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DOW JONES | News Corp *****

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Last week: DJIA 25916.54 ▼ 48.28 0.2% NASDAQ 7902.54 ▼ 2.6% STOXX 600 373.77 ▼ 2.2% 10-YR. TREASURY ▼ 25/32, yield 2.944% OIL \$67.75 ▼ \$2.05 EURO \$1.1553 YEN 111.03

What's News

Business & Finance

CBS CEO Moonves is leaving the company amid sexual-harassment accusations, and CBS said it settled legal disputes with its controlling shareholder. **A1**

◆ **Alibaba's Jack Ma** said he will step down as executive chairman in a year and hand over the reins to CEO Daniel Zhang. **A1**

◆ **Google will appeal** an order to extend the EU's "right to be forgotten" to its search engines world-wide. **B1**

◆ **An oil-price drop** has prompted many investors to reassess whether global growth will continue stoking demand for fuel. **B1**

◆ **President Trump called** on Apple to shift production to the U.S. and out of China, after the company said U.S. tariffs on goods made in China would affect its products. **A4**

◆ **A new kind** of drugmaker is emerging to meet demand for lower-priced medicines by custom-making drugs, much like pharmacies that mix their own medicines. **B3**

◆ **Apple plans to unveil** two new models with its largest iPhone screens yet, as well as an updated version of its iPhone X. **B4**

World-Wide

◆ **Syrian President Assad** has approved the use of chlorine gas in an offensive against the last major rebel stronghold, U.S. officials said, raising the prospects for another retaliatory American strike. **A1**

◆ **Sweden became** the latest European country to shift to the right as a party with roots in neo-Nazism garnered an estimated 17.6% of votes in Sunday's election. **A6**

◆ **Negotiators** in Congress are expected to secure a deal on a package of three spending bills, part of plans to avoid a partial government shutdown. **A4**

◆ **Hurricane Florence** headed toward the Southeastern U.S., and areas from South Carolina up through Virginia were warned to prepare for the storm. **A2**

◆ **North Korea's 70th-anniversary military parade** was marked by the absence of any intercontinental ballistic missiles. **A7**

◆ **A lawsuit in New York** could test the degree to which employers can snoop through their workers' electronic devices. **A3**

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Moonves Out as CBS Settles Suit

CEO exits amid new sexual misconduct claims; deal brokered over company control

By KEACH HAGEY
AND JOE FLINT

CBS Corp. Chairman and Chief Executive Leslie Moonves is leaving the company amid accusations that he sexually harassed and as-

saulted numerous women over his career, CBS said, a stunning downfall for one of the entertainment industry's most powerful figures.

CBS also announced a settlement of outstanding legal disputes with its controlling shareholder, National Amusements Inc., which will replace six members of CBS's board.

The size of Mr. Moonves's exit package will be decided only after the law firms that CBS's board hired to investi-

gate his alleged misconduct complete their work, the company said.

If Mr. Moonves is cleared of wrongdoing, he could walk away with more than \$100 million, according to a person familiar with the matter. But if he is found to have engaged in serious misconduct, he would walk away with nothing, several people familiar with the matter said. Mr. Moonves and CBS agreed to immediately donate \$20 mil-

lion to "organizations that support the #MeToo movement and equality for women in the workplace," the company said in a statement. That amount would be deducted from any severance that Mr. Moonves would get.

The law firms tapped by CBS are investigating assault and harassment accusations against Mr. Moonves that surfaced in a *New Yorker* article in July. The *New Yorker* published on Sunday another arti-

cle detailing new allegations from six more women, including that Mr. Moonves forced some to perform oral sex, engaged in other violent and intimidating behavior and retaliated against them when rebuffed.

In response to the latest claims, Mr. Moonves acknowledged to the *New Yorker* three of the six alleged encounters but said they were consensual. Previously, he has said he re-

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North Korea Marches in a Parade Without Long-Range Missiles



IN STEP: North Korea celebrated its 70th anniversary with a military parade marked by the absence of any intercontinental ballistic missiles. The parade in the past has been used to display long-range missiles as a message to Washington. **A7**

Alibaba Picks Jack Ma's Successor

By LIZA LIN

Chinese e-commerce tycoon Jack Ma said Monday he will step down as executive chairman of Alibaba Group Holding Ltd. one year from today, turning over the helm to Daniel Zhang, the company's chief executive officer.

Mr. Ma made the announcement on his 54th birthday, saying he has "lots of dreams to pursue" including

working in education. Before founding Alibaba in 1999, Mr. Ma was a teacher—and is known within the company as "Teacher Ma."

In a letter addressed to customers, shareholders and employees—referred to as "Alien"—Mr. Ma said he would complete his current term as a member of Alibaba Group's board of directors until its annual general meeting of shareholders in 2020.

He said he would continue as the founding partner in the Alibaba Partnership, a group of senior executives who have the right to nominate most of the company's board despite not holding a majority of the company's shares.

"The world is big, and I am still young, so I want to try new things—because what if new dreams can be realized?" Mr. Ma wrote. "The one thing I can promise everyone is this:

Alibaba was never about Jack Ma, but Jack Ma will forever belong to Alibaba."

Mr. Zhang, 46, will assume leadership of China's biggest technology company with businesses spanning e-commerce, cloud computing and entertainment. It controls a massive mobile payment network, and it is driving hard into new ventures built on quantum computing and artificial intelligence.

Please turn to page A2

U.S. and China Battle for 5G Dominance

Companies rush to test next generation of mobile networks in fight for wireless future

The early waves of mobile communications were largely driven by American and European companies. As the next era of 5G approaches, promising to again transform

the way people use the internet, a battle is on to determine whether the U.S. or China will dominate.

Equipment makers and telecom operators in both countries are rushing to test and roll out the next generation of wireless networks, which will be as much as 100 times faster than the current 4G standard. Governments are involved as well—with

China making the bigger push.

The new networks are expected to enable the steering of driverless cars and doctors to perform complex surgeries remotely. They could power connected appliances in the so-called Internet of Things, and virtual and augmented reality. Towers would beam high-speed internet to devices, reducing reliance on cables and Wi-Fi.

At the Shenzhen headquarters of Huawei Technologies Co., executives and researchers gathered in July to celebrate one of its technologies being named a critical part of 5G. The man who invented it, Turkish scientist Erdal Arıkan, was greeted

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Djokovic Takes 14th Grand Slam



BIG WIN: Novak Djokovic celebrates his U.S. Open victory over Juan Martin del Potro. Plus, Jason Gay on the women's final. **A14**

Treasure Hunter Searches Rhine River—for a Train

* * *

After 30 years, quest for 19th-century steam engine looks promising

By NINA ADAM

COCHEM, Germany—Horst Müller likes trains. It makes sense. As a child he lived with his family on the top floor of Cochem station. He once celebrated Christmas dinner in the cab of a steam engine with his father, a driver. He's collected model trains, devoured train

books and photographed trains since he was 12, and eventually became a driver himself.

For the past 30 years he has moved beyond "like" to obsession. His fixation: Find a 19th-century cast-iron steam engine lost in the Rhine river before it even took its first journey.

Now, at 68 years old, he's as close as he's ever come to success. After decades of combing through historical documents, dozens of field trips on- and offshore with elaborate sensing equipment chasing up dead ends, and getting wet feet and tick bites, he finally scored a ping on a large

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◆ U.S. shifts policy as major battle is in the making..... A8

U.S. NEWS

THE OUTLOOK | Kate Davidson and Nick Timiraos

Fed Ponders New Tool to Avert Crises

A decade after a financial crisis that paralyzed the global economy, Federal Reserve officials are debating how to apply one of the central lessons they drew from that dark episode.

It involves preventing the next crisis from happening on their watch.

The Fed has two tools for stamping out financial bubbles. It can use either regulation or interest-rate increases to prevent banks and other financial institutions from getting carried away during an economic boom.

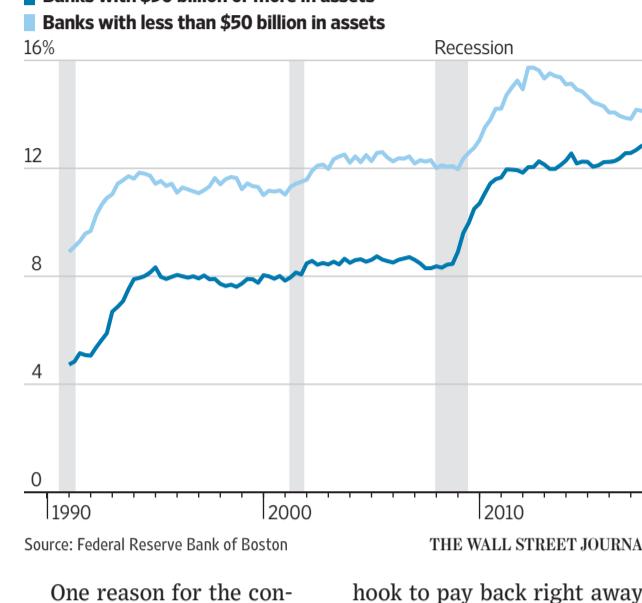
Many Fed officials concluded after the last crisis that it's best to use regulation. They can apply that tool surgically, while aggressive interest-rate increases—like taking a sledgehammer to a nail—might damage the broader economy in the name of financial stability.

Some Fed officials want to use one of the regulatory tools the central bank developed after the crisis, called a countercyclical capital buffer. It can require the largest banks to sock away additional capital during good times so they have more to fall back on when loans go bad, like socking oil away in the nation's strategic petroleum reserve.

But other officials, and the banking industry, have questioned why the tool is needed now, when bank capital levels are high and financial-stability risks appear in check.

Buffed Up

Capital, as a percentage of assets, has risen substantially since the last recession, particularly for the largest banks.



Source: Federal Reserve Bank of Boston

One reason for the concern is that asset prices are booming. U.S. household net worth—a function of rising stock and real-estate values—was nearly seven times household after-tax incomes in the first quarter, according to the Fed. That's higher than during the tech-stock boom of the late 1990s or real-estate boom of the 2000s, both of which ended badly.

Capital is long-term money a bank draws on to make loans, coming largely from shareholders and retained profits. It represents funds the bank isn't on the hook to pay back right away, like a bank deposit, when a loan portfolio goes sour. That creates an important cushion in a shock, when depositors and others demand money back quickly from their banks.

Forcing banks to hold additional capital might take some pressure off the Fed to raise interest rates very aggressively to cool the economy if it overheats. Some officials also like the tool because the buffer can be reduced when an actual downturn hits, providing relief to banks when

they really need it.

Officials in other places like the U.K., Ireland, France and Hong Kong have raised their capital buffers, while the Fed's is set at zero.

"This would be a good time to be raising that capital buffer," said Cleveland Fed President Loretta Mester in a July interview. "In good times, you raise it." Not using it now "puts you more into the camp of" using interest rates to guard against financial instability, she added.

It was a subject of discussion at a Boston Fed conference Friday and Saturday. Ms. Mester is among five regional Fed bank presidents pushing for a move, but the authority isn't in their hands. Instead, Fed governors in Washington, overseen by board Chairman Jerome Powell, vote at least once a year on its level.

One Fed governor, Lael Brainard, has publicly backed increasing the buffer. Mr. Powell hasn't weighed in publicly, except to say in June he didn't think financial-stability risks were meaningfully above normal.

Banks and some Fed officials argue against it. One reason is that big banks have already built up substantial levels of capital: Among banks with assets greater than \$50 billion, so-called Tier 1 capital was 12.7% of assets in the first quarter, compared with 8.5% in 2008.

Another limitation of the

rule is that it only applies to big banks. Those with assets of less than \$50 billion have seen their capital shrink to 14.2% of assets in the first quarter from 15.7% in 2012.

Moreover, some Fed officials have said annual stress tests have already accomplished the goal of raising capital levels for big banks during good times.

"We've just gone through a lot of changes in terms of how financial institutions are going to be regulated," Atlanta Fed President Raphael Bostic said in an interview last month. He said it made sense to see how banks manage the new rules before placing a new demand on them.

Under one possible compromise, the Fed might stop ramping up the difficulty of the stress tests, while activating the new capital buffer. The stress tests dictate how much banks can pay in dividends and deploy toward share buybacks.

The banking industry has bristled at a regulatory tool simply because the economy is strong. Officials also say the Fed couldn't now meet the criteria it laid out two years ago for activating the buffer. In 2016, the Fed said it should be activated "when systemic vulnerabilities are meaningfully above normal." Fed staff have characterized such vulnerabilities for now as moderate.

ECONOMIC CALENDAR

WEDNESDAY: The Federal Reserve releases the latest version of the **Beige Book**, a collection of company anecdotes across Fed districts. Wednesday's Beige Book could provide more insights into company hiring and pricing plans in the wake of recently imposed and proposed tariffs.

THURSDAY: The Labor Department releases August **consumer-price index** data. In July, consumer prices rose 2.9% from a year earlier, a rate last exceeded in late 2011. Economists surveyed by The Wall Street Journal estimate consumer prices grew 2.8% on the year in August.

FRIDAY: The Commerce Department releases figures for August **retail sales**. Americans boosted their spending in July, a robust start to the third quarter for the economy's main engine. Economists surveyed by The Wall Street Journal estimate retail sales climbed 0.4% last month.

The Federal Reserve publishes August **industrial production** numbers. In July, this measure of output at factories, mines and utilities was held down by weakness in the mining and utilities sectors. Economists surveyed by The Wall Street Journal expect production grew 0.3% in August.

The University of Michigan issues September **consumer-sentiment** data. The university's consumer-sentiment index was 96.2 in August, the lowest level since January. Economists surveyed by The Wall Street Journal predict an index reading of 96.0.

U.S. WATCH

WEATHER

Florence Strengthens, Heads Toward Coast

A tropical storm that has been churning in the Atlantic for a week regained hurricane strength Sunday and was headed toward the Southeastern U.S., the National Hurricane Center said.

While it was too soon to project Hurricane Florence's precise trajectory and timing, forecasters said areas from South Carolina up through Virginia should prepare for the storm, which could approach the coast on Thursday. With winds approaching nearly 85 miles an hour, Florence was expected to turn into a dangerous Category 4 hurricane. Coastal areas could face storm surges and flooding, while communities farther inland will be at risk of prolonged rainfall.

"Florence is forecast to rapidly strengthen to a major hurricane by Monday and is expected to remain an extremely dangerous major hurricane through Thursday," the National Hurricane Center said.

—Dan Frosch

POLITICS

Trump Rescinds Pact With Ex-Porn Star

President Trump on Saturday joined his former lawyer, Michael Cohen, in agreeing to rescind the nondisclosure agreement that legally requires former adult-film star Stephanie Clifford to keep silent about an alleged sexual encounter with Mr. Trump.

Charles Harder, a lawyer for Mr. Trump, said in a letter to Ms. Clifford's lawyer that "Mr. Trump hereby stipulates that he does not, and will not, contest Ms. Clifford's assertion that the Settlement Agreement was never formed, or in the alternative, should be rescinded."

Mr. Trump's move came a day after a filing by Mr. Cohen in a lawsuit that Ms. Clifford, known professionally as Stormy Daniels, filed in March. Ms. Clifford sued the shell company that Mr. Cohen, who at the time was Mr. Trump's lawyer, had used to pay her \$130,000 for signing the agreement in October 2016.

She also sued Mr. Trump.

—Joe Palazzolo and Michael Rothfeld

Honoring 9/11 Victims in Shanksville, Pa.



SETTING A TONE: Ropes are pulled to ring chimes at the dedication of the 93-foot-tall Tower of Voices on Sunday at the Flight 93 National Memorial in Pennsylvania. The tower contains 40 wind chimes representing the 40 victims who perished on Flight 93.

KEITH SRANOCIC/PRESS POOL

Alibaba Lays Out Succession

Continued from Page One
cial intelligence.

Mr. Zhang joined Alibaba in 2007, and was responsible for grooming its Tmall business-to-consumer platform from an obscure e-commerce website to the online retail behemoth highly sought after by brands looking to sell in China.

The former accountant is credited with establishing Singles Day, the one-day internet shopping festival that has become an annual phenomenon in the nation. He was also a key architect behind Alibaba's new retail initiative, which sought to blend online shopping with brick-and-mortar stores.

"Alibaba has seen consistent and sustainable growth for 13 consecutive quarters" under Mr. Zhang, the letter from Mr. Ma said. "His analytical mind is unparalleled, he holds dear our mission and vision, he embraces responsibility with passion, and he has the guts to innovate and test creative business models."

"For these reasons, he and



Alibaba Chairman Jack Ma, left, and his successor, Daniel Zhang.

his team have won the trust and support of customers, employees and shareholders," Mr. Ma wrote.

Analysts who follow the company say they have long expected Mr. Ma to further distance himself from Alibaba's day-to-day operations, noting his public comments expressing the desire to pursue philanthropy and other causes.

Mr. Zhang's appointment is a safe choice, said Steven Zhu, an analyst at industry consultancy Pacific Epoch in Shanghai, as over the past 11 years, Alibaba has operated very well under him, and he has proved that he can convert Mr. Ma's vision into reality.

The challenge for the company will materialize in the longer term, as Mr. Zhang has yet to prove he is as visionary

as his predecessor, Mr. Zhu said.

Mr. Ma, who stepped down as chief executive in 2013, has not been present during quarterly earnings calls with investors, leaving Mr. Zhang, executive vice chairman Joe Tsai and Chief Financial Officer Maggie Wu to helm the call and field questions about the company.

In his role as executive chairman, Mr. Ma has spent most of his time representing Alibaba's interests with Chinese regulators and senior Chinese leadership, according to a person familiar with the situation. Mr. Ma personally instructs monthly classes to groom up-and-coming managers in the company, according to the person.

Speculation on Mr. Ma's successor had largely focused

on Mr. Zhang and Mr. Tsai. Both have been with Alibaba for more than a decade and have overseen the company in its time of transition and change.

Mr. Tsai, a 54-year-old Taiwanese educated at Yale University, is known for being the brains behind many of Alibaba's investments. Mr. Tsai was behind recent investments by Alibaba into its Southeast Asian unit Lazada Group and the company's buyout of online delivery platform Ele.me. He recently purchased a 49% stake in the NBA's Brooklyn Nets.

Mr. Ma will continue his involvement in the company through the Alibaba Partnership, as a lifetime member.

Gerber Kawasaki Wealth & Investment Management owns about 38,000 shares of Tesla Inc. valued at roughly \$10 million at Friday's closing price of \$263.24. A Page One article on Saturday about Tesla CEO Elon Musk incorrectly said the value of the stake was roughly \$1 million.

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

The Alibaba Partnership currently comprises 36 partners who are also members of senior management of Alibaba Group or its affiliates. Pursuant to the articles of association of Alibaba Group, the Alibaba Partnership has the right to nominate a majority of the directors to the board of the company.

