the U.S. incorporate ESG criteria, JPMorgan Chase estimates.

"Everyone has their own definition of ESG, so what we've done is come up with our own definition of ESG for our products," Mr. Rieger said.

"When you look at all the pressures coming from passive management, this is a way for active managers to differentiate themselves" said Simon MacMahon, head of ESG research at Sustainalytics NV, an ESG data provider.

The ethical-investment industry started as a niche that excludes "sin" stocks, like tobacco and weapons companies. But it is now dominated by another idea: Companies that avoid crooked management, promote diversity or insulate themselves from environmental fines will outperform companies that don't.

A raft of research suggests ESG may help boost returns, but that shunning "sin" stocks hampers them. So, with the priority on returns rather than ethics, fewer stocks are excluded outright.

Fund managers can choose to use ESG ratings but can also apply their own standards.

**Vanguard Group** Inc. says it leaves out companies with "the most severe" environmental, social and governance issues, but outright exclusion from the fund requires violating United Nations Global Compact principles—such as engaging in slavery—or producing land mines and cluster bombs.

## Currencies

U.S.-dollar foreign-exchange rates in late New York trading

| Country/currency          | Mon               |          | YTD chg (%) | US\$ vs. per US\$ |
|---------------------------|-------------------|----------|-------------|-------------------|
|                           | in US\$           | per US\$ |             |                   |
| <b>Americas</b>           |                   |          |             |                   |
| Argentina peso            | .0259             | 38.6057  | 107.5       |                   |
| Brazil real               | .2404             | 4.1593   | 25.6        |                   |
| Canada dollar             | .7636             | 1.3097   | 4.2         |                   |
| Chile peso                | .001463           | 683.30   | 11.0        |                   |
| Ecuador US dollar         | 1                 | 1        | unch        |                   |
| Mexico peso               | .0521             | 19.1857  | -2.5        |                   |
| Uruguay peso              | .03104            | 32.2200  | 11.9        |                   |
| Venezuela b. fuerte       | .00004248409.0001 | 240378.4 |             |                   |
| <b>Asia-Pacific</b>       |                   |          |             |                   |
| Australian dollar         | .7214             | 1.3862   | 8.2         |                   |
| China yuan                | .1462             | 6.8392   | 5.2         |                   |
| Hong Kong dollar          | .1274             | 7.8494   | 0.5         |                   |
| India rupee               | .01405            | 71.170   | 11.4        |                   |
| Indonesia rupiah          | .0000674          | 14835    | 10.0        |                   |
| Japan yen                 | .009004           | 111.06   | -1.5        |                   |
| Kazakhstan tenge          | .002733           | 365.85   | 10.0        |                   |
| Macau pataca              | .1237             | 8.0862   | 0.5         |                   |
| Malaysia ringgit          | .2423             | 4.1268   | 1.6         |                   |
| New Zealand dollar        | .6599             | 1.5154   | 7.5         |                   |
| Pakistan rupee            | .00812            | 123.110  | 11.3        |                   |
| Philippines peso          | .0187             | 53.557   | 7.2         |                   |
| Singapore dollar          | .7291             | 1.3715   | 2.6         |                   |
| South Korea won           | .0008992          | 1112.10  | 4.2         |                   |
| Sri Lanka rupee           | .0061881          | 161.60   | 5.3         |                   |
| Taiwan dollar             | .03255            | 30.724   | 3.6         |                   |
| Thailand baht             | .03060            | 32.680   | 0.3         |                   |
| Vietnam dong              | .00004291         | 23306    | 2.6         |                   |
| <b>Middle East/Africa</b> |                   |          |             |                   |
| Bahrain dinar             | 2.6514            | .3772    | 0.02        |                   |
| Egypt pound               | .0557             | 19.9435  | 1.0         |                   |
| Israel shekel             | .2768             | 3.6127   | 3.8         |                   |
| Kuwait dinar              | 3.3010            | .3029    | 0.5         |                   |
| Oman rial                 | 2.5976            | .3850    | ...         |                   |
| Qatar rial                | .2747             | 3.640    | -0.2        |                   |
| Saudi Arabia riyal        | .2645             | 3.7806   | 0.8         |                   |
| South Africa rand         | .0673             | 14.8544  | 20.2        |                   |
| <b>Close</b>              |                   |          |             |                   |
| WSJ Dollar Index          | 89.70             | 0.10     | 0.11        | 4.33              |

Sources: Tullett Prebon, Dow Jones Market Data

## THE TICKER | Market events coming this week

### Tuesday

Construction spending

June, previous down 1.1%

July, expected up 0.5%

ISM manufacturing index

July, previous 58.1

Aug., expected 57.5

Earnings expected\*

Estimate/Year Ago(\$)

HealthEquity 0.22/0.27

Workday 0.26/0.24

### Wednesday

Mort. bankers indexes

Purch., prev. down 1%

Refinian., prev. down 3%

EIA status report

Previous change in stocks in millions of barrels

Crude oil down 2.6

Gasoline Distillates up 1.6

down 0.8

Zscaler (0.05)/NA

0.9% 2nd qtr., rev. est. down 0.9%

Initial jobless claims

July, previous 213,000

Expected 215,000

EIA report: natural gas

Previous change in stocks in billions of cubic feet

up 70

International trade deficit

June, previous \$46.35 billion

July, expected \$49.2 billion

&lt;p

## MARKETS

# Italian Politics Keep Investors on Edge

By RIVA GOLD

Fractious Italian politics sent tremors through global markets earlier this year. Investors have been hammering European stocks and bonds ever since, betting more trouble lies ahead.

The yield gap between Italian and German debt—which reflects the extra premium investors demand for holding Italian assets over their safer European counterparts—in August reached a five-year high, according to Tradeweb. Yields on 10-year Italian bonds have climbed above 3% to their highest levels since 2014.

European equity funds, meanwhile, have posted outflows for 25 straight weeks, according to fund tracker EPFR Global, while ownership of euro-area stocks in global portfolios has fallen to its lowest since the European Central Bank launched its massive bond-buying program in January 2015, according to data from the Institute of International Finance.

"Italy has hit sentiment hard," said Richard Saldanha, an equity-fund manager at Aviva Investors.

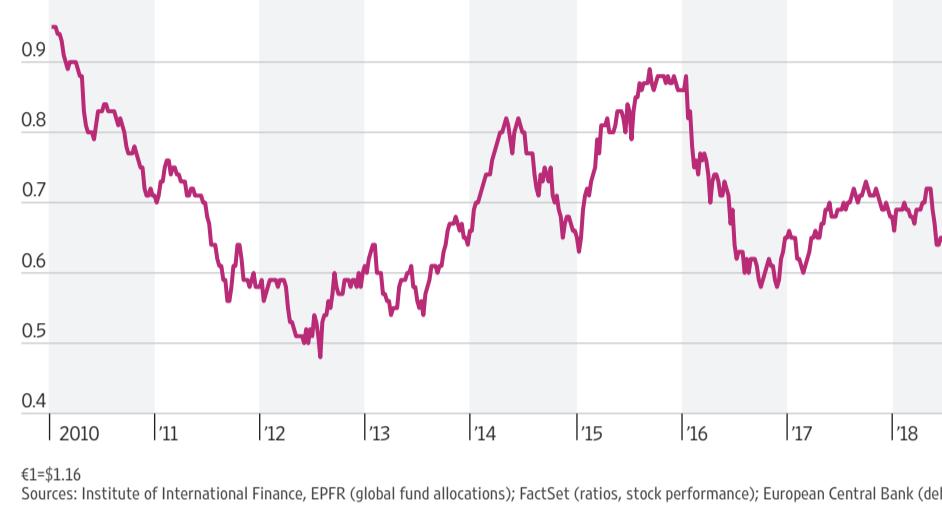
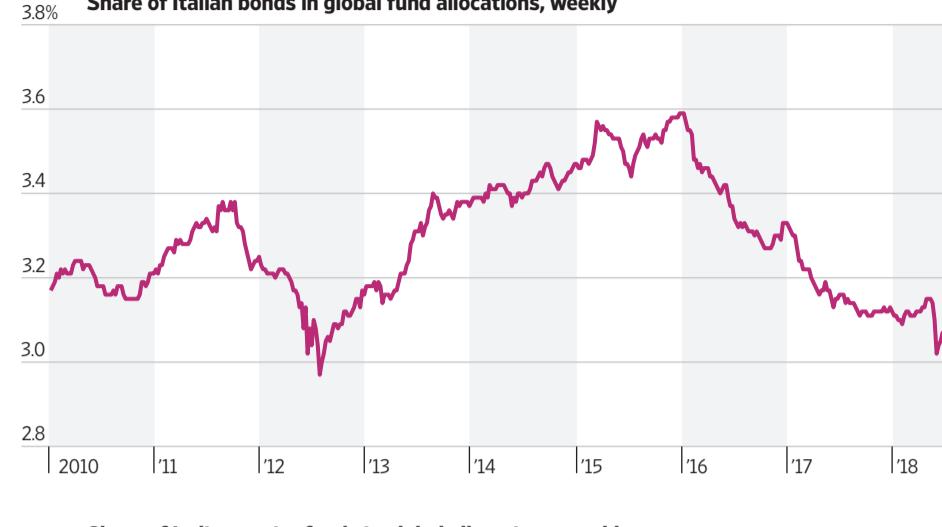
Investors fear Italy's government could announce a budget this fall that puts the country's debt on an unsustainable course and so amplify tensions with Brussels.