Members of the Partnership, including Mr. Zhang and Mr. Tsai, share a common chat group on Alibaba's network and meet quarterly. Other members include Simon Hu, the head of its cloud computing division, and Lucy Peng, who chairs its Lazada e-commerce unit in Southeast Asia.

Mr. Ma established the Partnership about 10 years ago. New members undergo a thorough vetting process, including evaluations by those already in the exclusive club.

In his letter, Mr. Ma said the time is right for the succession plan to be announced.

"This transition demonstrates that Alibaba has stepped up to the next level of corporate governance from a company that relies on individuals, to one built on systems of organizational excellence and a culture of talent development," Mr. Ma wrote in the letter.

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U.S. NEWS

States Ramp Up Legal Scrutiny of Tech

By JOHN D. MCKINNON
AND DOUGLAS MACMILLAN

State attorneys general are piecing together a coordinated legal strategy to confront Facebook Inc., Twitter Inc. and Alphabet Inc.'s Google over alleged antitrust violations and concerns over data-privacy abuses, as well as growing complaints from some Republicans that conservative speech is being suppressed.

Tensions have been simmering for months, but they surfaced publicly last week when the Justice Department said U.S. Attorney General Jeff Sessions would meet with several state attorneys general this month to discuss a growing concern that the companies are hurting competition and stifling the free exchange of ideas on their platforms.

The announcement—made amid congressional hearings into the practices of Facebook and Twitter—shed little light on which remedies might be under consideration. But recent comments by several of the state attorneys general suggest they are actively ex-

ploring an antitrust investigation and hope to enlist Washington.

"I think the companies are too big, and they need to be broken up," Republican Louisiana Attorney General Jeff Landry said Thursday in a radio interview.

Twenty years ago, Microsoft Corp. faced lengthy antitrust litigation brought by about 20 state attorneys general, along with the Justice Department. So far, the current generation of internet giants have largely avoided antitrust enforcement action in the U.S., even as the European Union has imposed multibillion-dollar fines on Google for alleged abuses involving its search function and Android mobile-phone system.

And yet, the U.S. regulatory environment is growing considerably less friendly to tech. Several Trump administration agencies, including the Federal Trade Commission, are examining the industry, and Mr. Trump himself recently railed against the internet giants and has attacked behemoths like Amazon.com Inc. and Google.

Last week, lawmakers in



From left, CEOs Jack Dorsey of Twitter, Sundar Pichai of Google and Mark Zuckerberg of Facebook.

Washington held the latest in a series of hearings this year into a range of tech issues, including alleged Russian hacking, privacy and user data and criminal activity. A persistent theme was the question of regulating big tech.

The Justice Department declined to comment beyond last week's announcement. It isn't clear how seriously the DOJ is taking the states' calls for action or whether its antitrust-enforcement division had any role in planning Mr. Sessions' meeting.

The FTC plans hearings this

week to consider competition concerns in the internet economy, among other issues.

A spokesman for Twitter declined to comment, while Google didn't respond to requests to comment. A spokesman for Facebook pointed to comments by CEO Mark Zuckerberg, who said he is open to regulation that protects the privacy of users. He didn't comment on the prospect of an antitrust action or anything specific to the state officials.

Republicans' allegations that the tech companies suppress conservative voices has

bubbled up in conservative media and was amplified by Mr. Trump late last month. Democrats have said that is the issue—more than antitrust policy—behind the coming Justice Department meeting, with Republicans hoping to stir their conservative base ahead of November elections.

All the attorneys general expected to attend this month's meeting in Washington are Republicans, with Democrats saying they have yet to be invited.

Some Democratic attorneys general, for their part, have raised antitrust worries about

the firms. "Maybe it's a century ago with the trust busters, where abuses were taken by the railroads and the barons of industry," Rhode Island Attorney General Peter Kilmartin said in June. "Maybe we're waiting for a Teddy Roosevelt to come in."

The tech companies adamantly deny they have sought to suppress conservative content. And even some big tech critics say they hope legal concerns about the social-media platforms aren't being weaponized for political gain.

"We obviously think there are competition problems," said Matt Stoller, a fellow at the Open Markets Institute, a think tank that has criticized the internet platforms. But the current focus on the treatment of conservative viewpoints could suggest "an attempt to use legitimate concerns to organize legal power for one party and point of view, and that's dangerous," he added.

—Brent Kendall contributed to this article.

◆ Google to appeal EU order on 'right to be forgotten' B1



Paul Iacovacci at New York's Grand Central Terminal. Mr. Iacovacci accused Brevet of hacking his home computer and stealing data.

CAITLIN OCHS FOR THE WALL STREET JOURNAL

Lawsuit Tests Limits Of Bosses' Snooping

By NICOLE HONG

A new lawsuit in New York is highlighting the thorny legal issues concerning the degree to which employers can snoop through their employees' electronic devices.

Paul Iacovacci, an ex-managing director at Brevet Capital Management LLC, sued his former employer last week, accusing the New York investment firm of accessing his home computer to read his personal emails and steal data stored on personal hard drives. Mr. Iacovacci alleges the activity violated federal antihacking laws.

A spokeswoman for Brevet denied the company hacked into Mr. Iacovacci's computer, saying the computer was Brevet's property because the company purchased it.

The lawsuit, filed Tuesday in Manhattan federal court, raises novel questions about what constitutes a work device, a gray area that is expected to spawn more legal battles as employees increasingly use personal devices for work purposes.

The case could also test the boundaries of how much authorization employers have to view the contents of personal devices while they are plugged into work devices.

Mr. Iacovacci discovered the company had accessed his computer during a dispute over the compensation he said

he was owed as part of his departure from Brevet in late 2016.

Brevet's employee handbook said the company reserves the right to read, access or monitor all electronic documents stored or processed on Brevet's computers, including "documents and messages which don't directly relate to Brevet's business." Mr. Iacovacci acknowledged his receipt of the handbook every year, the company said.

Securities and Exchange Commission regulations require investment advisers like Brevet to maintain the ability to remotely monitor employees' communications, according to the company.

At the heart of the lawsuit is a desktop computer that was provided by Brevet in February 2015 to install at Mr. Iacovacci's home in Connecticut. Mr. Iacovacci used it as a family computer and as a way to work from home.

Mr. Iacovacci said he purchased software for the computer called "LogMeIn," which allowed him to remotely access the computer while away from home.

In January 2016, Mr. Iacovacci told the company he intended to retire. He was a managing director of the finance firm, where he worked for about a decade.

After months of negotiations, Brevet fired Mr. Iacovacci

cci on Oct. 14, 2016. Three days later, he sued the company in state court for wrongful termination, claiming he was owed tens of millions of dollars in compensation.

The night that lawsuit was filed, Brevet allegedly used his LogMeIn account to access two personal hard drives he had purchased that were attached to his computer. Mr. Iacovacci said the company secretly installed software that allowed data to be copied and transferred out of the personal hard drives.

Brevet then used the materials it found to sue Mr. Iacovacci

in November 2016, he said. The company alleged he was stealing confidential materials to start a competing business.

Mr. Iacovacci said the information contained in the countersuit could only have been uncovered through a breach of his personal email account and personal hard drives. His lawyers deny Mr. Iacovacci was trying to start a competing company.

The company has acknowledged in state court documents that it accessed Mr. Iacovacci's computer that night. But Brevet said it was authorized to do so and only accessed the

computer after it suspected Mr. Iacovacci was stealing proprietary documents, a person familiar with the matter said.

Brevet has previously said it was authorized to access Mr. Iacovacci's LogMeIn account because he had shared his old passwords with the firm when he needed IT help.

The company alleges Mr. Iacovacci filed the lawsuit to avoid complying with a court order to turn over the contents of the computer. Mr. Iacovacci's lawyers called the company's demand for the computer a "fishing expedition."

Although employers are typ-

ically not allowed to penetrate an employee's personal email account on a work device, there are ways for employers to see that data without engaging in hacking, said Richard Lutkus, a partner at Seyfarth Shaw.

Employees often don't realize the extent of the digital trail that is left behind on work computers when they read their personal emails at work, and employers can legally access data like personal text messages if employees plug their personal phones into work computers and back them up through iTunes, he said.

Marijuana-Research Applications Unanswered

By SADIE GURMAN

Two years after the Drug Enforcement Administration began accepting requests to grow marijuana for federally approved research, none have been answered, leaving more than two dozen applicants in limbo, people familiar with the process said.

The future of the initiative ultimately rests with the DEA's parent agency, the Justice Department, and officials under Attorney General Jeff Sessions, a longtime critic of marijuana use, aren't eager to advance the applications, these people said. Mr. Sessions has stated publicly he is open to research on the drug but has offered no timeline for processing the applications.

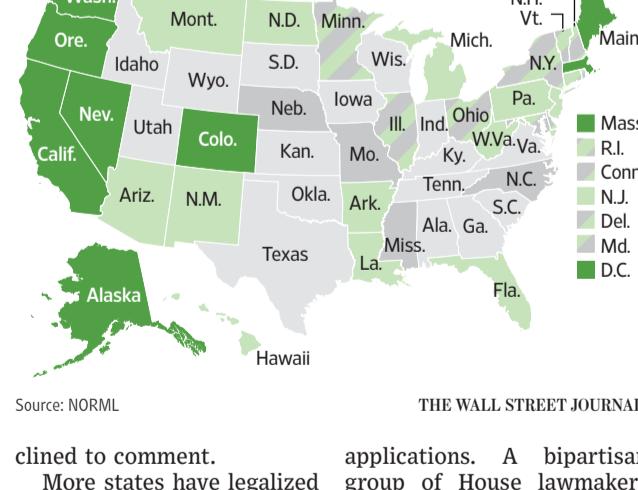
The applicants include a variety of entrepreneurs, as well as a university professor and a former Navy SEAL who wants to study how marijuana might help veterans suffering from chronic pain and post-traumatic stress.

Republican and Democratic lawmakers have voiced frustration at the delays, saying Mr. Sessions has repeatedly avoided questions about the status of the applications. The inaction, they say, is stalling much-needed research into the potential health benefits of marijuana as society takes a more tolerant view of its use.

A DEA spokeswoman referred questions to the Justice Department, which de-

Changing Times

An increasing number of states are legalizing the use of marijuana, but it is still illegal under federal law.



porter of research.

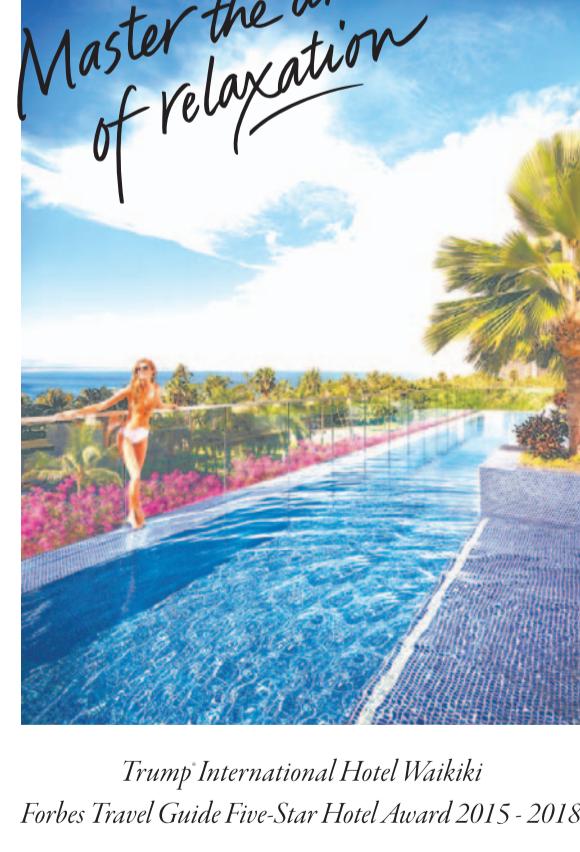
The DEA under President Obama began seeking applications for new marijuana researchers in August 2016, saying it "fully supports expanding research into the potential medical utility of marijuana and its chemical constituents."

At least 26 applications have been submitted since then. None has been approved or rejected, and applicants say they have seen little sign of any movement.

DEA officials believed their push to expand research complied with federal law. But the Trump administration threw the effort into doubt by asking the Justice Department's Office of Legal Counsel to review the policy's legality, the people familiar with the matter said. Officials concluded it violated a 1961 United Nations treaty that aims to curb drug trafficking.

Last spring, Justice Department lawyers privately floated a new policy to expand research that included significant additional restrictions. But DEA officials found it convoluted, saying it would strain the agency's resources and be almost impossible to implement, one person familiar with the discussion said. The effort has since been on hold.

Individual applications are weighed by the head of the DEA, acting administrator Utam Dhillon, but lawmakers say it is Mr. Sessions' view that matters.



Trump International Hotel Waikiki

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U.S. NEWS

Congress Aims to Avoid Shutdown

Anticipated deal on spending bills is likely to preclude partial government stoppage

BY KRISTINA PETERSON

WASHINGTON—Congressional negotiators are expected to secure a deal Monday on a package of three spending bills for the coming fiscal year, setting in motion GOP leaders' plans to avoid a partial government shutdown at month's end.

The efforts to keep the government funded come amid uncertainty over whether President Trump is willing to defer a fight with Democrats over border-wall funding until after the midterm elections.

Lawmakers on the House

Appropriations Committee said they expected the House to vote this week on the trio of bills, known as a "minibus," that would include funding for the departments of Energy and Veterans Affairs and the legislative branch of government.

The Senate may also vote on the bill this week, though that would require an agreement among lawmakers to speed up the chamber's time-consuming procedures.

Much of the government has yet to be funded, and Congress has dwindling days and an unpredictable president to contend with before current funding expires at 12:01 a.m. Oct. 1. Mr. Trump has raised the prospect of shutting the government if he can't secure more funding for the wall along the border with Mexico,

while GOP leaders have worked to persuade him to hold off until after November's midterm elections.

"Show me the last time there's been a government shutdown that Republicans haven't been blamed for. I have never seen it work," said Rep. Mike Simpson (R., Idaho), an appropriations committee member. "I have never seen it give you an advantage."

Mr. Trump believes differently, telling GOP leaders in a meeting at the White House last week that a shutdown would motivate his supporters to vote in November. However, Senate Majority Leader Mitch McConnell (R., Ky.) and House Speaker Paul Ryan (R., Wis.) both said after the meeting they were confident that Mr. Trump was on board with their plan to pass packages of

spending bills this month to fund most of the government.

While most GOP lawmakers and aides believe Mr. Trump will be willing to avoid a shutdown right before the midterm elections, the president has kept them guessing. He has at times agreed to defer the fight, while as recently as Friday indicating that he sees political advantages in a shutdown.

"I would do it because I think it's a great political issue," Mr. Trump said on Air Force One, but also nodded to the concerns of lawmakers worried the fight could help Democrats win the net 23 seats they need to take back the House. "There are a lot of politicians that I like and respect and are with me all the way that would rather not do it because they have races,"

Mr. Trump said.

GOP leaders developed a plan to pass government funding in tranches in part because Mr. Trump balked this spring when asked to sign a sweeping \$1.3 trillion spending bill. Beyond the first package of spending bills, House and Senate negotiators are trying to hammer out a deal on two other clusters of bills. They have to find a compromise between bipartisan Senate bills and the House spending bills, which were written by Republicans and contain more conservative policy provisions.

Democrats said they want to see House Republicans make some concessions in the spending bills in order to win their support.

—Natalie Andrews
contributed to this article.

Trump Tells Apple To Shift Jobs Back

BY TRIPP MICKLE

President Trump called on Apple Inc. to shift production to the U.S. and out of China, reviving a longstanding criticism and pressuring the iPhone maker to help fulfill the administration's economic goal of restoring American manufacturing.

In a Saturday morning tweet, Mr. Trump said that if Apple wants to avoid tariffs on its products, it should make those devices in the U.S. rather than China. He wrote: "Start building new plants now. Exciting!"

The tweet came a day after Apple said in a filing with the U.S. Trade Representative that proposed U.S. tariffs on \$200 billion of Chinese goods would affect its watch, wireless headphones and other products, the first time the company has detailed specific damage from the trade battle. An Apple spokesman declined to comment.

Apple assembles most of its products, including the iPhone, in China. The company directly employs at least 80,000 people in the U.S. and claims responsibility for two million jobs across the country, including its own employees and those of suppliers, app developers and entrepreneurs who offer products across its devices. It spent \$50 billion last year with more than 9,000 U.S. suppliers maintaining manufacturing operations across 38 states. Apple said in July that it employs about 10,000 directly in China and indirectly accounts for three million jobs there through its supply chain.

U.S. to Oust PLO From Washington

BY MICHAEL R. GORDON

WASHINGTON—The Trump administration is expected to announce Monday that it will close the Palestine Liberation Organization's office in Washington, administration officials said Sunday night, widening a U.S. campaign of pressure amid stalled Middle East peace efforts.

"The United States will always stand with our friend and ally, Israel," national security adviser John Bolton planned to say in prepared remarks he is scheduled to deliver Monday, according to a draft reviewed by The Wall Street Journal.

"The Trump administration will not keep the office open when the Palestinians refuse to start direct and meaningful negotiations with Israel," he planned to add.

Mr. Bolton also planned to threaten to impose sanctions against the International Criminal Court if it moves ahead with investigations of the U.S. and Israel.

PLO mission officials couldn't be reached for comment late Sunday.



A voter-registration table staffed by Secular Coalition for America representatives at the University of Houston-Downtown last month.

"We want the political establishment to see us as a group they need to make pit stops for," said Sarah Levin, director of grass roots and community programs at the Secular Coalition for America.

To reach that goal, groups involved in the Secular America Votes campaign are searching for nonbelievers in areas where they may be likely to gather.

The Secular Coalition for America late last month held one of the first voter registration drives of the campaign at the University of Houston-Downtown. A few students were eager to get involved.

"What they're doing is the answer to many of our problems—being inclusive to everybody," said Jeff Cayax, a 19-year-old biology student.

But others were left confused about what the group stood for, illustrating a problem secular groups often confront.

"I forgot," Ashley Amaya, 18, said just moments after registering. "It's like everyone gets a voice?"

Suzanne Stavinoha, 59, a freelance writer who was registering students, tried to explain: "We advocate for the separation of church and state in Washington. It's just making sure that everybody, no matter what religion, or no religion, is represented."

Ms. Stavinoha rarely uttered the words atheist, agnostic or skeptic, part of a deliberate shift in messaging secular groups have made to focus on their political values.

One factor holding back "Nones" from building a political identity is the reluctance of candidates and elected officials to openly call themselves nonbelievers.

Since 2016, the number of non-theists in public office at the state or federal level has grown to 26 from 5, according to the Center for Freethought Equality.

Last year, Rep. Jared Huffman, a California Democrat, became just the second member of Congress in modern times to publicly call himself a nonbeliever.

Mr. Huffman this year co-founded the Congressional Freethought Caucus, along with three other Democrats, because he said he had grown frustrated by the way some politicians on the right were using the Bible to justify their agenda.

"The fact that there's an awful lot of overlap between those who are not religiously affiliated and the political left makes them ripe for mobilization," said David Campbell, a political-science professor at the University of Notre Dame.

Unlike many religious groups, however, many nonbelievers have an aversion to proselytizing, which makes it harder for them to bring new members into the fold.

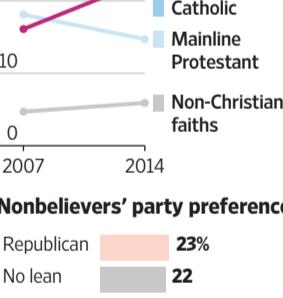
Elizabeth Rose, a member of the Inland Northwest Freethought Society, was part of an Idaho voter registration drive in June. She had materials about her group on hand, but didn't hand them out unless someone asked.

"We're not recruiting," she said. "We've never done that."

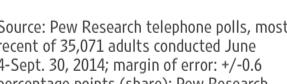
Rising Presence

The share of the U.S. population with no religious affiliation has grown rapidly.

Share of population by religious affiliation



Nonbelievers' party preference



Source: Pew Research telephone polls, most recent of 35,071 adults conducted June 4-Sept. 30, 2014; margin of error: +/- 0.6 percentage points (share); Pew Research telephone poll of 7,556 adults conducted in 2014; margin of error: +/- 1.5 percentage points (preference)

THE WALL STREET JOURNAL.

Moonves To Exit as CBS Chief

Continued from Page One
greeted behavior that made women uncomfortable but denied retaliating against those who pushed him away.

"Untrue allegations from decades ago are now being made against me that are not consistent with who I am," Mr. Moonves said in a statement Sunday, adding that he was "saddened" to be leaving the company after 24 years.

Earlier, the company said in a statement: "CBS takes these allegations very seriously. Our Board of Directors is conducting a thorough investigation of these matters, which is ongoing."

The settlement with National Amusements also comes with a significant shake-up of the CBS board: Six new members, including veteran media executive



The New Yorker detailed new allegations against Leslie Moonves.

Dick Parsons, have been elected, the companies said. Other new board members include Candace Beinecke, a corporate-governance expert and senior partner of Hughes Hubbard & Reed; Barbara Byrne, former vice chairman of Barclays Investment Bank; Brian Goldner, the chief executive of Hasbro Inc.; Susan Schuman, the chief executive of SYPartners, a business-transformation consultancy; and Strauss Zelnick, chief executive of "Grand Theft Auto"

maker Take-Two Interactive Software and former chief executive of BMG Music Entertainment.

Beyond Mr. Moonves, six members of CBS's board will depart, including David Andelman, a longtime lawyer of National Amusements' controlling Redstone family; Charles Gifford, who clashed with National Amusements President Shari Redstone in the past;

longtime CBS directors Arnold Kopelson and Leonard Gold-

berg, both close friends of 95-year-old Sumner Redstone, the ailing National Amusements chairman; former Sony Music Entertainment chief Doug Morris; and Joseph Califano Jr., the founder of the National Center on Addiction and Substance Abuse.

Mr. Andelman's departure reduces the number of directors associated with National Amusements from three to two, including Shari Redstone and Rob Klieger, a lawyer who has represented the Redstone family.

Mr. Moonves's ouster brings an abrupt end to a storied Hollywood career. The 68-year-old rose through the ranks of the TV production business before coming to CBS in 1995 and eventually taking the CEO job in 2006. He led a turnaround of CBS's prime-time schedule with series such as "Everybody Loves Raymond," "The Big Bang Theory" and the "CSI" franchise.

The CBS chief also becomes the most prominent and powerful entertainment executive to be forced from his job as the #MeToo move-

ment brings men to account for misbehavior across corporate America. His case has played out differently than some other prominent ones, where allegations or revelations led to an executive's swift departure; in the case of Mr. Moonves, in the weeks since the New Yorker's initial report the company's stance had been that it would conduct its probe and wait.

Under terms of Mr. Moonves's contract, he would be entitled to severance of more than \$180 million in salary and bonus awards if he were terminated either "without cause" or with "good reason."

Several of the women who came forward in the latest report were outraged by recent news reports that Mr. Moonves might walk away with a big severance payout, according to the New Yorker.

Chief Operating Officer Joe Ianniello was named interim chief executive of CBS while a search is conducted inside and outside the company for a successor.

The corporate fight over control, which was separate

from issues surrounding Mr. Moonves's personal conduct, centered on CBS's resistance to Ms. Redstone's effort to merge the company with Viacom Inc., the media conglomerate that the Redstones also control.

Ms. Redstone will emerge from a settlement having maintained control of her media empire while ensuring the CBS board will get fresh blood, as she sought. She also managed to avoid a trial likely to raise uncomfortable questions about the mental capacity of her father, Sumner Redstone, and her legitimacy at the helm of the empire. Mr. Redstone has 80% of the voting shares of National Amusements; Ms. Redstone has the rest.

As part of the legal detente, CBS ended its efforts to dilute National Amusements' voting control of the company to around 20%.

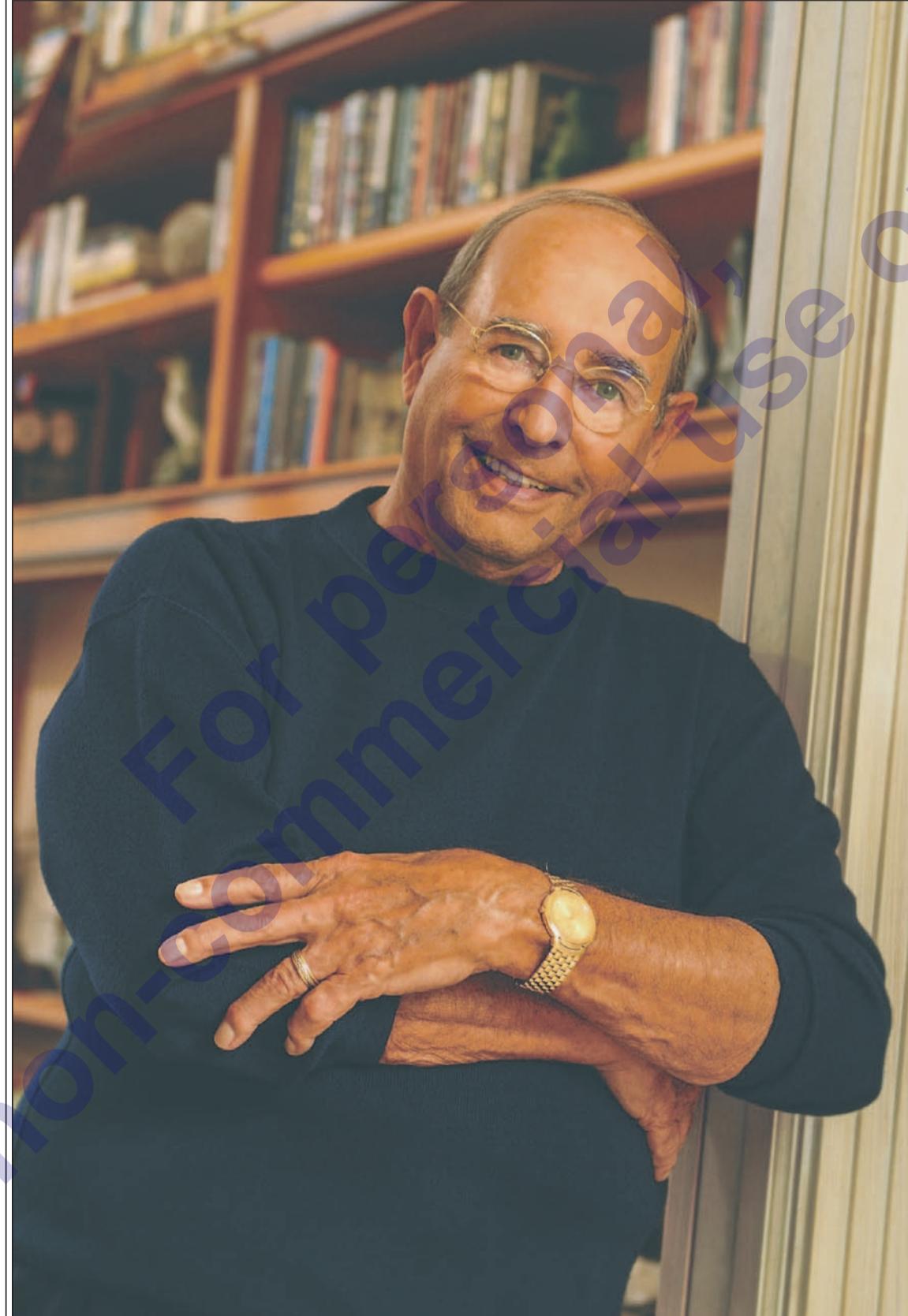
As part of the settlement, National Amusements has agreed to undo that amendment. National Amusements also agreed it wouldn't pursue a merger between CBS and Viacom for about two years, the companies said.



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WORLD NEWS

Right-Wing Party Gains in Sweden Vote

The anti-immigration Sweden Democrats had their best result yet in an election

By BOJAN PANCEVSKI

Sweden became the latest European country to shift to the right on Sunday as immigration continues to reshape the continent's political landscape.

A right-wing party with roots in neo-Nazism garnered an estimated 17.6% of ballots cast in the election, according to a count of the vast majority of constituencies. It was the best-ever showing for the Sweden Democrats, and it leaves the composition of Sweden's next government uncertain.

The vote means that Sweden, a longstanding model of stability and one of the world's wealthiest nations, is now facing a fractured parliament and unpredictable coalition negotiations.

The party's performance followed an uncharacteristically strident electoral campaign centered on immigration and crime, subjects previously considered taboo in a country known for the civility of its political debate.

Sweden joins a growing list of European countries where right-wing, nationalist, anti-establishment and anti-immigration parties have made significant headway over the past year or so.

Parties long considered on the political fringe have joined the government in Austria, toppled the old establishment in Italy, and become the largest opposition force in Germany.

But the vote in Sweden had been especially anticipated both because the country of 10 million has historically been a bastion of Scandinavian progressivism—with its generous welfare and immigration policies—and because it was one



Members of the Sweden Democrats reacted to exit polls after the election on Sunday in Stockholm. The electoral campaign was centered on immigration and crime.

INTS KALNINS/REUTERS

of the countries most affected by the surge in immigration to Europe since 2015.

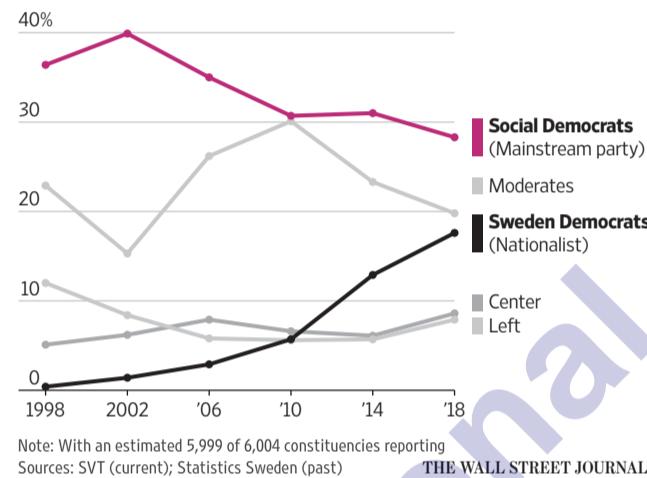
The outcome suggests that the popular backlash that has swept Europe since the refugee crisis of three years ago isn't letting up, and that no country can consider itself immune.

"What we are seeing in most Western democracies is the emergence of a movement that will be with us for some time come. This is not a flash in the pan or a passing moment in the history of liberal democracy: national populism will be a permanent feature of our political system," Matthew Goodwin, a professor of politics at the University of Kent in Britain, said before the vote.

A count of the majority constituencies released after polling stations had closed showed Sweden's ruling red-green coalition won a total of 32.7% of the vote, with outgoing Prime Minister Stefan Löfven's Social Democrats taking 28.4%. They have so far governed with the

Rightward Tilt

Sweden Democrats, an anti-immigration party, gained ground against mainstream parties and won an estimated 17.6% of the vote in elections Sunday.



THE WALL STREET JOURNAL.

Democrats, which will again be the third largest party in parliament, but with a significantly higher percentage of the vote than it won four years ago.

In public comments after the vote, Sweden Democrats leader Jimmie Åkesson asked the leader of the Alliance, Ulf Kristersson: "The moment of truth is here: Will you choose Stefan Löfven or Jimmie Åkesson?"—a reference to two potential coalition options, one uniting the red-green coalition and the Alliance and one involving the Alliance and Sweden Democrats. Mr. Kristersson didn't respond directly.

Mr. Löfven said Sunday, "We must respect the result, and when we have the final result, all decent parties will collaborate." Final results are expected on Wednesday.

The Sweden Democrats' proposals—a moratorium on new asylum seekers, faster deportations of illegal immigrants, tighter rules on granting Swedish citizenship—have

become more mainstream as other parties have sought to respond to the mounting popular sentiment against immigrants. The party has long disavowed its far-right roots.

By effectively performing a U-turn on immigration policy, the mainstream parties managed to stop the bleeding of votes to the Sweden Democrats, said Patrik Ohberg, a political scientist at Gothenburg University.

Charlie Weimers, 35, a former official of the moderate conservative Christian Democrats, left his party Thursday to join the Sweden Democrats, in what was perhaps the most high-profile defection ahead of the election.

On Sunday night, he was jubilant. "This is a big blow to the current government," he said of the results. "Swedish society is no longer able to integrate the amount of people who have come already."

—Dominic Chopping contributed to this article.

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WORLD NEWS

Showdown Tests Duterte's Power

BY JAKE MAXWELL WATTS

MANILA—Philippine President Rodrigo Duterte is facing the biggest test to his authority since taking office as his attempt to force the arrest of a leading critic has run into unexpected resistance from institutions that had previously done his bidding.

The opponent, Sen. Antonio Trillanes, has been holed up at his office in the Senate for nearly a week for fear of being arrested if he steps outside. A series of judicial rulings in coming days could determine whether there is a quick arrest, triggering potential street unrest, or Mr. Duterte's audacious gambit ends tangled in legal thicket, diminishing his aura of being able to ram through opposition at will.

Mr. Duterte, 73 years old, has employed an authoritarian style of leadership since assuming the presidency two years ago. He launched a bloody campaign to destroy drug crime and moved away from traditional ally Washington, warming relations with China. Opponents ended up imprisoned, removed or hobbled by state agencies, often after being lambasted with expletives from Mr. Duterte.

But his long-high popularity ratings are falling. A survey published Friday by pollster Social Weather Stations showed his trust rating falling to a net 57% in June, a new low.

The arrest order against Mr. Trillanes is a test of the limits of Mr. Duterte's power. "What we are witnessing is a peak Duterte," said political analyst Richard Heydarian. He is "a weakened center of gravity in an increasingly polycentric and fragmented political landscape."

Last Tuesday, during a trip to Israel and Jordan, Mr. Duterte issued an order to strip Mr. Trillanes, a focus of irritation in part due to the senator's allegations of corruption by Mr. Duterte and his family, of amnesty granted by a former president. Mr. Trillanes was a naval officer who joined 300 mutineers in occupying a downtown hotel in 2003 and again in 2007 in protest against alleged government corruption at the time.

The amnesty revocation was unprecedented, and the accompanying order to arrest Mr. Trillanes without a warrant triggered pushback in the Senate, which had previously allowed Mr. Duterte to silence critical voices.

Defense officials initially said a detention cell had been prepared for Mr. Trillanes, but later said the military said it would wait for a Supreme Court ruling before deciding whether to take him into custody. The police also slowed down, filing separate applications for arrest warrants with lower courts.

Mr. Trillanes said this weekend that serving officers up to the rank of general have expressed sympathy and passed him intelligence.

Mr. Duterte said he was standing by his orders but would await the Supreme Court to determine whether his proclamation was valid.



Sen. Antonio Trillanes is holed up in his Senate office.

BILLY MARQUEZ/ASSOCIATED PRESS



North Korean vehicles at a parade in Pyongyang. The display was watched closely for any sign of intercontinental ballistic missiles.

Pyongyang Parade Is ICBM-Free

BY JONATHAN CHENG

North Korea celebrated its 70th anniversary with a military parade marked by the absence of any intercontinental ballistic missiles, noteworthy as the event comes amid a monthslong detente between Pyongyang and Washington that has appeared precarious at times in recent weeks.

At a similar military parade in April 2017, North Korea rolled out at least one ICBM live on state television, and then launched it for the first time a few weeks later, provocatively on July 4. Leader Kim Jong Un called it a "package of gifts" on the U.S.'s Independence Day.

In February, the North again rolled out the long-range missiles at another military parade, though in that case the North refrained from broadcasting the parade live.

On Sunday, the ICBMs were absent altogether, replaced by an apparent emphasis on economic development, according to reporters from Western outlets, including the Associated Press and Reuters.



North Korean leader Kim Jong Un, at right, watches the parade.

ED JONES/AGENCE FRANCE PRESSE/GETTY IMAGES

Since declaring his nuclear program complete in April, Mr. Kim has blown up the entrance to North Korea's underground nuclear-test site and begun dismantling a satellite-launch site.

He has declared that he was turning his attention entirely toward the economy.

They were joined in Kim Il Sung Square by Russia and China's third-ranked officials, special envoys and government delegations from Cuba, Venezuela, Iran, Syria and the Palestinian Authority, and the president of Mauritania.

Throughout the summer, Mr. Kim has embarked on what North Korean state media has dubbed a "long journey of patriotic devotion," visiting factories and economic sites in remote parts of the country.

The low-key military parade is likely to sustain that economic focus, while buoying a diplomatic process that has appeared fragile.

Since President Trump shook hands with Mr. Kim at a summit meeting in Singapore in June, there have been signs both of warmth and of worry between the two leaders. Mr. Trump in August abruptly canceled a trip to Pyongyang by Secretary of State Mike Pompeo and the newly appointed special envoy on North Korea, Steve Biegun, citing a lack of satisfactory progress on denuclearization by North Korea.

Last week, a delegation of senior South Korean security officials met with Mr. Kim in Pyongyang, where Mr. Kim said he was committed to denuclearization and talked about Mr. Trump in a flattering light, South Korea's national security adviser said.

On Sunday, Mr. Trump in a tweet called the absence of ICBMs "a big and very positive statement from North Korea."

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WORLD NEWS



Syrians fleeing attacks approached a camp in Kafr Lusin near the Turkish border in the northern part of rebel-held Idlib province on Sunday.

Syria Said To Plan Gas Attack

Continued from Page One
tions against Syrian officials instead of military strikes.

"We haven't said that the U.S. would use the military in response to an offensive," one senior administration official said. "We have political tools at our disposal, we have economic tools at our disposal. There are a number of different ways we could respond if Assad were to take that reckless, dangerous step."