"I'll be watching the Italian budget very closely. If that passes [smoothly], people will look at European equities again," said Mr. Saldanha.

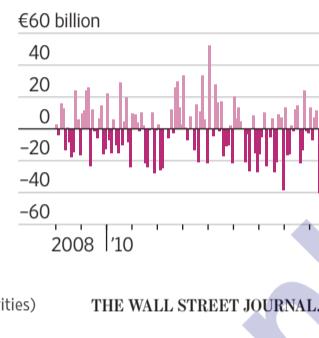
In a country expected to grow by 1.2% this year, promises made in the new government's coalition agreement, including a flat tax—a system in which everyone pays the same rate—and a citizens' income and pension overhaul, add up to between 4.5% and 7% of gross domestic product of additional spending, according to estimates by UBS.

Fitch Ratings on Friday cut

Global investors have shed Italian stocks and bonds as tensions heat up over the country's fall budget.



€1=\$1.16  
Sources: Institute of International Finance, EPFR (global fund allocations); FactSet (ratios, stock performance); European Central Bank (debt securities)



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the country's debt outlook to negative, citing concerns that fiscal loosening may leave the country's public debt more exposed to potential shocks.

The stakes are high: Italy is the eurozone's biggest government borrower. While foreigners and households sold Italian debt this summer, Italian banks were buying it at the fastest pace since the eurozone debt crisis. That means any losses in Italian bonds put more pressure on the banks' already modest capital ratios

driving them to buy even more debt, according to research firm TS Lombard.

Recent stress in Italian assets comes as the ECB phases out its bond-purchasing program by the end of 2018, traders say liquidity is worsening in bond trading and the political stability of the eurozone has again been brought into question.

"A worst-case scenario over the budget deficit could see another sharp widening in [Italian-German bond] spreads

when the ECB is not there supporting markets like before," said Mohammed Kazmi, a portfolio manager at Union Bancaire Privée.

Mr. Kazmi went into the year optimistic about Italy but said he exited from his positions in the country's bonds as soon as there were talks around Matteo Salvini, leader of the anti-immigrant League party, and Luigi Di Maio, leader of the 5 Star Movement, coming together to form a government.

He also been has been favoring U.S. credit over European credit exposure more broadly recently, in case the Italian weakness spills over into the rest of Europe.

The S&P 500 has outperformed the Stoxx Europe 600 by roughly 9 percentage points since mid-May after a leaked draft agreement of a government program that proposed the introduction of procedures within the eurozone to allow countries to quit the euro and said they would ask

the ECB to write off €250 billion (\$296 billion) of government debt.

The 5 Star Movement and League later said that the draft was out of date and details had changed significantly.

The exodus from European stocks has come despite solid economic fundamentals: the Citi Economic Surprise Index for the eurozone is back in positive territory for the first time in six months even as the U.S. and Japan sit in negative territory, while second-quarter earnings for the Stoxx Europe 600 index are on track to grow by 10%, according to Thomson Reuters data.

"Even if valuations in Europe are more attractive, you've had an absence of positive political developments," said François Savary, chief investment officer at Prime Partners in Geneva.

Italian stocks, meanwhile, quickly went from the year's best performers to among the worst.

In mid-May, Italy's benchmark FTSE MIB index was outperforming the Stoxx Europe 600 by 10 percentage points for the year but has underperformed it by roughly 14 percentage points since then. Meanwhile, May and June marked foreign investors' biggest ever monthly outflows from the country's debt, according to data from the European Central Bank.

While some investors may see this as an attractive entry point, others worry a crisis in Turkey's markets could further aggravate troubles in Italy. Italian banks such as UniCredit are among the most exposed directly to Turkish debt, helping send the FTSE Italia All-Share Banks Index down 28% since May. Some investors worry that fractious politics in Turkey could deepen political divisions over migration in Europe, a hot button topic in Italy and elsewhere.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

# View Is Clear for Window Maker

### Stormproof

PGT Innovations share price



Source: SIX  
growth from new-home sales but more from renovations of existing homes. In the second quarter, sales for renovations grew 30% and accounted for 65% of revenue. To further dominate its market, PGT acquired its two biggest competitors.

The company's healthy free cash flow—expected to be \$62 million to \$72 million this year—allowed it to pay down the debt from those acquisitions and to make new ones.

This time, it ventured out of Florida and in July agreed to pay \$360 million for Western Window Systems, which sells high-end, energy-efficient windows, from the West Coast to Texas.

There are good reasons for investors to expect PGT to keep up the momentum. The first half was very strong:

Sales rose 24%, earnings more than doubled and margins hit a record. Keeping step, shares of the company have nearly

doubled in the past 12 months.

The second half definitely would get a boost if another hurricane hit Florida. Even without one, though, the backlog is up 64% from a year earlier, in part because the tight labor market has stretched out the post-Irma boom. PGT's guidance calls for slowing growth, which looks unlikely given the backlog. While the stock's valuation is at the high end of PGT's historic range, there is evidence the company has moved to another level in terms of scale, diversification and customer awareness.

There are risks. Tariffs have driven up the cost of aluminum, though PGT has been able to hedge and raise prices to offset the increases. New-home sales are sluggish and the growth rate in the company's renovations business is well above housing turnover, which is what typically drives renovations.

Nobody should wish for a storm. PGT shares should do well even without one.

—Ken Brown

### OVERHEARD

Happy birthday, index funds—my how you have grown.

The idea of passive investing is a lot older than the vehicle that first allowed the public to partake in it. But Vanguard Group's S&P 500 mutual fund, which just turned 42 years old, was no rousing success at first, raising just over \$11 million, a fraction of what was expected.

At the time, Fidelity Investments boss Edward Johnson derided the idea that investors would be satisfied with "just average returns." The second index fund didn't launch until the 1980s, and Vanguard's fund didn't amass \$1 billion until 1990.

Yet, now that Vanguard manages more than \$5 trillion and there are seemingly more index funds than stocks, Fidelity is fully onboard and playing the spoiler. In early August, it rocked the index fund world by launching two zero-fee funds.

If you can't beat 'em, join 'em. Then undercut 'em.

# Coke Paying Jittery Price For Coffee

Coca-Cola needed a coffee fix, but it could have gone for a better brew.

The company will pay \$5.1 billion to buy Costa Coffee, a chain of British coffee shops, from hotel-operating conglomerate Whitbread to gain exposure to the fast-growing coffee segment.

Coffee is notably missing from Coke's otherwise impressive portfolio of drinks. It isn't clear why buying a physical coffee chain is the solution.

On a conference call, skeptical analysts quizzed Chief Executive James Quincey about why Coca-Cola is entering a business where it has no experience. He said Coca-Cola would leave existing management in place to operate retail outlets. The plan appears to be to create canned and bottled coffees bearing the Costa brand and to plug these into Coke's global distribution and marketing capabilities. Mr. Quincey argued that physical Costa locations will be key to building the brand, especially in emerging markets.

Costa has a presence in 32 countries, including 449 stores in China, but still derived 88% of revenue from the U.K. in the latest fiscal year. Comparable-store sales there fell 2% from a year earlier in the fiscal first quarter. The home business faces long-term challenges from Brexit and the pound's decline, which have raised the costs of labor and imported coffee beans.