Fears of a massacre have been fueled by new U.S. intelligence indicating Mr. Assad has cleared the way for the military to use chlorine gas in any offensive, U.S. officials said. It wasn't clear from the latest intelligence if Mr. Assad also had given the military permission to use sarin gas, the deadly nerve agent used several times in previous regime attacks on rebel-held areas. It is banned under international law.

U.S. officials wouldn't say on Sunday whether use of chlorine gas would trigger new U.S. air-

strikes against the Assad regime. "I will not comment on U.S. military plans, but Assad's use of chemical weapons, sarin and chlorine, and disregard for civilian lives is well documented and contrary to regional stability," Pentagon spokeswoman Dana White said.

Mr. Trump launched airstrikes against Mr. Assad twice in the past two years after accusing the Syrian leader of using sarin gas in attacks that killed scores of civilians, including women and children.

This time, the Trump administration initially set a new red line by warning Mr. Assad that the U.S. would respond if he used chemical weapons. But the administration stance has hardened in recent days, as Mr. Trump has publicly warned Mr. Assad that he risks another U.S. military strike if he tries to re-take Idlib.

"By my putting out that message I think maybe it's going to send a signal," Mr. Trump said last week in an interview with The Daily Caller, the conservative news website. "I mean we're going to see, but it's a terrible thing."

U.S. officials have been trying for weeks to stave off the offensive. National security adviser John Bolton and Secretary of State Mike Pompeo asked their

Russian counterparts to ensure that no chemical weapons were used in Idlib, U.S. officials said.

On Sunday, there appeared to be few signs that the U.S. threats were having a major impact. Russian and Syrian airstrikes in parts of Idlib and Hama provinces killed nearly two dozen civilians. Regime helicopters dropped at least 55 barrel bombs—oil drums filled with explosives—while Russian warplanes carried out other air-

position-held parts of Syria.

Russia and Iran, which provide Mr. Assad with the military firepower he has used to recapture most rebel-held parts of Syria, rejected an appeal last week by Turkey, which has forces operating in the Syrian province along its border, to avert an attack.

Russia has also suggested that opposition fighters in Syria might use chemical weapons on civilians in an effort to trigger a U.S. military response. U.S. officials said there is no evidence that Syrian rebels have the ability to carry out such attacks.

Mr. Trump's first military strike on the Assad regime came in April 2017, when the U.S. military fired nearly 60 cruise missiles at a Syrian airfield in Idlib Province used as the launchpad for a sarin attack that killed at least 83 people.

Mr. Trump approved a one-time strike on the Syrian airfield, which failed to deter Mr. Assad from using chemical weapons again. The second Western response came five months ago, when the U.S., France and the U.K. fired more than 100 missiles at three Syrian targets in an effort to cripple Mr. Assad's ability to use chemical weapons.

—Raja Abdulrahim in Beirut contributed to this article.

U.S. Shifts Policy As Major Battle Is in the Making

By MICHAEL R. GORDON

In the spring, President Trump had an easy answer on how to deal with the carnage in Syria. The president vowed to quickly wrap up the fight against Islamic State and bring the troops out "very soon."

The message, which he delivered at an Ohio rally, was popular for a political base that has embraced Mr. Trump's "America First" message.

Now, with a climactic battle looming for Syria's plan with Russia and Iran to retake rebel-held Idlib province, Mr. Trump is making a course correction—in tune with national-security officials determined to push back against adversaries.

The administration is keeping 2,000 U.S. troops in Syria, imposing sanctions on businessmen close to President Bashar al-Assad's regime and plunging more deeply into diplomacy.

The main goals are to roll back Iran's role in Syria and ensure Islamic State doesn't make a comeback, U.S. officials say.

Ousting Mr. Assad, who has succeeded in strengthening his hold on power over two U.S. administrations, is no longer a U.S. priority, senior officials acknowledge. But U.S. officials are still trying to foster a more inclusive political arrangement inside Syria while breathing new life into the nearly moribund international negotiations over the country's future.

"They clearly have a new energy focused on Syria," said Nicholas Heras, a fellow at the nonpartisan Center for a New American Security.

The Trump administration's evolving strategy has three main components.

On the military front, the administration's new emphasis on delivering Islamic State an

"enduring defeat" will extend the deployment of U.S. troops at least into next year, U.S. officials said.

The legal mandate for keeping U.S. troops in Syria is still linked to support for Kurdish and Arab fighters trying to finish off Islamic State. But the move has implications for the diplomatic wrangling over Syria's future as extending the U.S. mission against Islamic State will also prolong the presence of U.S. forces and their Syrian allies in oil-rich areas that the Assad regime is eager to control.

While the White House hasn't said precisely how long U.S. forces will stay or how many troops may be needed, delivering a lasting defeat to extremists will require more than taking back all of Islamic State-controlled territory, U.S. officials said. It also requires ensuring the group can't make a comeback, as al Qaeda in Iraq, Islamic State's forerunner, did less than two years after the Obama administration withdrew troops from that country in 2011.

On the diplomatic front, the administration has sought to reassure allies the U.S. intends to be active in the deliberations over Syria's future, isn't rushing to disengage and is prepared to impose costs if the Assad regime and its Russian and Iranian allies proceed with the Idlib offensive.

Finally, Mr. Trump's forays into public diplomacy have changed, at least for now. Instead of trumpeting the departure of U.S. troops this month, he urged Mr. Assad not to "recklessly attack" Idlib.

For now, Mr. Trump appears to agree that withdrawing from Syria quickly could play into his adversaries' hands. Maintaining the president's backing for his new strategy may be its proponents' biggest test.

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Paul Fredrick

WORLD NEWS

Iraq Violence, Protests Mirror Rivalry Between U.S. and Iran

The firing of rockets toward American diplomatic missions in Iraq after protesters torched the Iranian consulate in Basra raised tensions as the U.S. and Iran vie to shape the next government.

On Sunday, a calm held after more troops were sent to the southern city and a curfew imposed to restore order following a week of protests in Basra.

Demonstrations flared in Basra this month after thousands fell ill because the water supply was contaminated, and intensified last week after several protesters were killed. Protesters burned the offices of most political parties in Basra, including powerful Iran-backed paramilitary groups, as well as the office of the Basra Governorate on Sunday (in photo).

It isn't clear who fired the rockets toward the U.S. diplomatic missions and no damage was caused. But some politicians and analysts saw the attacks as a warning to Washington as it sought to prevent factions close

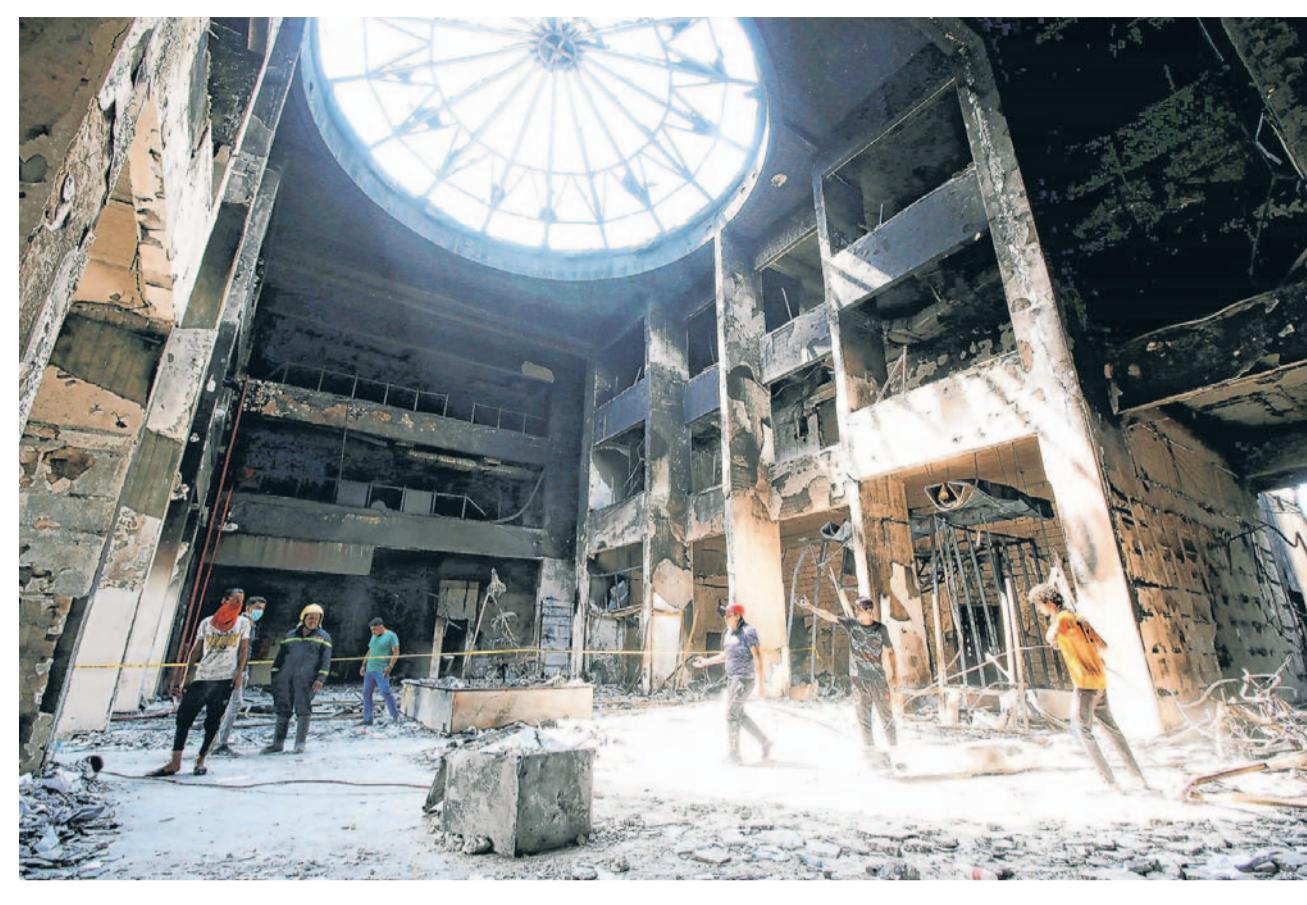
to Iran from dictating government formation after the parliamentary election in May. U.S. envoy Brett McGurk had leaned heavily on Kurdish and Sunni parties to back the coalition of which Prime Minister Haider al-Abadi was a part.

"This is a dangerous escalation in a critical time period in an unstable region," said Sunni lawmaker Salah al-Jubouri.

The U.S. and Iran support rival Iraqi political groupings in a high-stakes battle to form a government after the May election threw up no clear winner. The Trump administration wants a friendly government in Baghdad following three years of war against Islamic State, and as it seeks to isolate Tehran politically and economically after pulling out of the Iran nuclear deal.

The two countries support rival groups in countries such as Syria, Lebanon and Yemen as they try and strengthen their clout in the Middle East.

—Isabel Coles and Ali Nabhan



ESSAM AL-SUDANI/REUTERS

Iran Uses \$5 Billion Investment Fund to Fight Sanctions

BY BOEN FAUCON

PLANCY-L'ABBAYE, France—With much fanfare, a French-Iranian scientist recently announced a \$3 million plan to invest in a bankrupt medical factory that had become a symbol of France's troubled economy and revive it.

The majority owner wasn't disclosed: Iran's government.

It was the latest example of how Tehran is quietly leveraging its Iran Foreign Investments Co. to loosen the Trump administration's tightening economic noose. The fund, with dozens of investments and cash accounts in 22 countries valued at \$5 billion, prioritizes assets that give it access to services, goods and technologies that it is at risk of losing under U.S. sanctions, the fund's advisers say. Iran's government also hopes to

build good will and counter the nation's isolation. And, it hopes, make money.

In this case, the fund bought the French medical factory and its weed-strewn grounds in June to ensure Iran can obtain medicine for tuberculosis, bladder cancer and other afflictions—drugs that could become difficult to obtain because of U.S. sanctions, said people familiar with the project.

"Their aim is to make Iran independent" from sanctions, said a fund adviser.

Iran's already weak economy has worsened since President Trump withdrew in May from a U.S.-led international accord that curbed Tehran's nuclear-weapons program in exchange for sanctions relief, and restored some financial penalties. The U.S. administration is pressing Iran to abandon its military role in the Middle East and scale back its missile program.

Iran's currency has plummeted to record lows, foreign investors have fled, and infla-

tion has risen to its highest levels since the previous round of U.S. sanctions ended in 2015. Another round of U.S. sanctions to begin Nov. 5 will ban companies from working with both Iran and the U.S. financial system at the same time.

Iran's foreign-investment

arm is one of several ways Tehran is trying to work around U.S. sanctions. Iran is also exploring a barter system with oil buyers taking goods as payment and finding Asian companies to replace the business of departing European companies.

The Iran Foreign Investments Co.'s managers didn't respond to requests to comment. A U.S. Treasury spokesman declined to comment.

In a January interview with the Oil and Gas Year, a trade publication, the fund's Chief Executive Farhad Zargari said foreign investments will create "a bridge that allows technology and know-how to flow into" Iran, citing pharmaceuticals as an example. He said the fund was targeting financial services to make it easier for Iranian entities to trade globally.

The fund's hodgepodge of investments generally aren't conducted in U.S. dollars. They include stakes in an Afghan trading house, a Brazilian auto-parts plant, a German pipeline company and even an Omani lease-finance firm shared with Iran's regional rival, Saudi Arabia. The fund used its stake in a Dubai company to buy power-generation equipment, said a fund adviser.

Some investments have paid off financially too. But in some, the U.S. has limited Iran Foreign Investments Co.'s ability to operate and profit.

Facing scrutiny, the fund operates discreetly.

In France, it bought the medicine factory in the wine-making region of Champagne through a Paris company, Vaccinopole SAS, in which it owns a 60% stake, French corporate

records show. The French-Iranian scientist, Raymond Abolhassan, owns the rest.

Mr. Abolhassan was greeted in Plancy-L'Abbaye as a savior. The factory had become a symbol of hard times for France after its owner shut the plant and moved its work to China eight years ago. The plant closure drew headlines when staff took a manager hostage in protest.

French officials say the factory restart will create at least 40 jobs, positions that will be partly funded by French government subsidies valued at €440,000 (\$508,000).

"They want to lock up investments, so that the relationship cannot be easily undone," said a French official familiar with the project.

—Robert Wall in London and Summer Said in Dubai contributed to this article.

WORLD WATCH



Police detain a protester during a Moscow rally against plans to raise the official retirement age.

EGYPT

Court Sentences 75 To Death in Mass Trial

A court sentenced 75 people to death for their involvement in pro-Muslim Brotherhood protests five years ago, in a mass trial of more than 700 defendants that rights groups criticized as unjust.

Most of the accused were arrested during the security forces' assault on a sit-in at the Rabaa al-Adawiya square in Cairo that killed hundreds of people. The protests were in support of former President Mohammed Morsi after the army ousted the Islamist movement's leader.

Charges against those sentenced to death on Saturday included the murder of citizens and policemen, terrorizing people and possessing weapons. Others were given prison terms, including life sentences, by the Cairo Criminal Court. The court sentenced Mr. Morsi's son Osama to 10 years.

Abdel Fattah Al Sisi, the then-defense minister and now president, had led the crackdown.

"The fact that not a single police officer has been brought to account for the killing of at least 900 people in the...protests shows what a mockery of justice this trial was," said Naja Bounaim, North Africa Campaigns Director at Amnesty International.

—Jared Malsin

RUSSIA

Regional Elections Held Amid Protests

Russia held regional elections amid protests in several cities against an unpopular pension-reform plan that has put President Vladimir Putin in an unaccustomed defensive position.

The demonstrations, which local media reported were planned for more than 80 towns and cities including Moscow, were called by anticorruption activist Alexei Navalny, Mr. Putin's most prominent public critic. Mr. Navalny is serving a 30-day jail sentence for an unapproved rally he tried to organize in January over the government's plan to raise the retirement age. The issue has galvanized citizens despite efforts by Mr. Putin to calm the discontent by diluting the proposal.

Analysts said the federal government was worried that opposition candidates could use the pension-reform issue to rally support in Sunday's races to elect the heads of 22 regions, including the Russian capital.

Most of the gubernatorial candidates are Kremlin loyalists. The handful of special elections for seats in the State Duma, Russia's lower house of parliament, are expected to have pro-Kremlin conclusions.

—Ann M. Simmons

CHINA

August Trade Surplus With U.S. Set Record

China's trade surplus with the U.S. hit another monthly record in August as the world's second-largest economy faced the threat of more tariffs from the Trump administration.

The surplus with the U.S. widened to \$31.05 billion from \$28.09 billion in July, while its total trade surplus narrowed, data from the General Administration of Customs showed.

Factors including a weaker yuan and exporters' front-loading of shipments in anticipation of more tariffs contributed to the worsening trade imbalance, said Liu Xuezhi, an economist with Bank of Communications.

The data came after President Trump on Friday said the administration is ready to announce tariffs on another \$267 billion in Chinese goods, on top of levies it has been preparing on \$200 billion of Chinese products.

Tariffs on \$50 billion of imports from China have already taken effect, which Beijing has matched dollar for dollar.

A third round of tariffs would bring the total amount of levies on products the U.S. imported from China in 2017 to more than \$50 billion.

—Liyan Qi

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FROM PAGE ONE

Train Buff Seeks Locomotive

Continued from Page One
mass of underwater iron near the town of Germersheim, close to the French border.

Next month, when he tries to excavate and raise the object, he'll find out for sure if he's found his treasure, or if his hopes have been dashed again.

When his sensors found what he believes is the steam engine, "it was Christmas and Easter, all in one," Mr. Müller said. "Its special aroma, its looks, you can't find it in today's models."

On a stormy winter day in 1852, the coal-fired engine, fresh from its Karlsruhe factory, was on its way to deliv-

ery to its new owner in Düsseldorf. The clipper that was transporting it down the Rhine tipped to the side, sliding the engine into the water—the engine that itself was named Der Rhein, after the mighty river.

Several hundred men and a weighty iron chain tried to recover the engine. Special divers were called in from London, but they couldn't breast the strong current. Years later, in 1925, another planned salvage attempt was abandoned due to high costs. After that, the machine faded from memory.

In 1986, Mr. Müller was reminded of the naval accident in a trade magazine. He immediately felt "turbocharged," he said.

"When you board a steam locomotive, it's warm, it smells of oil and there is a hissing noise," said Volker Jenderny, an ex-Army captain who has joined Mr. Müller on the search. "With water and fire you can bring this colos-

sus to life."

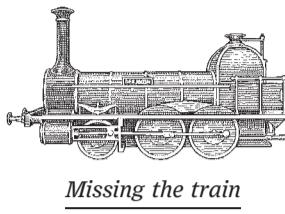
A big problem immediately became evident. Extensive engineering work to tame the Rhine in the 19th century had caused the river to change course. It was unclear whether the site of the original accident was still part of the river, or now on dry land.

By 1989, after triangulating the location between historic sources and more recent maps, "I was pretty sure I'd pinned it down," Mr. Müller said, and launched his first expedition in the field.

He boarded a rubber dinghy to scan the river bed with a technician using a Foerster probe, a sensitive metal detector used by German bomb disposal squads. After about eight hours, he conceded defeat. There was no 6-meter, 20-ton steam engine there.

He added members to his team. Mr. Jenderny, who was infected with the same railway bug, helped handle red tape and permits. Uwe Breitmeier,

head of the Darmstadt railway museum, pledged to help restore Der Rhein if they could find it. Mr. Müller wrote to Bernhard Forkmann, a geophysicist from Saxony who was also an old treasure-hunting hand. The university professor was hooked. "I've been to Alexandria to hunt for the tomb of Alexander the Great," he said.



Missing the train

"But his case is truly unique."

Mr. Müller started to believe the engine was now on dry land. But more failures followed. One large metal object was ruled out as the locomotive because of its shallow location. Passageways drilled toward a second candidate underground were too inundated with sand to receive the

sensors.

"It was the absolute low point in my life," said Mr. Müller. He took a break from his passion. "His first love has always been the steam locomotive," said Edina Müller, his wife.

In 2008, Mr. Müller set up in the regional government archives in Speyer and waded through 150 meters of shelving space holding files about civil engineering work back to 1800.

For days, he was the first to enter every morning and would skip leaving for meal breaks. "I felt dizzy at times, but suddenly I was holding two original documents from 1852," he said. "It was like winning the lottery."

The documents led Mr. Müller back to the idea that the locomotive was underwater, and near a particular gravel bank. According to river maps from the 1850s, "there was only one gravel bank in the entire region. This had to be

it!" he said he remembered thinking.

His faith would be tested for the next seven years, when 14 expeditions to the spot revealed nothing. Finally, in 2016, on expedition 15, the metal detector sprang to life. It showed "a perfect magnetic footprint," Mr. Forkmann said.

The real test lies ahead. Mr. Müller, now retired from the railway, is working on plans to excavate the hulk in October.

Some skeptics have argued the mass might turn out to be an unexploded bomb, a tank or another war relic. "It's quite possible that they'll pull out a heap of scrap metal," said Björn Boländer, head of Frankfurt's Historic Railway Association.

The team is confident. "If it's not the locomotive," said Mr. Forkmann, "it can only be the Nibelung hoard"—the fabulous "Rhine gold" of Germanic folklore.

For Mr. Müller, that would be a great disappointment.

future generations of wireless networks.

"The United States is very much behind in this space" relative to Europe, South Korea, Japan and China, said a 2015 internal NSF report on 5G network development.

Thyaga Nandagopal—a former researcher at Bell Labs who is a director at the foundation—is leading the test bed project, in which companies, academics and government agencies will be able to test 5G and other wireless network applications in tandem. Nearly 30 U.S., European and Asian companies have committed \$50 million of capital and equipment over the next seven years, while the U.S. government has pledged to invest another \$50 million.

Investment effort

Mr. Nandagopal said that China's coordinated investments have put it in a "pretty good pole position" but that the NSF's efforts are focused on wireless developments after 2020, rather than the early years of 5G deployment.

"We can invest our money strategically and still get better results than anyone else," he said.

Some American telecom companies are staking claims to rooftops and light poles where they can position small cells that enable the faster networks, and pressing equipment and device makers to create 5G-compatible products.

For all the investment, industry experts note the standards for 5G aren't fully written and wireless carriers are still figuring out how they can best profit from the service.

At a 5G forum in Santa Clara, Calif., in July, Henning Schulzrinne, a former chief technology officer at the FCC, said operators would also have to find a way to drastically reduce the cost of data to make applications such as augmented or virtual reality affordable enough to sell to consumers over 5G. Some of those applications could work using 4G or Wi-Fi instead.

"Who's going to stream AR or VR if it's going to cost them \$10 per minute?" he said.

John Donovan, chief executive of AT&T's communications business, said the company's researchers have been among the most prolific writers of 5G standards, but it is being cautious as it puts the technology in the field.

"To deploy technology in advance of need, before the use cases are there—you're wasting money," he said.

Executives at Huawei have also sought to temper 5G expectations. Before an audience of analysts at an annual meeting at the Shenzhen headquarters in April, Mr. Xu, Huawei's chairman, said that "the entire industry and also governments around the world have regarded 5G too high, to the extent that it's going to be the digital infrastructure for everything."

Huawei and China Mobile will push ahead with 5G on a large scale regardless, according to executives from both companies.

"5G is such an important strategic project for China—kitchen sink, all the resources," said Edison Lee, a telecom analyst at investment bank Jefferies in Hong Kong. "Because if they get their foot in the door for 5G, they get their foot in the door of 6G, 7G, 8G."

—Drew FitzGerald and Yang Jie contributed to this article.

China Vies With U.S. On Wireless

Continued from Page One

with thunderous applause. The win meant a stream of future royalties and leverage for the company—and it marked a milestone in China's quest to dominate the technology.

At a Verizon Communications Inc. lab in Bedminster, N.J., recently, computer screens showed engineers how glare-resistant window coatings can interfere with delivering 5G's superfast internet into homes. A model of a head known as Mrs. Head tested the audio quality of new wireless devices. Verizon began experimenting with 5G in 11 markets last year.

Nearby, in Murray Hill, N.J., Nokia Corp. engineers are testing a 5G-compatible sleeve that factory workers could wear like an arm brace during their shifts to steer drones or monitor their vital signs. The company began its 5G-related research in 2007.

While the economics of 5G are still being worked out, boosters say the potential payoffs are immense. Companies that own patents stand to make billions of dollars in royalties. Countries with the largest and most reliable networks will have a head start in developing the technologies enabled by faster speeds. The dominant equipment suppliers could give national intelligence agencies and militaries an advantage in spying on or disrupting rival countries' networks.

"As we face the future, we know deep down that the birth of 5G standards represents a new beginning," Huawei's chairman, Eric Xu, told the audience at the company event.

Hans Vestberg, Verizon's chief executive officer, speaks of the technology in equally dramatic terms. "We are strong believers that 5G [will have] a very transformative effect on many things in our society," he said. "Consumer, media, entertainment...whole industries."

Chinese lead

By some measures, China is ahead. Since 2013, a government-led committee has worked with China's mobile carriers and gear-makers on testing and development. The state-led approach, combined with an enormous domestic market, ensures that Chinese companies such as Huawei will sell large quantities of 5G equipment and gain valuable experience in the process.

In the U.S., where the government typically avoids mandating and coordinating efforts by the private sector, much of the experimentation has been led by companies such as AT&T Inc., Verizon, Samsung Electronics Co. and Nokia. Last week, tech companies including Intel Corp. and Cisco Systems Inc. argued in comments filed to the U.S. Trade Representative that proposed tariffs would raise the cost of routers, switches and other goods, slowing development of 5G.

Three of the major carriers plan to roll out 5G service in select cities later this year, though most mobile devices compatible with the new network won't be ready until early 2019.

The race to 5G has come with tit-for-tat regulatory moves aimed at securing each

country's advantage. In March, the Trump administration blocked Singapore-based Broadcom's acquisition of U.S. chip giant and 5G leader Qualcomm Inc., citing concerns that Broadcom would cut the company's research and development funds and allow Chinese companies to pull ahead in 5G.

In July, China squelched Qualcomm's planned acquisition of Dutch chip maker NXP Semiconductors NV, a deal that would have helped Qualcomm profit from 5G investments in new markets such as connected cars.

Much of the U.S. unease stems from the rising clout of Huawei, which was labeled a national-security threat, along with ZTE Corp., by a Congressional panel in 2012 that said those firms' equipment could be used for spying on Americans.

Huawei and ZTE have consistently denied providing government agencies with backdoor access to their products. Beijing has likewise pushed to replace or sideline U.S. high-tech firms within China's networks on fears of espionage.

China has made 5G a priority after failing to keep pace with Western countries in developing previous generations of mobile networks. The U.S. dominated 4G, built in the late 2000s, much in the same way Europeans controlled 3G standards. The American lead in 4G has been a boon to companies such as Apple Inc. and Qualcomm, and helped give rise to a host of consumer smartphone applications from the U.S.

Since 2015, China has built about 350,000 cell sites, compared with fewer than 30,000 in the U.S., according to an August study by consulting firm Deloitte. It also noted China has 14.1 sites for every 10,000 people, compared with 4.7 in the U.S. That matters for 5G, because the new networks will require much larger numbers of cell sites than 4G.

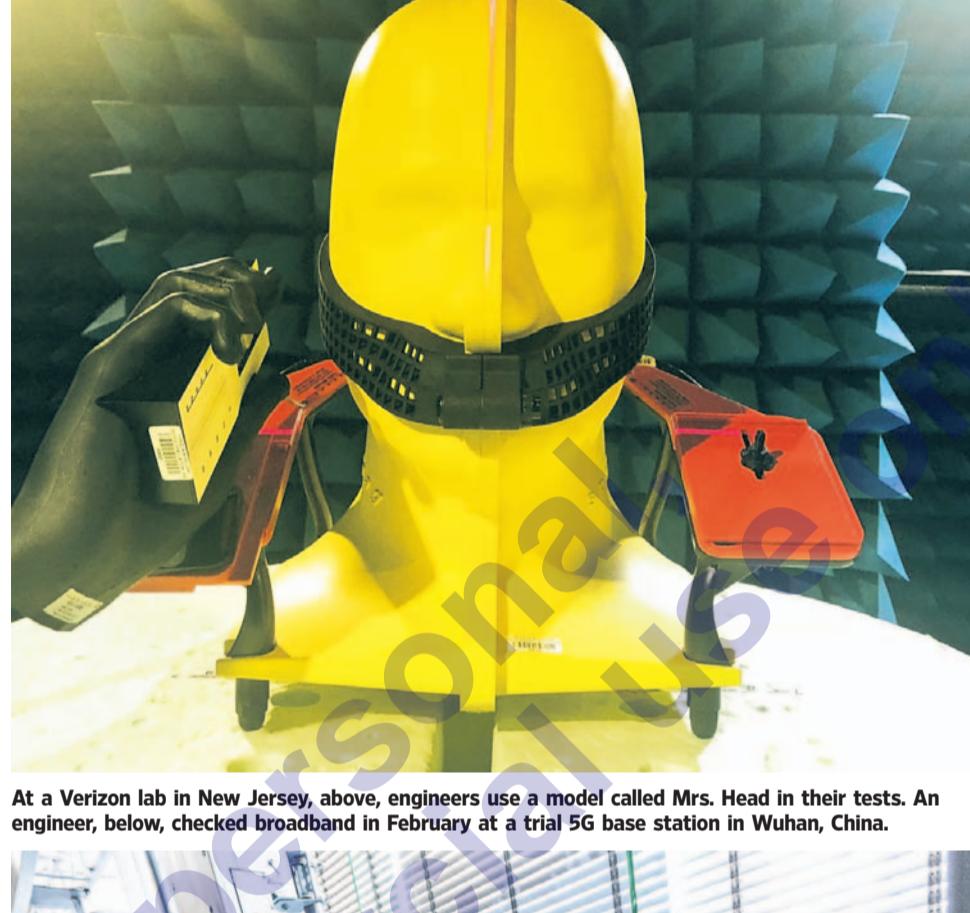
The physical manifestation of China's push is a government-run 5G lab near the Great Wall north of Beijing. The sprawling facility is festooned with base stations and prototype mobile devices, with indoor and outdoor facilities for each of the major Chinese carriers and equipment makers, according to engineers and executives who have visited the site.

Trials are coordinated by a consortium of tech firms, universities and research institutes that operate under China's Ministry of Industry and Information Technology. The group aims to wrap up tests by the end of the year.

After those trials conclude, state-run carrier China Mobile, the world's largest mobile operator by subscribers, will follow up with its own tests in 17 cities, according to Chih-Lin I, a former Bell Labs researcher and the company's chief scientist of mobile technologies.

China's 5G service is expected to be ready for commercial use by 2020.

The faster generation of networks relies on sophisticated technology that allows wireless airwaves to be used more efficiently. Plans call for it to run on high-frequency millimeter waves, which can handle more data but can't travel as far as lower-frequency waves used by older networks. That means 5G will rely on clusters of antennae as well as decentralized data centers close to consumers and businesses—requiring big investments in infrastructure. The networks are expected to have the speed and



At a Verizon lab in New Jersey, above, engineers use a model called Mrs. Head in their tests. An engineer, below, checked broadband in February at a trial 5G base station in Wuhan, China.



FROM TOP: VERIZON COMMUNICATIONS INC.; XIONG QI/XINHUA/ZUMA PRESS

responsiveness needed for advances such as driverless cars, which must instantaneously communicate with traffic signals, other cars and their surroundings.

China's bid to steer the 5G future depends heavily on setting technical standards the rest of the world will have to follow—and pay royalties and licensing fees to use. It has played an aggressive role in the international telecom industry collective that sets global standards.

Experts inside and outside China expect Qualcomm and other Western firms to end up with a majority of the essential patents once the standards are fully determined, but China is

making progress.

In 2009, as Huawei's 5G push began, it recruited Tong Wen, a former senior researcher at now-defunct equipment maker Nortel Networks Corp., to set up a research lab in Ottawa. While flipping through an academic journal, Mr. Tong had stumbled on "polar coding," a novel method for correcting errors in data transmission invented by Mr. Arikian, the Turkish scientist.

Huawei poured resources into developing it, and the government leaned on Chinese companies to vote for it en masse at a key standard-setting meeting at the Peppermill Resort in Reno, Nev., in 2016. The result was a tense fight that

lasted past midnight with proponents of a rival technology favored by most Western firms, according to one standards expert who was there.

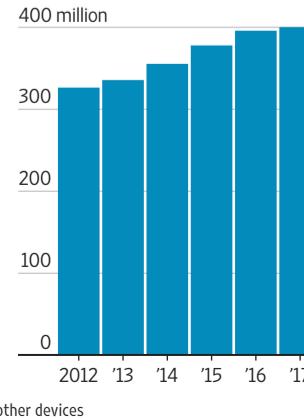
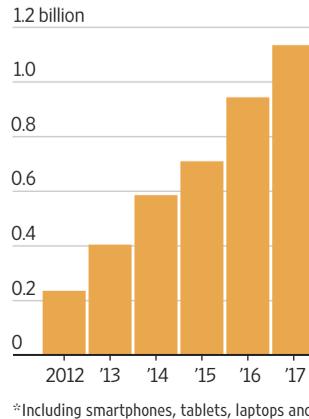
"The Chinese decided this was important," the expert said. "This was one of the biggest political battles we've ever seen."

The meeting ended with a compromise: Polar codes will be adopted for part of the standard, giving Huawei ownership of a critical patent. The company has spent more than \$1 billion on 5G research and development so far.

The U.S. government has stopped short of mandating efforts by the private sector. In January, a senior National Security Council official floated the idea of rivaling Beijing with a government-led effort to build a nationalized wireless network, but regulators and officials said it was too expensive and unrealistic.

Earlier this month, the Federal Communications Commission announced a plan to speed up the build-out of 5G networks by overriding some local rules and fees governing the deployment of small cellular transmitters, an important component of the infrastructure. The plan is expected to win approval in late September.

The government has funded some academic research that has paved the way for commercial technologies. One agency, the National Science Foundation, is coordinating an effort to build test beds for 5G and



*Including smartphones, tablets, laptops and other devices

Sources: China's Ministry of Industry and Information Technology (China subscribers); CTIA (U.S. connections)

THE WALL STREET JOURNAL.

GREATER NEW YORK

Voters' Choice: Outsider or Incumbent

Actress and activist looks to join the ranks of recent underdog winners

By KATIE HONAN

Cynthia Nixon is down in the polls and trails New York Gov. Andrew Cuomo in fundraising by tens of millions of dollars. But she and her supporters still see an upset coming in Thursday's Democratic primary.

"I need you to do everything you can in the next seven days," she told a few dozen fired-up volunteers and donors last week at a campaign party at Lot 45, a bar in Bushwick, Brooklyn.

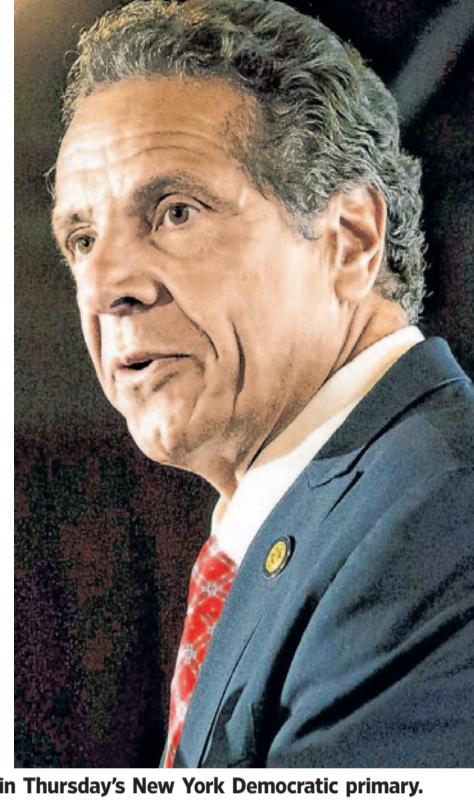
Ms. Nixon, an actress, told the crowd that her high hopes for Thursday were inspired by recent underdog wins in Democratic primaries across the country. There was Alexandria Ocasio-Cortez, a first-time political candidate who defeated longtime Bronx and Queens politician Rep. Joe Crowley in June; Ayanna Pressley, a Boston city councilor who last week beat a 10-term congressman in Massachusetts; and Andrew Gillum, the mayor of Tallahassee who beat the establishment favorite in Florida.

Before their victories, polls showed those Cinderella candidates were all behind in their races. And polling from July showed that Ms. Nixon trailed Mr. Cuomo by more than 30 points.

"The pundits and the pollsters have not caught up with this progressive moment that we're in, and people are demanding more of the Democratic Party and demanding more of their candidates," she said in an interview.

Ms. Nixon, 52 years old, announced her campaign for

FROM LEFT: PETER FOLEY FOR THE WALL STREET JOURNAL; CLAUDIO PAPAGIETRO FOR THE WALL STREET JOURNAL



Cynthia Nixon is challenging Gov. Andrew Cuomo in Thursday's New York Democratic primary.

governor in March, positioning herself a far-left progressive candidate and an alternative to Mr. Cuomo.

Her focus has been on education, wealth inequalities throughout the state and infrastructure failings, including the crumbling subway in New York City. At the bar last week, many backers wore black stickers that said "Tax the Rich, Fix the Subways."

Ms. Nixon has also embraced other insurgent candidates in this Thursday's primary, supporting challengers to incumbent New York state senators who were members of the former Independent Democratic Caucus, as well as backing New York City Councilman Jumaane Williams, who is running for lieutenant governor.