Coca-Cola is also paying a high price of 16.4 times trailing Ebitda, compared with 15.1 times for Starbucks. Granted that includes a control premium, but Costa is no Starbucks in terms of global brand equity. Coca-Cola may come to regret this caffeine binge.

—Aaron Back and Stephen Wilmot

# Meituan Dianping Is Delivering an Overpriced IPO

### Floating Upward

IPOs have surged in Hong Kong.

Value, year to date

U.S.

Hong Kong

London

\$0 billion 20 40

NYSE and Nasdaq Source: Dealogic

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on \$5 billion of revenue.

Its absence of earnings makes valuation tricky, but what is known makes the pricing look a stretch: At the top end of the range, Meituan would be worth 11 times trailing sales, above more proven Chinese tech stocks such as Alibaba, which trades at 10.4 times, and Tencent at 9.3 times.

Moreover, Meituan faces cutthroat competition within China from the likes of Alibaba-backed Ele.me, which could eat into its already razor-thin margins for a while yet.

For sure, Meituan's IPO ought not prove to be a repeat of the recent Xiaomi

fiasco: That company had initially hoped for a \$100 billion price tag but ended up floating at closer to half as much. Xiaomi's airy talk of winning big from the "Internet of Things" never convinced.

By contrast, Meituan's aim to cross-sell services on its app already seems to be working.

Even so, expectations are rightly being dialed back. Meituan's backers had previously mooted a \$60 billion valuation for the company. If it eventually prices at the bottom end of the range, the IPO could end up close to 25% lower.

The backdrop is pretty

awful, with Chinese stocks falling all around—Tencent, a sector giant, has dropped 18.7% in 2018. Xiaomi is already trading below its July IPO price, while other notable tech floatations in Hong Kong in the past year, such as China Literature and Razer, have been disastrous for investors. Alibaba's affiliate Ant Financial, which some hoped could do an IPO this year at a \$150 billion value, now seems unlikely to come to market this year.

Meituan's IPO has a lot to do to lift the mood. On the evidence to date, that is too big a burden for it to bear.

—Andrew Peaple



## JOURNAL REPORT | WEALTH MANAGEMENT

ASK ENCORE | GLENN RUFFENACH

# Wait to Claim Social Security? Readers Say: 'No!'

But our columnist, again, contends that many people would gain from delaying benefits

*As a retired person, I look forward to your column. I must, though, adamantly disagree with your recent column's conclusion that waiting as long as possible to collect Social Security benefits is the right decision.*

Ouch. That comment refers to a June column in which we answered a reader's question about the merits of collecting Social Security at age 62, the earliest possible date for most. I replied that poor or questionable health was one good reason to claim benefits early. But I concluded that a majority of people would do well to put off filing until their mid-60s or later and, thus, increase the size of their payouts.

The overwhelming response to that advice was: You couldn't be more wrong.

Numerous readers wrote to tell me they had claimed benefits at 62 and were glad they had done so. They explained why they jumped in the Social Security pool early and urged me to share their thinking in this space.

So, let's do that. Reader comments are summarized below, followed by my thoughts, again. But first, and most important, my thanks to all those who took the time to write.

## Retirees just wanna have fun

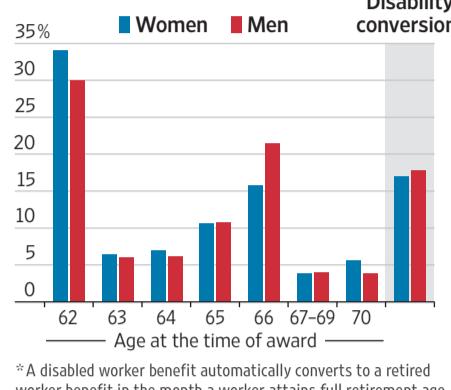
Many readers made no bones about it. They grabbed benefits at 62 because they want to make the most of their Social Security dollars while they're still relatively young and fit. Or, as one reader put it: "You never know when your health will turn south, so 'Spend it while you're able' was our motto."

A reader in Ohio said simply: "I started my benefits early to have more fun. It's like found money." And a reader in New Jersey told us: "Travel, athletic pursuits, etc., are less taxing on a 62-year-old than on a 66½-year-old. A decision to claim Social Security before full-

*Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column examines financial issues for those thinking about, planning and living their retirement. Send questions and comments to [askencore@wsj.com](mailto:askencore@wsj.com).*

## Retirement Age

In 2017, 2.8 million people were awarded Social Security benefits.



Source: Social Security Administration

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benefits age can be driven by nonfinancial considerations vs. financial ones."

## Six of one, half-dozen of another

Several readers pointed out that Social Security payouts are "actuarially neutral" (or "actuarially fair"). In other words, the Social Security Administration calculates your benefits so that, whether you start collecting early or late, you will—at least in theory, based on average life expectancy—receive about the same total payout over your lifetime. If that's the case, readers reasoned, why not claim benefits at 62?

A number of readers said they had calculated their "break-even" date—the point in time when they would begin to come out ahead, dollar-wise, if they delay Social Security. For most, that moment arrives in their late 70s or early 80s—and readers told us they aren't willing to gamble on that long of a wait.

"My break-even point is approximately age 78," said one reader. "Personally, a bird in the

hand is worth two in the bush. A lot can happen between age 62 and 78."

## Nurturing one's nest egg

Many readers said they claimed Social Security at 62 to put off having to tap their retirement savings. The thinking: The longer a nest egg can grow, the better. "By taking Social Security four years early, I accept a smaller monthly benefit: a little over \$2,000 a month rather than \$3,000 a month," a reader in Maryland said. "But while I collect that benefit I get to continue the aggressive investing of my private retirement funds for an additional four years."

"Some may scoff at that, but my returns for the last few years have been far more than the additional \$1,000 a month I 'lose' in my Social Security benefit."

## Children, means-tests and more

Older adults with young children told us they claimed benefits at 62 so that their children could collect benefits, as well. (Yes, minors, in some cases, are eligible for Social Security.) Others said they fear Congress will adopt "means testing" for Social Security and decided to claim benefits before that comes to pass. A husband and wife told us that having her collect benefits at 62 and him wait until age 70 is frequently the "best answer" for many couples, depending on each spouse's earnings history.

And a reader in Massachusetts said retiring early and claiming Social Security at 62 actually helped his marriage. "A self-appraisal made me realize I had been a lousy spouse to a loving wife. I had missed holidays, birthdays and anniversaries in order to be in (fill in the city) to do (fill in the task) for my employer. My early retirement made me an infinitely better spouse, one much better able to be supporting of my wife."

## Now, my thoughts

I certainly buy some of these arguments. Older adults with young children clearly can

make a case for filing early. A lower-paid spouse applying for benefits at 62 coupled with a higher-paid spouse waiting until 70 can, in fact, be a sensible claiming strategy for some couples. And if Social Security helps make you a better husband, far be it from me to stand in the way.

For the most part, though, I'm going to stick with my original "wait to collect" advice—for two reasons.

First, many Americans simply haven't saved enough money for retirement. And second, many of us will live longer than we imagine. (For 65-year-olds today, more than 1 in 3 will live to age 90, and more than 1 in 7 will live to 95.) We are likely to need every dollar we can get our hands on in later life, and waiting to claim Social Security is one of the best ways to do that.

Yes, it's tempting to grab the money at 62 and "spend it while you're able." But don't think about claiming solely in terms of "62 vs. 66" or (worse) "62 vs. 70." Remember: Every month you can wait to collect benefits adds to the size of your payout.

Yes, Social Security (in large part) is "actuarially neutral," and break-even dates can seem discouragingly distant. But both concepts are linked to average life expectancy. Why bet your future on "average"? Bet your future, instead, on your particular circumstances.

And yes, giving your nest egg the chance to grow sounds smart. But it's not always that simple. If most, or all, of your money is tied up in tax-deferred accounts, you could end up with unusually large required withdrawals in retirement—and a correspondingly large tax bite.

So...where does this leave us? I'll give the closing words to my former colleague, Jonathan Clements, founder and editor of the always valuable HumbleDollar blog: "Retirement's big financial risk isn't dying young, with scant money collected from Social Security. Rather, the big risk is living so long that you deplete your savings—at which point a fat Social Security check could be your financial salvation."