Jessica Ramos, a former staffer for Mayor Bill de Blasio who is now running against state

Sen. Jose Peralta in Queens, said campaigning with Ms. Nixon has helped in her district.

"So many New Yorkers understand the level of corruption that is happening in Albany," Ms. Ramos said. "I think now more than ever people are paying attention to what's wrong with our government."

Mr. Cuomo has gone after Ms. Nixon's lack of experience, taking jabs at her career as an actress best known for her role as Miranda Hobbes on "Sex and the City."

Ms. Nixon has not shied away from her famous TV role, releasing a campaign video last week called "Cynthia Nixon is Not Miranda," which mixed in her ideas about tenant protections and mass incarceration with questions about the popular HBO show.

Samantha Majic, an associate professor of political sci-

ence at John Jay College, said Ms. Nixon's celebrity may have helped her to connect with voters. Yet she has mixed that connectivity with knowledge on issues that are important to voters, according to Ms. Majic.

"She's breaking that fourth wall and she is actually out there really engaging on the ground with various constituencies," she said. "Most of her campaign is about not appealing to her celebrity friends."

New York City Councilman Brad Lander, who represents neighborhoods in Brooklyn and endorsed Ms. Nixon in August, said he considered her lack of experience before supporting her. He said he determined it wasn't an issue.

"She is a good and sincere listener, and you can tell she has real empathy for the challenges New Yorkers are facing," he said.

Speculation on White House ambitions mounts as Cuomo runs for a third term

By JOSEPH DE AVILA

The whispers that Andrew Cuomo harbored presidential ambitions have followed the governor since his first term.

For the past eight years, Mr. Cuomo has sought to play down that speculation. Now in the midst of his third campaign for governor, Mr. Cuomo tried shutting down that chatter for good.

He declared at a recent debate with his Democratic primary opponent, Cynthia Nixon, that he planned to serve his entire term if voters re-elect him this November.

"The only caveat is if God strikes me dead," said Mr. Cuomo, 60 years old, with a bit of dramatic flair. "Otherwise, I will serve four years as governor of the state of New York."

Some Democratic consultants who know the governor said Mr. Cuomo's forceful statement left no wiggle room for him to reverse course and effectively took an issue off the table that Ms. Nixon and Marc Molinaro, the Republican candidate for governor, would try to exploit. Others aren't convinced he has given up on a 2020 presidential bid.

"There is no way he's not running," said a person who worked for the governor's father, Mario Cuomo. "His whole life has been a competition with his father."

A presidential campaign would further set Mr. Cuomo apart from his father, this person said.

The elder Mr. Cuomo, who served three terms as New York's governor, weighed running for president in 1988 and 1992 and passed both times.

"I think in his heart of hearts he would like to surpass his father and run for the presidency," said George Arzt, a Democratic consultant.

Mr. Cuomo's statement at the debate, however, seemed to rule that out for 2020, Mr. Arzt said. "It's very difficult when you lie to God," he said.

With no clear Democratic front-runner in 2020, Mr. Cuomo is one of many public officials from the tri-state region who have been mentioned as possible presidential candidates. They include: New York Sen. Kirsten Gillibrand, New Jersey Sen. Cory Booker and Connecticut Sen. Chris Murphy.

If he were to run, Mr. Cuomo would be able to campaign on his record as a centrist progressive who championed same-sex marriage, stronger gun laws and a \$15 minimum wage, said Doug Muzzio, professor of political science at Baruch College. He would also face scrutiny for his "Machiavellian reputation" and his hardball political style, he said.

Opponents would also likely zero in on the corruption scandals in Albany during Mr. Cuomo's tenure. Mr. Cuomo's former aide, Joseph Percoco, was found guilty in March of corruption-related charges stemming from his time in the Cuomo administration. Mr. Cuomo wasn't accused of wrongdoing.

Mr. Cuomo began 2017 promoting his tuition-free college program and bragging about the state's infrastructure investments in John F. Kennedy International Airport and the replacement of the Tappan Zee Bridge—officially named

the Gov. Mario M. Cuomo Bridge after his late father—sparking more talk of a White House run. The governor has also taken on a more confrontational approach with President Trump in 2018, attacking the president repeatedly over his administration's new tax law and immigration policies.

Safety Concerns Delay Opening of Bridge's Second Span

BY PAUL BERGER

New York Gov. Andrew Cuomo's celebration of the full opening of the replacement for the Tappan Zee Bridge was marred by an unexpected safety issue and criticisms from political opponents that he rushed the launch.

Engineers spent the weekend assessing structural concerns surrounding a loud popping noise on the Tappan Zee Bridge, which sits next to the newly completed eastbound span of its \$3.9 billion replacement, the Gov. Mario M. Cuomo Bridge, named after Mr. Cuomo's late father.

The current governor held a ceremony Friday marking the completion of the new bridge's second and final span. Hillary Clinton spoke at the event, where hulking pieces of the old Tappan Zee Bridge, which is being dismantled slowly, loomed in the background.

Vehicles were supposed to begin crossing the new eastbound span Saturday. But after hearing the popping sound from the old bridge at around 5 p.m. on Friday, engineers discovered two damaged joints that they feared could cause part of the Tappan Zee Bridge to fall into the Hudson River or into the new span.



Member of the Nyack High School band performed Friday at a ceremony marking the completion of the Gov. Mario M. Cuomo Bridge.

Mr. Cuomo later said workers weren't allowed on the bridge over the weekend due to fears over its instability. Because of those concerns, the new roadway remained closed Sunday. Traffic crossing both

directions between Rockland and Westchester counties on Interstate 287 remained on the new bridge's span intended for westbound traffic, which opened last summer.

On Sunday evening, the con-

sorium overseeing construction of the new bridge said in a statement that although a part of the old bridge is at risk of falling, it won't hit river traffic or the new span. The consortium said it has recommended to state authori-

ties that the new span open to traffic on Tuesday evening.

Friday's opening ceremony was held less than a week before the Sept. 13 Democratic gubernatorial primary election in which Mr. Cuomo faces

Cynthia Nixon.

Ms. Nixon called Saturday for an investigation into the timing of the opening. "There are real, reasonable questions about whether this bridge span opening was accelerated to aid the governor's campaign," she said.

Marc Molinaro, a Republican running for governor, said Sunday he has identified two "whistleblowers" who say Mr. Cuomo pressured contractors to open the bridge on Friday for political reasons, "threatening and putting at risk the safety of countless New Yorkers."

Mr. Molinaro called on state and federal bodies, including the National Transportation Safety Board, to launch investigations and to subpoena the whistleblowers so they could speak without fear of reprisals. The NTSB said Sunday that it only investigates accidents.

Mr. Cuomo dismissed the allegations. During a news conference at his Midtown Manhattan office on Sunday, he said that the opening date for the new span was chosen by the bridge contractor, a consortium led by Fluor Corp.

Terry Towle, president of the consortium, confirmed over the weekend that it chose the opening date. Mr. Cuomo called the timing of the safety issue "a bizarre coincidence."

Catwalk Turns Into a Racetrack at New York Fashion Week

ANGELA WEISS/AGENCE FRANCE PRESSE/GETTY IMAGES



AND THEY'RE OFF: Models strutted on a grass runway Sunday as Escada, the fashion house named for a racehorse, showcased its spring/summer 2019 collection, featuring bold colors, power suits and jockey motifs. It was Escada's first show at New York Fashion Week.

Cortlandt Street Station Reopens for Business

BY PAUL BERGER

Commuters on Monday will once again ride the No. 1 train to the Cortlandt Street subway station in lower Manhattan, almost 17 years after it was badly damaged in the terrorist attacks of Sept. 11, 2001.

Metropolitan Transportation Authority officials opened the renovated station on Saturday, unveiling a new name, WTC Cortlandt. MTA Chairman Joe Lhota said the station opening was "symbolic of New Yorkers' resolve in restoring and substantially improving the entire World Trade Center site."

The Cortlandt Street station was damaged when the World Trade Center towers crashed through the pavement, collaps-

ing tunnels and severing subway communications equipment.

The MTA got the subway up and running through the area the following year. But 1 trains bypassed the station while the Port Authority of New York and New Jersey built the World Trade Center Transportation Hub, which abuts the station.

The Port Authority remained in charge of the subway station renovations until 2015, when the MTA took over the construction project.

The original station was built a century ago. The renovated station has white marble walls decorated with text from the Declaration of Independence and the 1948 United Nations Universal Declaration of Human Rights.

GREATER NEW YORK

Appetite Grows for Bulk Deliveries

BY MENGQI SUN

During lunchtime last Friday, a black SUV made its way through heavy traffic to a block of Madison Avenue in Midtown Manhattan. The driver parked, popped open the trunk and started handing out takeout bags as customers shouted number orders at him.

Evelyn Shi, 34 years old, who works at a nearby nonprofit, picked up an order of Yunnan Rice Noodle Soup. The food wasn't from a restaurant near her office. It came from The Rice Noodle, a restaurant in Greenwich Village that, because of the distance, doesn't generally deliver to Midtown.

Like the other customers picking up food, Ms. Shi had grown frustrated with the lack of food options near her job and discovered a novel way to bring the faraway Chinese restaurants she craves to her—through bulk-order deliveries.

"I'm getting a bit tired of the few restaurants in Midtown," she said.

She got her meal through Yun Ban Bao, an online bulk-order delivery business. The name means "the bulletin board in the cloud" in Chinese. She is one of 50,000 active users who access YBB, as it is known, through its website or the social-media and messaging app WeChat.

They use it to organize the delivery of thousands of lunch and dinner orders every day to more than 20 locations in New York City and parts of New Jersey. YBB works with 80 restaurants and is particularly popular for lunch orders in Midtown and the Financial District, according to Paul Lang, who co-founded the business.

YBB operates somewhat like other food delivery websites such as Seamless and Grubhub. A user chooses from several restaurants that are scheduled to deliver that day and places the order, usually 12 hours in advance. Instead of getting the food delivered to their door, customers go to planned pickup points to get their food,



CUSTOMERS FOR THE WALL STREET JOURNAL (2)
Customers lined up to collect their orders from Yun Ban Bao, known as YBB. Users can get food from restaurants far outside their neighborhoods delivered to pickup points in New York City and parts of New Jersey. Below, crabmeat pork-soup dumplings packed to go.

which could come from a restaurant in the West Village or as far as Flushing, Queens.

Mr. Lang started his business in 2015 after he grew tired of the only two Chinese restaurants in his neighborhood in central New Jersey. After living there for eight years, Mr. Lang, who grew up in China, wanted more variety and more-authentic cuisine. But restaurants in Manhattan's Chinatown or Flushing, which also has a large Chinese immigrant population, were more than an hour away.

He decided to ask other Chinese friends in his group chats on WeChat to order Chinese food together from Chinatown or Flushing and get it delivered to New Jersey, thinking that the large amount of orders would make it worthwhile for restaurants to drive the long distance.

It worked. Mr. Lang, 37, who had a job in finance at the time, thought it might also work for some other "Chinese

food deserts" in the greater New York area. The startup has attracted a core following among Chinese working professionals in New York.

Restaurants love the platform as well. Kung Fun Steamer, a restaurant with Brooklyn and New Jersey locations that serves a specialty dish of rice steamed with lotus leaves, said it gets 80 to 100 orders from YBB every time it offers delivery. That number is comparable to the lunch crowd Kung Fun Steamer gets at its restaurants, co-owner Taylor Zhang said.

"We can serve customers that are beyond our reach," Mr. Zhang said, noting that the YBB orders let his business utilize the down time in the kitchen.

YBB stands out in the hypercompetitive but also highly lucrative market of food delivery: not only in how it is accessed, but because of its niche customer base and the restaurants it works with. In-



vestment bank UBS estimates that online food ordering could grow to \$365 billion globally by 2030.

"The idea of using WeChat is genius, that is a market that is not being served by any other services," said Christopher Muller, a professor of hos-

pitality at Boston University.

Mr. Lang said YBB is looking to expand into the mainstream by building an app that would make it easier for non-Chinese customers to place orders.

"People want to have nice things that are not there locally," he said.

GREATER NEW YORK WATCH

CONNECTICUT

Body Found in Car That Crashed in River

Police say a car crashed into the Mill River in New Haven and one person is dead.

The car with a body inside of it was found in the water early Sunday near Grand Avenue Bridge, police say.

They say it appears the car went through a fence and into the water. Officials say the body will be taken to the medical examiner's office for an autopsy to determine the cause of death.

—Associated Press

NEW JERSEY

Man Charged in Girl's Stabbing Death

A man has been charged with murder in the stabbing death of a 16-year-old girl in New Jersey.

The Monmouth County prosecutor's office announced Sunday that 20-year-old Bryan Cordero-Castro of Long Branch is charged with first-degree murder, weapon possession and attempted escape.

Prosecutors said Long Branch police responded to a report of a stabbing shortly after 10:30 p.m. Saturday. They said the victim and suspect were known to each other.

A listed number for Mr. Cordero-Castro couldn't be found Sunday and it wasn't known whether he has an attorney.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

"Waiting for Godot" runs Nov. 3-13 as part of Lincoln Center's White Light Festival. An article Friday about this fall's new theater productions incorrectly said it would end Nov. 10.

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

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**I didn't talk
for a very long time**

Jacob Sanchez
Diagnosed with autism

Lack of speech is a sign of autism. Learn the others at autismspeaks.org/signs.

AUTISM SPEAKS

LIFE & ARTS

HEALTH

Hospitals Step Up the War on SUPERBUGS

BY LUCETTE LAGNADO

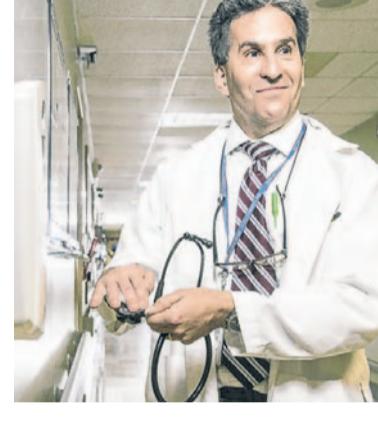
DURING 32 YEARS as a physician, Daniel Federman has used his stethoscope to listen to patients' hearts and lungs.

But a recent study at the West Haven, Conn., veterans' hospital where Dr. Federman works left him aghast. After seeing an image of the bacteria accumulated on his stethoscope, he admits, "I was appalled...The basic fact is that I don't recall cleaning my stethoscope"—ever.

Nor apparently did many of his colleagues.

Health-care-acquired infections—maladies associated with antibiotic-resistant bacteria—kill tens of thousands of patients a year in American hospitals. On any given day, approximately one in 25 patients develops at least one infection contracted during hospital care, says the Centers for Disease Control and Prevention, "demonstrating the need for improved infection control in U.S. health-care facilities."

To curb infections, hospitals are setting more rigorous hygiene standards, focusing on commonplace equipment such as stethoscopes and blood-pressure cuffs, which can collect bacteria and potentially transmit disease. Medical centers have stepped up efforts to get doctors to clean their hands thoroughly. Some institutions are trying ultraviolet cleaning systems while others have turned to copper, which



some believe reduces bacteria.

Many researchers say there isn't definitive proof that germ-stethoscopes can make patients sick. But dirty stethoscopes carry as many germs as unwashed hands, some infection-control specialists say.

These experts say that just as doctors have been taught to wash or clean their hands between patients, they also must learn to clean their stethoscopes. One easy method: applying sanitizing foam to the stethoscope's diaphragm—the part that touches a patient's skin—after using it on their own hands.

A 2014 study at a Swiss hospital published in the Mayo Clinic Proceedings found that "the contamination level of the stethoscope is substantial after a single physical examination and comparable to the contamination of parts of the physician's dominant hand." Its lead author, Didier Pittet, says that

while hand hygiene remains the priority in fighting infection, he instituted a stethoscope-cleaning requirement at his institution, the University of Geneva Hospitals.

NYU Langone Hospital—Brooklyn recently conducted a clinical trial examining stethoscopes for bacteria. Marwa Moussa, an attending physician, decided that medical residents should learn early on to clean their stethoscopes.

"You wash your hands but you never clean your stethoscope," Dr. Moussa says. Her analysis found that some of the stethoscopes' diaphragms were rife with bacteria, including the superbug MRSA, Methicillin-resistant Staphylococcus aureus, which can lead to fatal antibiotic-resistant infections.

Louise Dembry, a professor of infectious diseases and epidemiology at Yale, helped conduct the VA Connecticut Healthcare System's

Dr. Louise Dembry, below right, helped conduct a study in the VA Connecticut Healthcare System that showed participants, including Dr. Daniel Federman, below left, the importance of cleaning their stethoscopes.

diseases, sees many potential nooks for germs to gather: "There are telephones, there are call buttons, there are IV poles, there are stethoscopes."

One of his big worries? Computer keyboards. Now, Stamford hospital has a computer in every patient room for staff to access records. That way, Dr. Parry says, "you aren't taking the computer from room to room" and spreading germs.

Sentara Healthcare in Norfolk, Va., embraced a novel weapon to fight superbugs—copper. Convincing that copper has germ-fighting qualities, the hospital system invested in copper surfaces for countertops and bed rails, bed tables and other furniture. Sentara also started using copper-infused linens, including patient gowns, bed sheets, towels and washcloths.

In a study comparing a new hospital building outfitted with copper and an unchanged older facility next door, there were dramatic reductions in superbugs in the new building, said Howard Kern, Sentara's president and CEO. He plans to retrofit other Sentara hospitals with copper.

Dr. Pittet, of the University of Geneva Hospitals, isn't sold on copper's germ-fighting properties. "The scientific evidence that [copper reduces] health-care-associated infections is quite weak," he says.

At UCLA Health, Mark Sklansky, a pediatric cardiologist, was so concerned about germs that could be spread by doctors, he tried to convert two neonatal intensive care units into "handshake-free zones" in 2015. The campaign, which was part of a formal study, never really caught on, even though the NICUS still have signs that depict a crossed-out handshake. "Hospitals," Dr. Sklansky laments, "aren't ready to recommend handshake-free zones."

Where the Bugs Are

Hospital fixtures especially vulnerable to contamination:



Stethoscopes

A stethoscope can collect germs almost as much as a doctor's hands, researchers say.



Blood pressure cuffs

Velcro on the sleeves makes them hard to clean and prone to collecting bacteria.



IV poles and pumps

These essentials of the hospital room are handled by a stream of nurses, doctors, and patients.



Wheelchairs

Seats and backs are prone to contamination from patients in open-backed gowns that let their skin touch the surface.



Bed railings

These 'high touch' fixtures come in contact with patients, doctors, nurses and visitors.

Mike Sudal/THE WALL STREET JOURNAL.