# Retirement Spending

Continued from the prior page  
program at our Center for Advanced Hindsight at Duke University, we found out that a good way to think about spending in general is to think about the following seven spending categories: eating out, digital services, recharge, travel, entertainment and shopping, and

differences like these can quickly add \$20,000 a year to your spending requirements. This is precisely why it's so important to factor in these preferences when determining how much you need for retirement.

Try this exercise yourself: Close your eyes and picture a single representative year in re-

irement? How much do you spend on each meal, on average? How often do you see yourself splurging on dessert, or a fancy bottle of wine?

**DIGITAL SERVICES:** What are the digital services you pay for now? Do you have a subscription to The Wall Street Journal? (You won't want to give that up.) Do you have cable? How about videogames? Apps

flights in a year? Do you imagine traveling more or less in retirement than you do now? What sort of traveling suits you? Do you like to go on cruises? Are you the type to go on a cross-country road trip in your 60s, or would you prefer the comfort of first class on a plane? Or perhaps you want to have your own private jet that takes you to your own private island. (We can all dream.)

(to know the total amount you need to accumulate from until then, for example), simply multiply the annual amount by the number of years you expect to be in retirement. For most of us, that's about 20 years.

As we live longer, funding retirement is a moving target. And to have any hope of successfully securing our future lifestyles, we have to start early and we have to build a more detailed and accurate picture of the way we hope to live.

We have to understand not just how much we will earn in our life and how far we are from retirement (in years and in dollars), but also how we want to spend our time both during our working years and after.

Once we have determined how much we truly need to save for retirement, we can then focus on how to get to this

amount. We can adjust our current lifestyle accordingly, figuring out which trade-offs we are willing and unwilling to make. We should also work backward to determine how much risk we need to take in our investment portfolios in order to reach these goals. And finally, for most of us the retirement we desire may be out of reach, so we need to start being extra nice to our children.

**Mr. Ariely** is the James B. Duke Professor of Psychology and Behavioral Economics at Duke University. He is the founder of the Center for Advanced Hindsight.

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## Details, Details

Failing to account for all of your expected costs in retirement, no matter how small, can be costly. Here are some specifics—many of which people often forget—to factor in when making projections.

| BASIC NEEDS              | SHOPPING                      | DIGITAL SERVICES            | RECHARGE                      | TRAVEL   | ENTERTAINMENT   |
|--------------------------|-------------------------------|-----------------------------|-------------------------------|--|---|
| Utilities <sup>1</sup>   | Gifts                         | Cable and internet          | Country club/golf memberships | Noncar transportation (bus pass, train ticket) | Events (opera, concerts, musicals, ballet, sporting events) |
| Housing <sup>2</sup>     | Charitable donations          | Smartphone and monthly plan | Gym membership                | Car <sup>5</sup>                               | Books   |
| Health care <sup>3</sup> | Clothing, shoes, accessories  | Subscriptions <sup>4</sup>  | Spa services                  | Taxi, Uber, Lyft                               | Magazine subscriptions                                      |
| EATING IN AND OUT        | Electronics                   | Video/smartphone games      | Salon services (hair)         | Air fare                                       | Museum/national park entry                                  |
| Restaurants              | Home goods (furniture, décor) | Online courses              | Salon services (nails)        | Cruise   |   |
| Groceries                | Gardening supplies            | Personal-hygiene products   | Lodging (hotels, Airbnb)      |  |   |
| Alcohol                  |                               | Apps and software           |                               |  |   |

<sup>1</sup>Water, gas, electricity, heating/cooling, garbage collection    <sup>2</sup>Rent, mortgage, insurance, maintenance    <sup>3</sup>Primary-care doctor, specialists, hospital bills, medications, insurance

<sup>4</sup>News sources, Netflix, Hulu, etc.    <sup>5</sup>Loan/lease, maintenance, insurance, gas, car wash, parking

Source: Dan Ariely and Aline Holzwarth

basic needs.

To help you think about your time in retirement, imagine that every day was the weekend. How much would you like to spend in each of these categories? How often would you eat out? Which digital subscriptions would you want to have? How would you pamper yourself? How often, where and how luxuriously would you want to travel?

Clearly, those who prefer spending time at the beach and watching Netflix won't spend nearly as much as those who prefer the opera and good wine three times a week. Those who want to spend vacations visiting family won't spend nearly as much as those who want to take a few cruises a year. Believe it or not, what might seem like minor preferential

tirement. Live it in the best way you can imagine. (And remember that "best" doesn't necessarily mean "more expensive.") The more expensive you imagine your future, the larger the sacrifice you will have to make today.

Now, answer each of the following questions from the list of categories.

We know that just thinking about retirement, not to mention doing the math, can be overwhelming. So pour yourself a glass of wine and make this a rewarding process for yourself. Just take note of how much you spent on the bottle for future reference.

**EATING OUT AND IN:** Do you like to cook, or do you prefer going out to eat? How often do you want to go out to dinner in

and software? Online courses? What are all the digital services you want to have in retirement, and how much do they cost? Would you like to spend more or less on digital services in retirement?

**RECHARGE** (recreational and personal services): Do you like to pamper yourself? What sort of pampering do you imagine in retirement: reading a book at the beach, treating yourself to the occasional \$15 manicure, or going all in with luxurious spa treatments? How often do you want to get a massage? Are you a member of a country club, or would you like to be?

**TRAVEL:** Do you like to travel? How often? How much do you spend on everyday transportation? What do you spend on

**ENTERTAINMENT:** How will you spend your time in retirement? What sorts of events will you want to attend? How much do you want to spend on the opera, concerts, musicals, ballet, sports events, museums, classes and so on? Will you buy books or borrow them from the library?

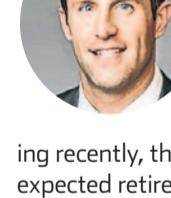
**SHOPPING:** Are you a shopper? Do you like to give your friends and family gifts? What about donations to charity? How much shopping do you see yourself doing in retirement? How much do you imagine spending on clothing, electronics, home goods and other shopping?

**BASIC NEEDS** (utilities, housing, health care): Finally, we arrive at the least exciting but most necessary category—our essential spending. How much do you think you will spend on utilities, housing, health care and other basic needs? (This is of course a very complex number to estimate, and this is where getting input from professionals can be very useful.)

## Doing the math

Now that you have a guide for determining roughly how much you'd like to spend in each category, you're ready to add everything up. If you want to take the next step in this process and translate your annual amount to the total amount you will need over the course of your full retirement

## EXPERTS' VOICES DAVID BLANCHETT



### The Price of Retiring Earlier Than Expected

Think you know when you're going to retire? Think again.

While retirement ages have been rising recently, there is still a significant gap in actual and expected retirement ages—with about 50% of people retiring earlier than expected, with an average gap of approximately three years.

Retiring early can wreak havoc on a retirement plan. It gives you one less year to save, one less year for your assets to grow, one more year to fund retirement, and will likely mean you'll have to claim Social Security benefits one year earlier. Therefore, given the significant percentage of people who are retiring early, it's important to know who is most at risk of retiring earlier than expected.

I recently conducted an analysis using a government data set that tracks expected and actual retirement ages over time. What I found is that the most important predictor of early retirement wasn't related to job stress, physical health, savings, etc.

It was all about the expected age of retirement.

In fact, I found that age 61 was an important bogey for planning purposes, since those who expected to retire before age 61 actually tended to retire at their expected retirement age or slightly later, while those who planned on retiring after age 61 tended to retire early.

The impact for those planning to retire after age 61 was especially pronounced, where people tended to retire about a half-year early for each year after 61 they planned to retire. So, someone who thought she would retire at age 69 actually stopped working at age 65.

—David Blanchett is the head of retirement research for Morningstar Investment Management.

The Experts are industry and thought leaders who write on topics of their expertise. You can read this full blog post and others at [WSJ.com/Experts](http://WSJ.com/Experts).



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## JOURNAL REPORT | WEALTH MANAGEMENT

# Money Tips From a Year Abroad

Practical lessons our family learned about living in a different country

BY ROB CURRAN

**I**N AUGUST OF 2016, my wife, our two young daughters and I moved to England for a year. We moved so that my wife could take advantage of a semester-overseas program provided by her employer.

During that year, our family had priceless experiences—from clambering over the rocks of the Giant's Causeway near Belfast to combing the harbor walls of Paxos, Greece, for sea urchins. My older daughter, then 7 years old, learned to sing high C's as a choirmusician. My younger daughter, then 5, developed an English sense of humor.

But along with those adventures came the practical matter of living daily in a foreign country—from buying groceries to cellphone use to getting around. These tasks can quickly become budget busters. As a financial reporter, I decided to take notes on these potential money pits, thinking that my experiences might prove useful to others going through the same adventures.

Of course, each family's experiences and costs will be different. But many of the issues we encountered are common to people living abroad. Here are some tips I discovered on how to manage them.

## Banking and currency

Foreign-transaction fees can quickly take a big bite out of your budget. So if you don't already have a credit card that waives those fees, get one. Some cards charge an annual fee, but that expense likely will pale in comparison to the average 3% you'll pay on everything you charge in another currency with a card that doesn't waive transaction fees.

We also learned that you can easily incur additional fees on everyday purchases. When using a credit or debit card at supermarkets and other establishments, you often are given the choice of paying in the local currency or in your home currency. The natural inclination for U.S. travelers abroad is to pay in dollars "because it's familiar," says Eric Grover, founder of business consultancy Intrepid Ventures, in Minden, Nev. But with the dollar option, the merchant and the merchant's payment processor typically each charge a fee of 4% to 5% of the foreign-currency amount of the transaction, he says. So choose the local-currency option.

For cash transactions, we found the best way to save on foreign-exchange fees was to use a checking account at a U.S. bank and withdraw money as needed from an ATM.

Depending on the country, it may be possible to open an account overseas if you fulfill residency requirements, such as paying bills at a local address. This can save you on fees and gives you the option of paying by check. But keep in mind that having money in an overseas account is effectively taking a long-term position on the local currency.

## Communications

International cellphone plans, as an add-on to existing cellphone accounts, are often expensive and always limited. A cheaper option is to use your U.S. smartphone and buy a SIM card in the country you are staying in. To do this, you may need to get the phone unlocked before you leave the U.S. If you can't unlock your phone because of your carrier's conditions, it may be worth investing in a secondhand phone.

But even if you can get your phone unlocked, changing SIM cards means changing phone numbers while you're abroad. One workaround we found was using Google Voice, the internet

phone service that lets you use your existing cellphone numbers. We paid \$20 per phone for the initial transfer of our phone numbers and spent about \$10 monthly for calls. We did this in addition to getting UK SIM cards.

Then there was the snail mail piling up back home. To avoid issues over bills and other correspondence we couldn't receive or pay electronically, we signed up for a service called Traveling Mailbox. For a one-time annual fee of about \$100, we were given a post-office box in Maryland where all our mail was forwarded. The service scanned all the envelopes and emailed that information to me. We could then decide whether we wanted them to send us the contents the same way.

## Transportation

We lived on the grounds of a stately home in a tiny village. So our transportation choices were narrowed down to two: rent a car or buy a used one.

Before our arrival in the U.K., it never occurred to us that buying a used car would be an affordable alternative. We thought it would be too much of a hassle and then we would have to go through the trouble of selling it at the end of our stay.

But long-term car rentals aren't the norm in many countries. And the rentals that are available can get very costly because of extra insurance charges and other fees, including those for crossing borders. So, after paying about \$500 for the first month's rental, I looked into buying. We went to a used-car dealership and purchased a temperamental Renault Clio for about \$2,400. Thanks to damage from a minor accident, we didn't recoup much of our costs when we sold the car, but they were still comparable to those for 12 months of renting.

Most U.S. property-and-casualty insurers offer travel insurance at reasonable rates, in case of accidents. You also should research the average price of an emergency-room trip for visitors in the country where you are staying, so you can be prepared for the worst.

"Generally speaking, even without insurance, the cost of emergency care in the U.K. and Europe is far lower than the cost in the U.S.," even if you're insured in the U.S., says Gerald Seaman, who has lived overseas with his family for several years as the principal of Harlaxton College, where my wife taught.

## Home entertainment

Access to familiar entertainment was a comfort. We got this by using a virtual private network to access some of the internet content locked for U.S. use. We paid about \$80 for an annual subscription to Golden Frog's VyprVPN.

There's a bit of a cat-and-mouse game between streaming services like Netflix and Amazon and the VPN providers over territory rules. So, it's worth checking websites such as theVPN.guru and MoveHub.com to see which VPN providers have managed to stay ahead of efforts by streaming services to block anyone—even subscribers—from viewing certain content overseas.

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The author and his family in Venice, Italy.

ROB CURRAN

## FIRST, PAY OFF YOUR CREDIT-CARD DEBT

BY CHRIS KORNELIS

Lacey Capel, a 35-year-old single mother, is happy with her modest-paying but highly rewarding profession. For the past four years, she has been a maker of custom sails at **Hasse & Co. Port Townsend Sails**, in Port Townsend, Wash.

"It's the first job that gave me what felt like a purpose outside of being a parent," she says. "As long as I can be a part of that, I will."

Her financial goals are straightforward. She'd like to stretch her paychecks a bit further, put some of it away for retirement, help pay for her 12-year-old daughter's college, and begin making inroads on her debt.

She recently started a business, **Northwest Board Bags**, making bags for surf boards and paddle boards. She also has toyed with the idea of getting a commercial pilot's license.

Ms. Capel makes \$18 an hour at her job, bringing home \$1,300 every other week, after taxes and health insurance. There is no 401(k). She pays \$50 a month toward her \$2,000 credit-card debt and is in her final year of deferment on \$45,000 in student loans, for which she'll pay \$230 a month.

She and her daughter, Charley, live in a small cabin in the woods, and she spends \$700 a month on rent and water, \$45 on electricity, \$35 for a phone and about \$350 on grocer-

ies. She spends about \$75 a month going to movies or restaurants with Charley.

Ms. Capel owes about \$5,000 on her 2002 Nissan Frontier, for which she makes \$267 monthly payments. She spends about \$240 a month on gas.

She draws no salary from her bag business and often makes small investments in it—roughly \$150 to \$200 a

month. By this time next year, she hopes to be earning \$500 to \$1,000 a month from the business.

Charley's private school costs \$250 a month after scholarships. The experience is so positive, Ms. Capel says, that the expense is nonnegotiable.

"I'd love to find some way to start putting something away without a month later having to dive into it," she says. "My dad just retired, and it's one of those moments where you go: Thank God he was somewhat prepared. And I look at myself now and I go: I don't even

know how to even begin that."

**ADVICE FROM A PRO:** Tad Borek,

an investment adviser at **Borek Financial Management** in San Francisco, says

first Ms. Capel should pay off her credit-card debt and car loan.

She has the leftover income to do so, he says. She

might be able to commit up to \$500 a

month, but even a few hundred dollars a month would

go a long way, he says.

Her debt is manageable, he says, thanks, in part, to her frugality. For housing, she "is using a small amount of her income, which is great."

After her car and credit-card debt are paid off, Mr.

Borek suggests establishing

a small emergency-savings

account of \$500 to \$1,000,

then putting her monthly

savings—perhaps \$200 to

\$500—into a Roth IRA.

She should also consider life insurance. For a 10-year term-life policy, she can spend less

than \$200 a year and get

policies in the \$500,000 to

\$750,000 range, he says.

Ms. Capel should be realistic about

her side-business ideas, Mr. Borek says.

A commercial pilot's license is expensive,

he says, and may interfere with her ability

to save and pay down debt.

The key is for her to start by focusing

on her own debt. "If you turn it around

and keep all the other spending constant

and put all that savings in," he says, "it turns into a lot of money pretty quickly."

*Mr. Kornelis is a writer in Seattle. He can be reached at [reports@wsj.com](mailto:reports@wsj.com).*



TAXES | TOM HERMAN

## Tax Changes You May Have Missed

Among them: rules on donations, moving expenses and theft losses

Old habits die hard, especially when it comes to taxes. For many taxpayers, it may be tempting to assume that long-cherished tax-planning strategies that have worked in recent years should work again this year.

That can be a dangerous misconception.

Readers may be surprised by a few tax-law changes enacted late last year that have received relatively little attention. Tax advisers say the new law is packed with so many important and often complex changes that many people would be well-advised to take a fresh look at their withholdings, estimated taxes or both before 2019 arrives in less than four months.