CHRISTOPHER BEAUCHAMP FOR THE WALL STREET JOURNAL

INFLUENCERS

A FILMMAKER KEEPS FANS GUESSING

BY CARYN JAMES

"A SIMPLE FAVOR" comes with the tagline "From the Darker Side of Director Paul Feig." It turns out that even the filmmaker's dark side has a comic streak.

The genre-bending movie opening on Friday has all the twists and deceptions of a psychological thriller. Anna Kendrick plays Stephanie, a suburban widow whose sophisticated friend Emily (Blake Lively) suddenly vanishes.

But Mr. Feig has infused the suspense with humor that

comes from touches like Stephanie's chipper video blog that starts, "Hi, Moms!" and Emily's ennui.

"You are so nice," she tells Stephanie. "I have no idea how you've survived so long."

Mr. Feig's last four films—in different genres but all starring women—have made more than \$100 million apiece. The raunchy wedding comedy "Bridesmaids" was followed by "The Heat," a buddy-cop movie with Melissa McCarthy and Sandra Bullock, then "Spy" with Ms. McCarthy as an unlikely international espionage agent, and the rebooted "Ghostbusters."

As a boy growing up in Michigan, Mr. Feig's interest in writing, directing and performing was sparked when he saw Woody Allen's "Take the Money and Run." "I found out that the guy who's funny in it actually wrote it and directed it, too," Mr. Feig says. "I didn't know that was possible."

He is about to work in yet another genre. His next film, "Last Christmas," is a holiday movie he calls a romantic comedy that's also a big love letter to London," with

screenplay by Oscar winner Emma Thompson.

Mr. Feig spoke with the Journal about why his movies play with genre and why laughter to him seems like hard-core realism. Here are edited excerpts:

Why did you decide to mix comedy and suspense in "A Simple Favor"?

I love genres because there are all these established tropes you can subvert and reorder, so you can bring the audience something unexpected. I've been dying to do a thriller because those are my favorite movies, but I'm not drawn to a straight thriller because I just can't make a movie without putting something funny in it.

How did you balance the comedy and the darkness?

It's a thriller first and foremost, and anything comedic has to be in service of that. You have to treat it dead serious. Occasionally people will refer to one of my movies as a spoof, and I'm hugely insulted because I try to make real movies that happen to be funny. "Spy" is not a spoof, it's a real spy movie that has funny, quirky characters, and the same with this.

The soundtrack for "A Simple Favor" has a lot of 1960s French pop, including a bouncy, obscure song, "Ca S'est Arrangé," under the opening credits.

My wife and I are giant fans of

Italian and French pop. That is the most fun song. I remember thinking I've got to get that in something, before I even saw the script for "A Simple Favor." When we were putting the movie together, I wanted to be serious on the thriller aspect but also let the audience know upfront that it's OK to laugh.

You've done spies, detectives, even a comic sci-fi series, "Other Space." Are you deliberately trying to run through every genre out there?

Pretty much. I'm dying to do a musical. I'm dying to do a big sci-fi epic, a western, a gangster movie, it goes on and on. I'm a commercial filmmaker. My movies are for studios because I want to make sure they get distributed, and I want people to see my movies and have fun. Genres provide that because they're inherently entertaining, sort of comfort food. I come to all my genre films basically going, "I love this genre, but what are the things in it I don't like?" I love thrillers, but sometimes they're too mean-spirited for my taste.

Early in your career you directed "I Am David," about a 12-year-old boy in Bulgaria who escapes a labor camp. Do you ever want to do a straightforward drama again?

I almost consider my movies to be funny dramas. The mistake I see in a lot of comedy people, both performers and behind the camera, is this desperation to be taken seriously, then they eliminate the thing that makes audiences love them. When comedic actors take on dramatic roles, I feel them fighting so hard to not be funny, but funny people—it's in their DNA, they can't help it.

Paul Feig

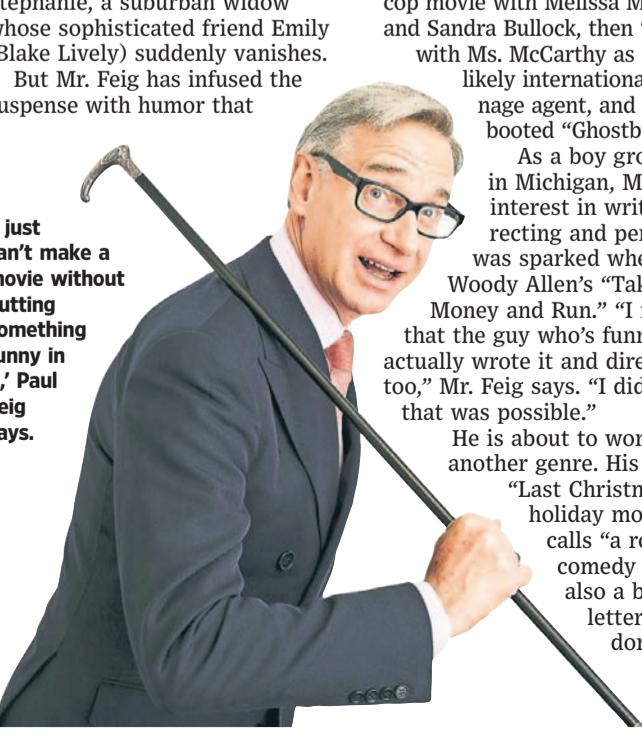
What He Does: Director, writer, producer

How He Got There: Moving to Los Angeles from the Midwest after his first year of college, performing as a stand-up and getting small roles in TV comedies, including a stint on "Sabrina the Teenage Witch."

His Big Break: Creating the 1999 TV series "Freaks and Geeks," about high-school misfits. The show, which lasted less than a season, is now considered among the best comedies of its time. "I wrote 'Freaks and Geeks' just as a spec because I'm always writing something. Without it I would probably be out there trying to get acting jobs or be the sixth lead on a sitcom."

His Obsession: Travel and food. His mother's cooking was bland, he says. As a boy, "I was walking around going, 'I don't like food, that's such a weird thing.'" He credits a Mexican restaurant in suburban Michigan for waking up his taste buds, and his wife for leading him out of his safety zone to travel.

'I just can't make a movie without putting something funny in it,' Paul Feig says.



AMANDA FRIEDMAN FOR THE WALL STREET JOURNAL

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

How USC's Blind Player Muscled Up

After discovering he could be a long snapper even without sight, Jake Olson added 50 pounds to get into games

JAKE OLSON'S last wish before he lost his vision was to watch his favorite football team, the University of Southern California Trojans. At age 12, when he attended a USC practice, he thought his wildest football fantasies had come true.

Mr. Olson never imagined he'd suit up in cardinal and gold for the Trojans years later.

Mr. Olson, 21, was born with a rare form of eye cancer. He lost his left eye as a baby, but that didn't stop him from embracing sports as a boy. "I absolutely loved sports—soccer, baseball, basketball, football—but I was only good at seeing the bodies," he says. "I definitely took a few balls off the face."

Doctors removed his right eye, too, after years of treatments. "As a kid, it was pretty devastating," he says. "I realized I could sit around and sulk about the one thing I lost, or continue to do the things I love and be grateful that I have an athletic body and mind."

The idea of playing football sounded absurd, but he thought he might be able to be a long snapper. He just had to master the crucial backward toss to the holder during an extra-point or field-goal attempt.

Heading into his junior year at Orange Lutheran High School in California's Orange County, Mr. Olson spent every day in July mastering the art of the snap. "I remember my first snap hit the ground and bounced off my coach's foot," he recalls. He kept practicing and earned a spot on the varsity team. A teammate would guide Mr. Olson onto the field and square his hips, and the kicker clapped to let Mr. Olson know how far back to snap the ball.

The long snapper has appeared in games in each of the past two seasons.

After getting into USC, he walked on to the football program in 2015, a scrawny freshman at 6-foot-4, 185 pounds. The coaches expected him to get stronger if he wanted to see game time. He dedicated himself to the gym and put on 50 pounds by his junior year. The hard work paid off. Last September, Mr. Olson got his first taste of game action, successfully snapping an extra point in the Trojans' season opener against Western Michigan. "It was one of my favorite moments in life," he says.

Mr. Olson isn't cleared for contact during games, but Trojans head coach Clay Helton has an agreement with opponents that if Mr. Olson snaps, the defense won't rush the USC line. He has appeared late in games where USC has a strong lead, including this month's season opener, a 43-21 win over UNLV. He snapped on the Trojans' final extra-point attempt.

This off-season Mr. Olson made headlines with feats that included driving a car for the first time at a Nascar track and jumping off a high-dive platform. He even posted a video on Twitter showing off his quarterback skills.

A business major, Mr. Olson has two years of eligibility left with the team but plans to hang up his



football helmet after graduation this spring to pursue another sport: golf. Mr. Olson, who shoots in the 70s and 80s, wants to compete in blind golf tournaments.

The Workout

A bodybuilding-based strength routine and smarter nutrition helped Mr. Olson obtain his physique. Nick Donnelly, a former strength and conditioning intern at USC, took Mr. Olson under his wing freshman year. "I remember initially guiding Jake around the weight room, watching him hit his head or shin and feeling like a terrible coach," says Mr. Donnelly, who serves as the head strength coach at St. Joseph's College in Buffalo, N.Y. "He had to constantly remind me that he wasn't made of glass."

His first two years, Mr. Olson followed a high-volume strength program, doing five sets of 12 to 20 reps of heavy weights. While Mr. Olson had lifted in high school, Mr. Donnelly says he had to teach him the feel of a muscle being activated. "It was very hands-on," Mr. Donnelly says. "I would grab the muscle he was supposed to be working during an incline bench or lat pulldown and tell him to isolate it so he could learn that feeling. Now he's built like a brick wall, with his arms popping out of his jersey."

In the off-season, Mr. Olson called Mr. Donnelly three times a week to discuss tweaks to his routine. He was in the weight room for 60 to 90 minutes, five days a week. He did chest Mondays, legs Tuesdays, arms Wednesdays, shoulders and back Thursdays and "anything I miss" Fridays. Now that he's put on mass, he's switched to a program that concentrates on lower weights and higher repetitions. He prefers high-intensity training to cardio, but will ride the stationary bike for a few miles to get his heart rate up.

Mr. Olson says mobility is key to snapping. "I do a ton of stretches for my shoulders, hips



and legs," he says. "I'm pretty much a quarterback, just throwing the ball through my legs. My shoulder and back muscles pull the ball through." As for accuracy, whether it's a football or a golf ball, Mr. Olson says repetition is key to mastering the feel of a perfect snap or putt.

The Diet

Mr. Olson starts his day with three eggs over easy, potatoes or toast, fruit

with fish and a vegetable. Strawberry or coconut cream pie are his splurges.

The Gear

Mr. Olson is a fan of Titleist and TaylorMade golf clubs and FootJoy golf shoes. Pre- or post-workout he uses a foam roller, baseball or softball to release tight muscles.

The Playlist

He used to listen to rap when training with Mr. Donnelly, but he prefers hard rock or metal bands like I Prevail.

Jake Olson lost both eyes to cancer as a boy. He does warm-up drills alongside the Trojans' special teams on campus.



and some type of meat, like sausage. "I try to stay away from bacon, but it's a losing battle," he says. He prefers a glass of whole or 2% milk to coffee. Lunch might be a turkey sandwich. Dinner is his favorite meal. He eats pasta nearly every night, usually

Blind Athletes Get Into the Game

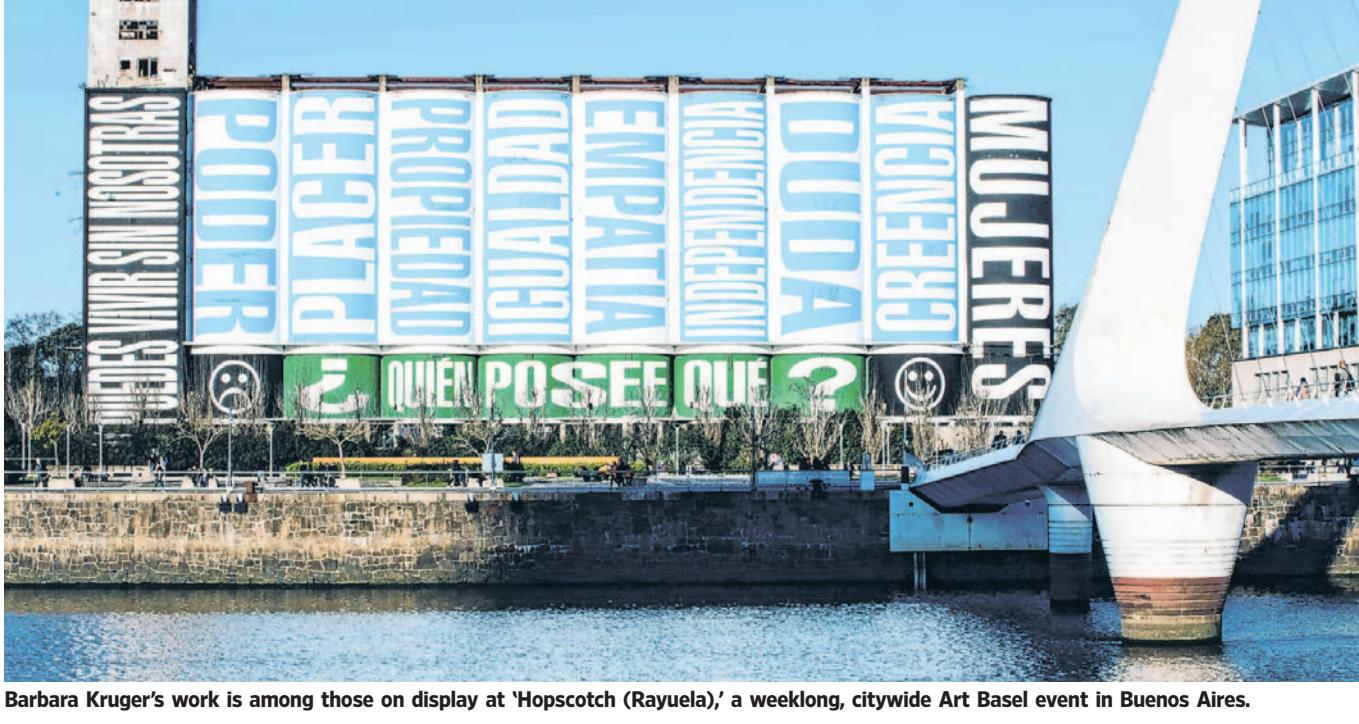
Blind and visually impaired athletes can benefit both mentally and physically from sports, says Courtney Patterson, a spokeswoman for the United States Association of Blind Athletes in Colorado Springs, Colo.

Running is the most popular sport among the visually impaired, she says. "It's cost-effective and some people have enough vision to run along a line on a track," she says. When it comes to winding roads or trails, she says there are many organizations, like Achilles International, that pair visually impaired runners with guides.

There are also adaptive versions of popular team sports. In beep ball, a variation on baseball, players aim to hit a ball larger than a softball that beeps. Bases buzz when the ball is hit so players known which way to run. The Paralympic sport of goalball is the most popular team sport for the blind and visually impaired, Ms. Patterson says.

The sport, a cross between soccer and dodgeball, was developed in 1946 as a way to keep blinded World War II veterans physically active. Two teams of three players each try to roll a basketball-size ball with bells inside over the opponent's goal line. The opponents listen for the oncoming ball.

Art Basel Branches Out to Argentina



Barbara Kruger's work is among those on display at 'Hopscotch (Rayuela)', a weeklong, citywide Art Basel event in Buenos Aires.

ART BASEL, whose annual fairs in Switzerland, Miami and Hong Kong are among the biggest in the art world, is expanding to Argentina—without launching a coinciding fair.

On Thursday, Art Basel Cities: Buenos Aires opened "Hopscotch (Rayuela)," a new event intended to appeal to art lovers who want to explore the city's cultural novelties without spending hours in a convention center. In Buenos Aires, organizers found a locale prized for its artists but lacking the critical mass of galleries that turned Rio de Janeiro and São Paulo into art hubs.

Art Basel's curator Cecilia Alemani teamed up with artists to develop installations and exhibits around the city. Italian conceptual artist Maurizio Cattelan created a pop-up cemetery, "Eternity," where visitors can write epitaphs for the living, and U.S. artist Barbara Kruger painted words like "power," "property" and "women" across a 223-foot-wide set of silos. These are joined by artists from the region, and the goal is to spotlight a nascent art scene that isn't getting as much commercial support as other big cities, Ms. Alemani said.

For globe-trotting art patrons, it is a good time to visit South America. On Friday, the São Paulo Biennial opened in Brazil, and it also handed the reins to artists like Mamma Andersson and Antonio Ballester Moreno, who have organized their own shows within the biennial. —Kelly Crow

LIFE & ARTS



ART REVIEW

Géricault's Equine Passions and Anxieties

BY M.J. ANDERSEN

Cambridge, Mass.
NO ONE WILL EVER satisfactorily explain the human fascination with horses. Yet when it takes hold of a gifted artist—Théodore Géricault, in this case—it becomes something more than a simple component of human nature. In Géricault's work, horses filter the passions and anxieties of an age.

They are shown on the battlefield, at the race course, hauling coal, assisting street sweepers, delivering mail, attacked by lions—even dead. Though Géricault had little more than a decade in which to work (like a proper Romantic hero, he died in his early 30s), he amassed a record of equine existence that serves history and horse lovers equally.

"Mutiny: Works by Géricault," on display at the Harvard Art Museums, offers a chance to rediscover this influential figure of the Romantic period. The exhibit

draws from the museums' substantial collection of Géricault's works, particularly his lithographs. Géricault was one of the first French artists to make extensive use of the medium, in part because of lithography's capacity to generate multiple images. Distributing lithographs, he hoped, might encourage sales of his paintings. Together with several drawings and prints, the three oil paintings in the exhibit point to Géricault's more dazzling achievements, including his masterpiece "The Raft of the Medusa," which hangs in the Louvre.

Géricault was born in Rouen in 1791. He came of age during the Napoleonic wars, primed to glorify soldiers. "Portrait of Olivier Bro" (c. 1818) captures the young son of a cavalry officer who was knighted by Napoleon. Painted in somber tones, the boy sits astride a snarling dog and appears ready for action.

Géricault had the heart of a dramatist, and was as schooled in the costs of war as in its splendors.

The early lithograph "Return From

Russia" (1818), one of the more powerful images in the exhibit, captures two officers retreating through the snow after Napoleon's disastrous Russian campaign. One, badly injured, rides an exhausted horse that competes for our pity.

What lithographs gain in literal detail they sometimes sacrifice in emotional force. "The Coal Wagon" (1821) ably depicts draft horses pulling a loaded cart. Yet they appear frozen in the moment, as if asked to pause for a photograph. A similar image in watercolor is more compelling. In "Coal Wagon Hauled by Seven Horses" (1821-22), a powerful team convincingly negotiates a corner.

Early in his career,

Géricault learned by copying such artists as

Titian, Rubens and Caravaggio, whose works he

could study in Paris.