The tax package contains "the most significant changes to the tax law since the Tax Reform Act of 1986," says Mark Luscombe, principal analyst for Wolters Kluwer Tax & Accounting.

Here are a few changes that readers might have missed, including important exceptions to the general rules, as well as some often-overlooked breaks that haven't changed.

**MOVING EXPENSES:** Did you make a major move this year or are thinking about it? It could turn out to be more expensive than you think. The reason: Part of the new law eliminates moving-expense deductions for most taxpayers, effective this year and running through 2025.

Elimination of this deduction could have "an important impact" on relocation decisions of both individuals and employers, Mr. Luscombe says.

The new law also ended the exclusion for moving expenses that are reimbursed by employers. But there is an important exception: The moving-expense deduction and exclusion remain valid for members of the "Armed Forces on active duty," according to the Internal Revenue Service website.

The law also repealed through 2025 the deduction for unreimbursed employee business expenses, according to Mr. Luscombe. In addition, "employers will now be responsible for withholding and FICA taxes related to reimbursed moving expenses now being taxed as wages."

## Return Status

The 2018 filing season through May 11, 2018

|                                      |                        |
|--------------------------------------|------------------------|
| Individual returns received          | <b>141.5 million</b>   |
| Individual returns processed         | <b>135.9 million</b>   |
| Number of refunds                    | <b>102.6 million</b>   |
| Total refund amount                  | <b>\$284.9 billion</b> |
| Average refund amount                | <b>\$2,778</b>         |
| Direct-deposit refunds               | <b>85.3 million</b>    |
| Total direct-deposit refund amount   | <b>\$250.7 billion</b> |
| Average direct-deposit refund amount | <b>\$2,940</b>         |

## Higher Standard Deduction

Many more people are expected to claim the standard deduction for the 2018 tax year, instead of itemizing deductions

|                                  | 2018     | 2017     |
|----------------------------------|----------|----------|
| Married joint filers             | \$24,000 | \$12,700 |
| Single/married filing separately | \$12,000 | \$6,350  |
| Head of household                | \$18,000 | \$9,350  |

Note: Additional amounts apply to taxpayers 65 or older and/or blind.

Source: Internal Revenue Service

THE WALL STREET JOURNAL.

Taxpayers also can't deduct the costs of using their cars, trucks and other vehicles for moving-expense purposes. For 2017, the standard mileage rate for using your vehicle to move to a new home was 17 cents per mile, the IRS said on its website.

These changes don't affect moving expenses during 2017. If you moved last year and qualified to deduct certain expenses, the costs could be deducted on your return for 2017, due to be filed in 2018. See IRS Publication 521 for details on the old law.

**STORMY WEATHER:** The new tax law eliminates deductions for casualty and theft losses, effective this year and running through 2025. But lawmakers didn't erase a longstanding provision that allows victims with losses in federally declared disaster areas to deduct their losses, subject to certain limits.

Also left intact is a special provision that allows those victims an unusual choice on when to deduct their losses: They can claim them for the year in which the losses actually occurred or for the prior year. Those who already have filed their return for 2017 can file an amended return for that year using Form 1040X.

See the Federal Emergency Management Agency's website ([fema.gov](http://fema.gov)) for a list of affected areas.

**CHARITABLE GIVING:** Among the biggest changes in the new tax law are large increases in the standard-deduction amounts and a \$10,000 limit on deductions for state and local taxes in most cases. As a result, many people who long have benefited by itemizing their deductions will find it more advantageous to choose the standard deduction for this year. Taxpayers who take the standard deduction can't deduct charitable donations.

However, the law didn't change the rules for qualified charitable distributions, or QCDs. This provision allows many taxpayers age 70½ or older to transfer as much as \$100,000 a year to qualified charities from their individual retirement accounts—as long as the money is transferred directly to the charities.

This transfer counts toward the taxpayer's required minimum distribution for the year. Although it isn't tax-deductible, the transfer can be highly beneficial because the amount isn't included in the taxpayer's adjusted gross income. And your adjusted-gross-income level can affect other major items, such as the net investment income tax and how much of your Social Security benefits may be taxable. Be sure to keep

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## JOURNAL REPORT | WEALTH MANAGEMENT

# Year-by-Year College Education in Credit Scores

How students can use their four years at school to build a good credit rating—and to put themselves in a better position postgraduation

BY DEMETRIA GALLEGOS

ESTABLISHING A CREDIT history and building a good credit score can be a bit of a Catch-22 for young adults.

Take two of my daughters. Just as one was wrapping up her freshman year of college, she applied for a credit card and was denied because she has student loans (even though no payments are due until after she graduates). Her older sister, who was about to graduate without any student loans, was denied because she had no credit record at all.

It used to be that card applications were thrust into the hands of college students during freshman orientation. But it became harder for young adults to get a card following passage of the Credit CARD Act of 2009, which requires those under age 21 to have a cosigner or proof of independent income.

So what is a young adult to do? Here are some steps to consider, year by year, to help students begin building a strong credit profile.

#### Freshman Year

Parents can start by adding their college freshman as an authorized user on one of their credit cards—but should do so only if they have good credit scores themselves, says Nancy Bistriz-Balkan, vice president of consumer education and advocacy at credit-reporting firm Equifax Inc. If they don't, it could hurt the student right out of the gate. A good parental score is in the high 600s or above, says Ethan Dornhelm, vice president of scores and analytics at FICO, which created the credit-scoring model most lenders see.

Another good early option is a secured credit card, says Bruce McClary, vice president of communications at the National Foundation for Credit Counseling, a nonprofit in Washington, D.C. No credit check is required since the card is funded by depositing cash. The consumer essentially spends his or her own money and replenishes it each month by paying the bill.

At age 18, students can begin requesting free credit reports each year from the big three credit-reporting companies, Experian PLC, TransUnion and Equifax via [annualcreditreport.com](http://annualcreditreport.com). This allows them to check for fraudulent activity and begin to understand how their profile is built. The reports won't include a FICO score, however. Stu-



JAMES YANG

dents may be able to get that free through their bank or by using Discover Credit Scorecard, an online tool. Free scores also are available through financial apps such as Mint and Credit Karma, but they use a model known as VantageScore 3.0, which can vary from the FICO score.

#### Sophomore Year

Some students have a car by now, subsidized by parents. Parents may be making the car payments, while the child covers gas and insurance costs. One way to help the student

#### For a student's first solo, unsecured credit application, a gas or retail credit card is often a good way to go

start building a credit history is to flip that arrangement: Have the student cosign the auto loan and make the payments, while the parents cover insurance and other costs. One caveat: The debt associated with that loan could hurt a child on future credit applications.

Experts say paying utility, cell-phone and subscription bills on time, as well as responsible debit-card use, won't bolster a student's credit history. But students who live off campus and make reliable monthly rent payments can use services such as Rental Karma or ClearNow to have those payments reported to credit bureaus, says Jeff Richardson, vice president of marketing for VantageScore Solutions. Many of these services require landlords to be regis-

tered and charge monthly fees.

For the first solo, unsecured credit application, a gas or retail credit card is a good way to go, says Mrs. Bistriz-Balkan. The amounts approved are often low, so even a part-time job can provide enough income to qualify. Use it regularly but never let your balance grow to more than 30% of the available credit line. And pay it off in full each month.

#### Junior Year

If they can swing it, students may want to begin making small payments on student debt—even if they anticipate taking out more loans for the final two years of college. The lender will report payments to credit agencies, even for amounts much smaller than the full payments due after graduation. If students make the payments with an automatic debit plan, they may qualify for a small interest-rate reduction. Students should first research whether there are drawbacks to making payments before the loan is due, as might be the case for those entering fields that include loan-forgiveness plans.

In the case of my younger child, while her student loans initially led to a denial, she was ultimately able to be approved for a student credit card (with a \$500 limit) because when she appealed she was able to demonstrate that her remaining college fund was worth more than the loans that had sunk her. So students may want to apply for credit before the full four years of student loans have been issued, and while college savings can still be leveraged.

Students who have had a secured credit card for a year or two with a perfect payment history should be able to graduate to an unsecured one

now. They should compare deals from various card issuers, including their current lender.

#### Senior Year

Students who still don't have a credit card of any kind should consider applying for a student card before graduation. These have relatively low credit lines, but less stringent underwriting so they aren't as dependent on income.

Those who have had a student card for a while with a stellar record should ask their lender for more favorable terms, such as lower rates and lower—or no—annual fees.

"If you've had several years of no missed payments and your balances are relatively low, then there's no reason your FICO score wouldn't be in the high 600s or above...a pretty solid

#### Credit Picture

A 22-year-old has a FICO credit score of 651 on average and \$2,012 in credit-card debt.

|  | AGES<br>18-22 | 23-29    |
|--|---------------|----------|
| FICO score   | 652           | 656      |
| Number of credit cards                                     | 0.8           | 1.9      |
| Percentage of consumers with one or more open credit cards | 46.3%         | 63.1%    |
| Balance on credit cards                                    | \$1,864       | \$3,147  |
| Number of retail cards                                     | 0.4           | 1.1      |
| Balance on retail cards                                    | 508           | 727      |
| Percentage of consumers with one or more open retail cards | 18.1%         | 30.7%    |
| Balance on auto loans                                      | \$13,696      | \$15,707 |
| Percentage of consumers with one or more auto loans        | 17.4%         | 35.9%    |
| Balance on student loans                                   | \$14,997      | \$29,928 |
| Percentage of consumers with one or more student loans     | 34.2%         | 34.6%    |

Note: Numbers are an average, based on a representative national sample of more than 14 million (depersonalized) U.S. consumer credit files from April 2018

Source: FICO THE WALL STREET JOURNAL.

score that could qualify you for mainstream credit," says Mr. Dornhelm.

**Ms. Gallegos is a news editor for The Wall Street Journal in New York. She can be reached at demetria.gallegos@wsj.com.**

#### THE GAME PLAN

## CAN THIS ARTIST AFFORD TO FULFILL HIS DREAM?



MING YUEN-SCHAT

Ceramic artist Ming Yuen-Schat should build an emergency cash reserve.

BY LISA WARD

card and gas and about \$200 for personal expenses.

Five years ago, then 50-year-old Ming Yuen-Schat left his job as a retail-store designer for a major corporation to become a ceramic artist. Now, he has to decide how much he's willing to sacrifice to continue pursuing that dream.

The cash Mr. Yuen-Schat set aside to get his ceramics venture going is dwindling. He has about \$64,000 left of the \$200,000 he set aside for the business.

"Can I make this work as a full-time job?" wonders Mr.

Yuen-Schat, who says his busi-

ness broke even in 2017 after

generating \$80,000 in sales. He

expects to earn a profit in 2018.

Mr. Yuen-Schat sold one piece for \$10,000 and been invited to show his work in exhibitions such as the Philadelphia Museum of Art Contemporary Craft Show and Brooklyn Designs at the Brooklyn Museum.

He has two retirement ac-

counts—a traditional IRA with \$450,000 and a Roth IRA with \$9,200. He isn't contributing to them now. His biggest asset is a brownstone in Brooklyn, worth about \$3.3 million.

Mr. Yuen-Schat has converted the bottom floor into an apart-

ment, which he aims to rent for \$2,800 to \$3,200 monthly, but

he is waiting on approval from

the city. The mortgage is

\$540,000. He has no other debt.

Monthly expenses include

\$2,000 for mortgage and prop-

erty taxes, \$600 for food and

entertainment, \$250 for utilities,

\$240 for home, auto and health

insurance, \$85 for phone, inter-

net and cable, \$160 for a metro

ADVICE FROM A PRO: Neil Krishnaswamy, a financial adviser at Executel Wealth Advisors in Frisco, Texas, says Mr. Yuen-Schat's ability to continue pursuing his passion may depend on his willingness to harvest his home's equity.

First, he should review his bud-  
get. Missing are reserves for emer-  
gencies such as repairs on his home  
and 11-year-old auto, as well as  
funds set aside for expenses such  
as vacations.

Finding an additional source of  
capital is critical for Mr. Yuen-Schat  
because one large, unexpected busi-  
ness or personal expense could de-  
rail him, Mr. Krishnaswamy says.

While renting the bottom floor of  
his brownstone is an option, it may  
not give him enough of a cash cushion.  
He also could consider selling the  
home and using the proceeds (after secur-  
ing a less-expensive personal resi-  
dence) to buy multiple rental properties with better cash-  
flow characteristics.

Other options include a sale  
lease-back arrangement, where he  
sells the brownstone and rents it  
back from the purchaser. Or, he  
could explore a cash-out refinance or  
an additional line of credit, though  
these options may have income re-  
quirements he won't be able to meet  
without the rental income.

Since Mr. Yuen-Schat's taxable in-  
come is low, it might be a good time  
to convert some of his traditional  
IRA into a Roth. He should consult a  
financial pro to ensure he times the  
conversion wisely and saves enough  
to pay taxes on the conversion.

**Ms. Ward is a writer in Mendham, N.J. Email her at [reports@wsj.com](mailto:reports@wsj.com).**

## Beware the 5-Year-Old Spendthrift

A study finds that children show the same emotional spending tendencies as adults

BY LISA WARD

FOR SOME PEOPLE spending money is very stressful. For others, it's fun—even therapeutic. Might children share these same tendencies?

Scholars use a scale to measure adults' propensity to spend and save. On one end of the scale are tightwads, or people who feel distress when they spend money, and on the other end are spendthrifts, or people who spend a bit too freely. In the middle are unconflicted people who don't have strong emotional reactions to either spending and saving. Researchers have used the scale to successfully predict people's credit scores and long-term savings, irrespective of income.

A recent study from the University of Michigan, published in the *Journal of Behavioral Decision Making*, sought to find out if children as young as age 5 might exhibit the same tightwad/spendthrift tendencies that researchers could measure and use to predict their behavior.

#### Which One Is Most Like You?

In a study on child spendthrifts and tightwads, each child was asked to point to the puppet that was most like him or her for each of the following pair of statements.

#### PUPPET A SAYS:

I like saving money.  
I spend my money as soon as I get it.  
I think saving money is boring.  
Saving money makes me feel good.  
I feel mostly good when I spend money.  
I think carefully before I spend money.  
I'm often looking for new stuff to buy.

#### PUPPET B SAYS:

I like buying new things.  
I wait to spend my money.  
I think saving money is fun.  
Spending money makes me feel good.  
I feel mostly bad when I spend money.  
I buy things without thinking too much.  
I'm mostly happy with the stuff I have.

## JOURNAL REPORT | WEALTH MANAGEMENT

# The Student-Loan Plan That's Right for You

Here are the questions recent college graduates need to ask themselves before selecting the best repayment plan

BY JILLIAN BERMAN

IT'S ALMOST FALL, which means recent college graduates soon must choose a plan to start repaying their student loans.

More than one million student-loan borrowers will make their first student loan payment between Thanksgiving and Christmas, according to an analysis of government data by Mark Kantrowitz, the publisher of Savingforcollege.com. The slew of repayment programs offered by the government means that there is likely a manageable repayment plan available for most borrowers. But the myriad options among plans can be confusing.

Basic choices include a standard repayment plan, in which the borrower agrees to repay his or her debt within 10 years at a fixed rate; extended plans, which can be stretched to 25 years and beyond; and income-driven plans, which base a borrower's monthly payment on how much he or she earns. A rule of thumb that holds true for all plans, however, is the longer the schedule for repayment, the more the borrower will end up paying.

Also complicating matters: Both political parties are proposing changes to the student-loan repayment system, including eliminating some types of income-driven plans.

Below are some questions borrowers should ask themselves to help decide which repayment plan is best for them.

## How much money do I owe, and to whom?

Borrowers should determine their total loan balance and who they must pay before they receive their first bill. Erin

you can reach out to your servicer directly.

## How much will I have to pay, and how much can I afford?

The two most important questions to ask before selecting a repayment plan, according to Mr. Kantrowitz, are: What will my monthly payment be, and how much will I pay over the lifetime of the loan?

For federal student loans, the standard repayment plan is 10 years. Mr. Kantrowitz suggests borrowers use that repayment plan if they can afford the monthly payments. But first, he suggests borrowers prepare a detailed budget to see how much money will be available to pay their student loan. If the monthly payment is more than 15% of monthly income, that is "really high," Mr. Kantrowitz says.

Another tale-tell: "If your total debt at graduation is greater than your annual income, that is an indication that you've graduated with excessive debt," he says. In such a case, under the 10-year standard plan, "you might not be able to afford your monthly payments unless you adopt an austere lifestyle."

Borrowers in this position may want to consider a so-called safety-net plan. These come in several forms.

Graduated payment plans make loan repayments more affordable by setting up a ladder where payments start out relatively low and increase every couple of years, ideally (though not necessarily) tracking increases in income. Extended repayment plans reduce the amount owed each month by extending the loan term. Income-driven repayment plans allow borrowers to repay their loan as a percent-

Public Service Loan Forgiveness, or PSLF, a program that allows public servants to have federal student loans forgiven after 10 years of payments.

The requirements are specific: Borrowers need to have the right type of loan (made under the Direct Loan Program) and be making payments under the right type of plan—extended repayment and graduated repayment don't qualify. They also must have the right type of public-service or military job. To see eligible jobs, go to [myfedloan.org](http://myfedloan.org), click on Borrowers, then scroll down to "Do You Work in Public Service?" or "Are You in the Military?"

## Should I consolidate my loans?

Though borrowers can't refinance their loans through the

federal government, they can combine all of their federal loans into one new loan through consolidation. There are a number of reasons why borrowers may want to consider this option.

For one, borrowers interested in taking advantage of PSLF, but who have the wrong kind of federal loan—such as those made under the Federal Family Education Loan Program—can consolidate their debt into Direct Loans, which qualify for PSLF.

Borrowers who are unhappy with their servicer may also want to consider consolidating their loans.

Consolidating offers borrowers the opportunity to choose a new servicer. In addition, borrowers who are frazzled by having several different federal loans, perhaps in

different places, may want to consolidate into one new loan to simplify their loan picture.

But there are downsides to consolidating. The new interest rate will be the weighted average of the old loans, rounded up to the nearest 1/8th of a percentage point—in other words, higher than some of your lowest interest rate loans before consolidation.

"If you have one high rate loan and a bunch of low-rate loans, consider whether you'd be better off accelerating repayment of the highest interest loan instead of consolidating," Mr. Kantrowitz says.

## Should I refinance my federal student loans?

Some borrowers may be eligible to refinance their student loans on the private market to get a lower interest rate. But

Mr. Kantrowitz suggests borrowers evaluate these offers closely before committing.

In some cases, refinancing may save a borrower money over the lifetime of their loan, but only a fraction of that savings is due to a lower interest rate, according to Mr. Kantrowitz. Instead, the bulk of the savings may actually come from a higher monthly payment and a shorter loan term, he says.

What's more, when borrowers refinance federal loans into private ones, they lose all of the "superior benefits" of federal loans, Mr. Kantrowitz says, like repaying the debt as a percentage of their income.

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## JOURNAL REPORT | WEALTH MANAGEMENT

## BEST BET/WORST BET



Steve Case says flexibility is key to moving ideas forward.

## BEST BET

## Leaving Pizza Hut for Control Video

## INVESTMENT

*Leaving a Fortune 500 company for a startup*

## GAINS

*A billion-dollar career as an internet pioneer*

While at Williams College in Williamstown, Mass., in the late 1970s, Mr. Case became fascinated by a futuristic idea that he was reading about called the internet.

"The more I dug into it, the more fascinated I was with that idea," he says. "But then when I graduated in 1980, there were really no internet companies to go to because it didn't really exist, at least as a consumer phenomenon."

He took a job at Procter & Gamble, and later Pizza Hut, where he looked for ways to improve its pies and processes. But he couldn't shake the idea of getting into the internet.

So, in 1983 he left his job with a stable company, the kind that did things that his parents could easily explain to their friends, to go to work for Control Video Corp., a small company that allowed gamers to access Atari games through their telephone lines. Almost immediately, the company went into free fall.

But the Control Video crew created a company to connect people to the internet, Quantum Computer Services. It would morph into America Online, the original internet access point for millions of Americans.

"It was a classic case of what looked like a terrible bet," he says, that "pivoted into a best bet."

**THE TAKEAWAY:** Mr. Case says he learned to stay focused on an idea but be willing to take different routes to get there. Control Video wasn't the idea. Working on the internet was.

Mr. Case says he and his partners faced a similar situation when getting AOL off the ground. For example, the company originally created private-label internet services for big computer firms. But when companies started backing out of partnerships, AOL had to pivot. It went directly to consumers' mailboxes.

"We always wanted...to popularize the internet," he says, but "the way we did it was different."

## WORST BET

## Booking Cheap Trick

## INVESTMENT

*Thousands of dollars*

## LOSSES

*Thousands of dollars*

In addition to being interested in the internet, Mr. Case was intrigued by the music industry in college and tried his hand at concert promotion. He had a theory for landing big bands at rock-bottom prices: He'd identify acts he thought were about to blow up and book them a concert in a few months—at today's prices.

"So, essentially, you're betting that they'll be more successful, more popular and draw a bigger crowd later," he says, "but you're able to lock them in at a lower price now, which seems to make sense."

Mr. Case scored a coup when he booked Cheap Trick for \$500 a night in 1977, just as it released the album "In Color"—home of the eventual hit "I Want You to Want Me."

As the band's popularity grew, Mr. Case thought his bet was about to pay off. But the band canceled a week before the show. He was left on the hook for a range of ticket refunds and other costs. Cheap Trick, he says, was just one of the bands that showed the flaw in his theory. (Cheap Trick's management didn't respond to a request for comment.)

"So, it was a situation where if you guess wrong and the band was not a hit, nobody would want to come and you'd lose your money," he says. "And if you bet right, and they did have a hit, they'd cancel on you. So that was the end of my career in concert promotion."

**THE TAKEAWAY:** Mr. Case says he learned that contracts are just a starting point. There is no guarantee that people won't break them. But they're less likely to do so, he says, when you have a personal relationship with the partner. And if they do break the deal, you have to be able to adapt.

Mr. Case points to his early years at AOL. It had contracts with companies, but those companies' situations changed, he says, and he had to roll with it. "Saying, 'Well, we have a deal,' doesn't really work if the other party had something change and they have a different set of needs and expectations," he says.

EXPERTS' VOICES  
BENJAMIN HARRIS

## Annuities: Safer Than You Think

There is one aspect of retirement that is probably less risky than many Americans assume: whether they can count on life insurers to pay their annuity benefits.

Fixed annuities are long-term contracts that require buyers to have confidence that their benefits will be paid decades down the line.

But there is ample evidence that annuity contracts will be honored in full. Unlike commercial and investment banks, life-insurance companies weathered the financial crisis with relative ease. The Government Accountability Office estimates that of the 1,100 life insurers operating during the crisis, just 12 were placed into liquidation.

And consumers have options for making sure they're protected. Checking insurers' ratings is one. Buying from a larger insurer that operates in most states, and therefore is subject to review by multiple regulators, is another strategy.

—Benjamin Harris is a visiting associate professor at the Kellogg School of Management and former chief economist to Vice President Joe Biden.

The Experts are industry and thought leaders who write on topics of their expertise. You can read this full blog post and others at WSJ.com/Experts.

## Steve Case on the Lessons Learned

STEVE CASE IS best known for three things: bringing the internet to the masses with America Online, clogging mailboxes with AOL CD-ROMs and marrying his company to Time Warner in a disastrous merger.

Nearly 20 years later, he says it isn't the idea that was faulty, but the timing and execution. He says that his vision of providing streaming content was on point, just too early.

The vision of "convergence and video streaming and everything that's happened now...it was all somewhat predictable," he says. The company's inability to capitalize on that "made it more of a bad merger and a worse bet."

Today, Mr. Case is betting that the next great startup doesn't have to come out of one of the most obvious locales. He points out that last year 75% of venture capital went to California, New York and Massachusetts. His Rise of the Rest Fund is investing in companies located anywhere else in the country.

Most of the venture capitalists he talks to disagree with his thesis. But he says that's the same kind of skepticism he faced when he was telling people that Americans would connect over the internet.

That helps motivate him and his team "to stay the course even though it's a pretty high mountain to climb," he says.

Here, Mr. Case talks about other lessons he has learned in his career.

**Mr. Kornelis is a writer in Seattle. He can be reached at reports@wsj.com.**

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