Later, in Italy, he fell un-

der Michelangelo's spell. The muscular results turn up in his animals as well as his people. Géricault moved restlessly between the urge to imitate his masters' classical forms and an impulse to document what he saw.

In the vividly painted "Cattle Market" (1818-19), a welter of hoofs, horns and flared nostrils crowd the foreground. The animals' faces are

highly expressive: The two in the center almost appear to be chatting about their predicament. Behind them, a tranquil landscape radiates indifference.

Several works demonstrate Géricault's facility as a draftsman. His sketches of a severed head are especially fine, and convey a quiet pathos. Along with other studies on view, they figured in the preparation for "The Raft of the Medusa." Géricault based his painting on the scandalous case of a French ship that foundered off the coast of Africa in 1816. Only a few of the Medusa's passengers survived after being cut adrift on a makeshift raft. Depicted on the verge of rescue, Géricault's heroic survivors were seen as a rebuke to the ship's captain and the restored government of the Bourbons.

In 1820, Géricault followed the completed painting to England, where it went on display. Struck by the vastness of London's slums, he documented several scenes with lithographs. In one, a child holds a toy horse under her arm, as if the artist thought to provide his favorite comfort.

Not surprisingly, he was also attracted to England's actual horses, and to the work of English artists, such as George Stubbs, who preceded Géricault in giving horses center stage. While he continued to depict the urban poor, Géricault also produced a series of horse lithographs, presenting the animals (for once) at ease, in a variety of settings.

His sympathy for the downtrodden extended to the emancipation movement. That feeling is represented here by "Man on a Rearing Horse" (c. 1825), a lithograph after a Géricault by Frederick Taylor. In it, a dark-skinned rider with exaggerated features manages to stay aboard as his mount charges into battle.

Taken together, Géricault's creations reveal a man seemingly possessed by injustice. Yet if he was repelled by its cruelty, he was also fascinated. In the dispiriting aftermath of the French Revolution, horses, still so necessary to human enterprise, were the long-suffering objects of all that humanity had to dish out. Somehow, they were all the lovelier for it.

Mutiny: Works by Géricault

Harvard Art Museums, through Jan. 6, 2019

Ms. Andersen is a former member of the Providence Journal's editorial board and the author of "Portable Prairie: Confessions of an Unsettled Midwesterner" (Thomas Dunne/St. Martin's).



Théodore Géricault's 'Family Group From "The Mutiny on the Raft of the Medusa"' (1818), above; 'Cattle Market' (1818-19), below; 'Return From Russia' (1818), left; and 'English Cavalryman' (1820-21), top. The works in this exhibition reveal that Géricault used horses to capture his tumultuous world on paper and canvas.



RETOUR DE RUSSIE



SPORTS

U.S. OPEN | By Jason Gay

Naomi Osaka Gets the Last Word



Flushing, N.Y.

A word here about Naomi Osaka, who won a major tennis tournament this weekend in New York City.

Since Osaka's victory at the U.S. Open women's singles final Saturday, almost all of discussion has centered on the player she beat: Serena Williams, the tennis legend and 23-time major winner who verbally tangled with a chair umpire and wound up getting penalized in a manner which accelerated her defeat.

Second-guessing has been rampant. Did Williams go too far? Or was it the umpire, Carlos Ramos, who crossed a line? Game officials make good and bad calls—it's part of any sport. On the other hand, should Ramos have taken note of the stakes and the moment and done more to warn Williams? Williams is far from the first tennis player to have a confrontation with an umpire, and this was the U.S. Open final.

There have also been a whole array of adjacent conversations about sportsmanship, emotion, sexism and double standards. Williams believes she was penalized in a manner that a similarly-acting male player would not have. There's also Williams's fraught history with the Open itself which includes run-ins with officials at matches in 2004, 2009 and 2011.

Meanwhile, I just want to point out that Naomi Osaka is your 2018 U.S. Open women's singles champion.

I'm not trying to downplay what was a surreal, consequential scene—one that tennis fans may debate for years.

I just want Naomi Osaka, who won her first major tournament, to get her due.

But let's talk about how this match went sideways. After losing the first set, Williams looked to be

AP/ZUMA PRESS



Naomi Osaka's triumph at the U.S. Open should be a thunderclap for a sport in need of fresh stars.

pulling herself back, only to have it crumble apart.

First, Williams picked up a warning for receiving mid-match coaching (a no-no in tournaments like the Open, but an infraction that's very loosely patrolled). Incredulous at the suggestion she was "cheating," she resumed playing, only to later get a code violation and a point deduction for smashing a racket. Frustrated, Williams kept at Ramos—calling him a "thief" for the point deduction, admonishing him to apologize—until Ramos decided he'd had enough, and docked Williams a game. (Williams was fined \$17,000 for the three code violations.)

It was a huge deal, because it pushed Osaka's second-set advantage from 4-3 to 5-3.

It was also a huge deal because Serena Williams is Serena Williams. A groundbreaking champion, Williams entered this final on the verge of a historic, record-tieing 24th major tournament singles title. She was doing so barely a year after the birth of her first child, and a series of surgeries after life-threatening complications.

At 36, Williams means a great deal to a great number of people.

One of them is Naomi Osaka. This match had been the 20-year-old Osaka's fantasy: a showdown versus her idol on the biggest American stage in tennis. Years before, Osaka—born in Japan to a Japanese mother and a Haitian father, but raised most of her life in the United States—sat in this stadium watching her he-

roes, none greater than Williams, who, like Osaka, had been coached by a father daring enough to believe that this was possible.

Osaka would model her game after Williams's. Today, it is easy to see—Osaka possesses a serve that tops 110 mph, as well as a range of suffocating strokes. She's taken on Williams's former hitting partner, Sascha Bajin, as a coach, with the undisguised intent of borrowing from her Obi-Wan. When Osaka wins an important point, she even mimics Serena's famous self-encouraging "Come on!" though it comes out softly, like a "Come on Jr."

Like Williams, Osaka also stands for more than tennis—she's now the first Japanese player to win a major tournament, and there's a

whole Haitian community celebrating her success as well.

Osaka's triumph here should be a thunderclap for a sport in need of fresh stars. She didn't come to gawk, like young players sometimes do—she came to win. She got Williams on the ropes early, pushing her around the baseline and rolling to take the first set, 6-2. Williams recovered to grab a 3-1 lead in the second set, but Osaka held firm, even as Williams and Ramos began their back-and-forth, and the pro-Serena crowd in Arthur Ashe Stadium began to boo Ramos like a wrestling heel.

It got loud. A lesser newcomer might have caved amid all that drama—a ticked-off American crowd pulling hard for a ticked-off American superstar at America's biggest tournament.

Osaka, a bystander caught in the middle, did not cave. "Honestly, there's a lot I can learn from her," Williams said afterward.

Osaka did unravel a little at the end, after she won. As the lights came up for the trophy presentation, the boos rained down once more, and Osaka began to cry. Here Williams interceded, urging the crowd to stop the booing and give Osaka her due. When Osaka got her chance to speak, she apologized to the crowd for winning.

It was more than a little heartbreaking. Osaka had zero to apologize for. Still, she explained her feeling later: "When I step on the court, I feel like a different person. I'm not a Serena fan. I'm just a tennis player playing another tennis player."

"But when I hugged her at the net..." Osaka welled up. "I felt like a little kid again."

On a tough night for tennis, she won her idol's respect. She got the trophy. She got the check for \$3.8 million. Naomi Osaka is the winner of the 2018 U.S. Open.

That's a good last word.

TENNIS

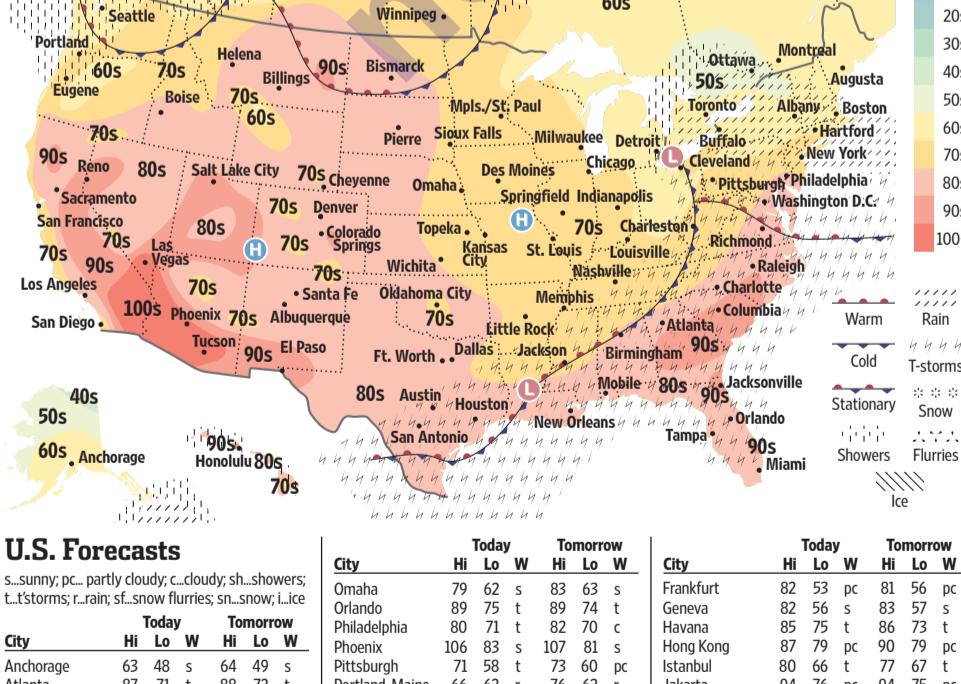
DJOKOVIC WINS 14TH SLAM

BY TOM PERROTTA

After months of struggle and doubt, Novak Djokovic's comeback has reached its peak.

Djokovic, 31 years old, overwhelmed Juan Martin del Potro, 29, in an entertaining—and sometimes intense—U.S. Open final, 6-3, 7-6(4), 6-3. Djokovic, who won Wimbledon in July, now has three U.S. Open titles and 14 Grand Slam titles in his career, tying him with American Pete Sampras for third place all time.

Weather



U.S. Forecasts

s=sunny; pc=partly cloudy; c=cloudy; sh=snowers;

t=tstorms; r=rain; sf=snow; flr=flurries; sn=snow; lce=ice

Today Hi Lo W Tomorrow Hi Lo W

Anchorage 63 48 s 64 49 s

Atlanta 87 71 t 88 72 t

Austin 82 69 t 84 69 t

Baltimore 83 67 c 79 66 c

Boise 85 51 s 77 49 pc

Boston 68 65 r 84 69 c

Burlington 63 59 r 77 61 r

Charlotte 89 71 c 89 71 t

Chicago 73 56 pc 78 60 s

Cleveland 70 59 sh 72 59 pc

Dallas 82 68 pc 82 68 pc

Denver 89 59 pc 92 60 s

Detroit 67 56 r 79 57 pc

Honolulu 90 73 pc 89 78 pc

Houston 82 70 t 83 72 t

Indianapolis 72 55 c 76 58 pc

Kansas City 77 59 s 80 61 s

Las Vegas 103 75 s 102 75 s

Little Rock 77 63 pc 77 64 pc

Los Angeles 84 65 pc 81 64 pc

Miami 89 75 pc 88 74 sh

Milwaukee 70 56 s 75 60 s

Minneapolis 75 63 s 80 67 pc

Nashville 77 62 c 80 67 pc

New Orleans 87 75 t 85 75 t

New York City 72 70 r 81 72 c

Oklahoma City 78 60 s 81 61 s

International

Today Hi Lo W Tomorrow Hi Lo W

City

Amsterdam 67 58 pc 71 60 pc

Athens 89 70 s 87 70 s

Baghdad 107 77 s 108 79 s

Bangkok 91 78 t 94 78 pc

Beijing 86 64 s 84 64 c

Berlin 77 58 pc 75 60 pc

Brussels 70 56 pc 75 58 pc

Buenos Aires 64 53 pc 67 54 s

Dubai 107 85 s 102 88 s

Edinburgh 61 51 c 59 46 pc

Edinburgh 59 50 c 60 47 sh

Edinburgh 59 50 c 60 47 sh

lead in the third set, but del Potro, seemingly spent, broke back. It didn't last long. Djokovic broke serve for a 5-3 lead and then closed out the match, which lasted 3 hours and 16 minutes.

No one would have predicted this for Djokovic early in the year. He lost in the fourth round at the Australian Open—his first tournament in six months—then had minor surgery on his right elbow,

which had been hurting him for years. He had six wins and six losses to start the season, but in his last seven tournaments, Djok-

ovic is now 34-4.

Before the U.S. Open began, Djokovic told the Journal that he had many doubts, but now felt as

confident as ever. "I really trusted life, I trusted that it was going to get me to where I am at the moment," Djokovic said.

JASON DECROW/ASSOCIATED PRESS



Novak Djokovic claimed his third career U.S. Open title on Sunday.

The WSJ Daily Crossword | Edited by Mike Shenk



TEAMS' SCHEMES | By Gabriel Stone

Across

- 1 Accepted standard
- 5 Basis for fantasy football points
- 10 "Put a lid ___!"
- 14 Operatic song
- 15 Synagogue scroll
- 16 Top-notch
- 17 Detectives tasked with tailing Wisconsin players?
- 21 Cook's pan
- 22 Little
- 23 Pilot's guess, for short
- 24 People using the services of New York players?
- 25 College football's Black Knights
- 26 Participants in card games with Pennsylvania players?
- 27 Unconscious states
- 28 Mario's brother in video games
- 29 Private teacher
- 30 Loses traction
- 31 Fitting
- 34 Cowboys linebacker Sean
- 39 Criticize in a petty manner
- 40 "Let me say that again"
- 41 Like cakes baked for vegans
- 42 Firmness of purpose
- 44 Wicked
- 45 "Peter Pan" dog
- 48 Pronto, in memes
- 49 "How sweet ___!"
- 50 Some wines
- 51 Humorist Bombeck
- 52 "Cimarron" writer Ferber
- 53 Clarinet part
- 54 Cardinals' perch
- 55 "NFL Insiders" network
- 56 Ready to proceed

- 31 College football's Black Knights
- 32 Below
- 33 In need of sharpening
- 35 Focus of some rallies
- 36 French friend
- 37 Reason for overtime
- 38 Football kickers' aids
- 40 Public perception
- 42 Block and tackle part
- 43 People who get contracts with California players?
- 44 "Put the World on a String"
- 45 Park parts
- 46 "Got the Car pedal
- 47 Car pedal
- 48 Scuba mouthpiece attachment
- 52 1983 film about two Guatemalans' trek to the U.S.
- 53 Participants in card games with Pennsylvania players?
- 54 Egyptian-themed Verdi opera
- 55 Replies from the congregation
- 56 Julia Louis-Dreyfus HBO series
- 57 Ready to proceed

Previous Puzzle's Solution

HOB	O	A	T	L
I	N	A	N	E
N	A	N	E	N
C	O	D	E	X
E	Y	U	M	B

The contest answer is ON AIR. Five answers in the grid match the networks that air each of the five theme entry TV series with an extra letter added: in order of the shows, HBO/HOB, LOGO/LOG, FX/FIX and USA/URSA. The added letters, in order, spell the contest answer.

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

OPINION

Lehman: Political and Personal

INSIDE
VIEWBy Andy
Kessler

Le h m a n Brothers filed for bankruptcy on Sept. 15, 2008—left to twist in the wind by Treasury Secretary Hank Paulson. Ten years after, is Wall Street safe from another financial meltdown? Banks, pulling in record profits, appear to be in pretty good shape. But something seems wrong, as if the lessons of the financial crisis already have faded.

That's only an intuition, so I called someone who would know—the former CEO of Lehman Brothers. No, not Dick Fuld, one of the public faces of Wall Street's collapse. Instead, I talked last month with Bryan Marsal, of Alvarez & Marsal, who led Lehman for the three years after its bankruptcy.

I asked Mr. Marsal why Lehman was allowed to fail and what lessons were learned. He responded with two words: political and personal. What made business or economic sense wasn't considered. Mr. Marsal explained that Mr. Paulson "had no standing in the Lehman bailout decision but seemed to dominate the entire process." The Bush administration already had bailed out Bear Stearns five months earlier, and Fannie Mae and Freddie Mac the week before. Using taxpayer money to bail out

Another currency crisis is roiling Argentina, and a year ahead of an election President Mauricio Macri is struggling to right the ship. The peso has lost half its value against the U.S. dollar since January. Inflation expectations are soaring.

The central bank has boosted its overnight lending rate to an annual 60% to try to stop capital flight. But Argentines are bracing for spiraling prices and recession. According to Alberto Ramos, head of Latin American economics at Goldman Sachs, markets now expect the economy to contract more than 2% this year and inflation to top 40%.

The question that seems to be on everyone's lips: Why is this happening again, under a president who is supposed to embody change? The answer: Because Argentina still has a central bank. To fix the problem once and for all, it should dollarize.

It is worth pointing out that the troubles have been brewing for some time. On a trip to Buenos Aires in February, I got an earful from worried economists who said Mr. Macri was moving too slowly to reconcile fiscal accounts.

In 2016 and 2017 the government continued spending beyond its means and borrowing dollars in the interna-

perceived Wall Street fat cats had become very unpopular.

Why was Mr. Paulson channelling Ralph Kramden? The Treasury secretary, Mr. Marsal thought, "should have taken a back seat and let the pros from the Federal Reserve drive the bus." Plus, as a former Goldman Sachs CEO, "Paulson simply didn't like Dick Fuld, and he had run out of patience." It didn't help that in 1998, when Long-Term Capital Management needed bailing out, Wall Street got together and everyone kicked in, except Mr. Fuld's Lehman.

On Sept. 9, Mr. Paulson told a group of CEOs about Lehman, "There's no government money here." Shortly thereafter, taxpayer money went into Goldman Sachs, Morgan Stanley, Citigroup and others. It seems Fed Chairman Ben Bernanke grabbed control of the bus from Mr. Paulson after the almost instant contagion and carnage from the Lehman bankruptcy. Withholding a bailout was a mistake. A subsidized merger or an orderly bankruptcy would have made more sense.

Why is this so important? Today there is nothing stopping the political and the personal from trumping rational economic decision-making in the next crisis. Sure, there's Dodd-Frank, which passed in 2010 after congressional blathering about arresting bankers. But Mr. Marsal suggested the law makes Wall Street less safe: "The Federal Reserve demonstrated that it had the

power to stem a liquidity crisis before the Lehman fall, by virtue of the post-Lehman actions." But it was implicit, unstated. Now, it's explicit. Read Section 214 of Dodd-Frank: Prohibition on Taxpayer Funding. In a crisis, the Fed and Treasury could ask Congress for powers and probably get them, but that brings them back to the political and personal again.

The man who led the firm after it collapsed says politics still reigns over policy.

Many of Lehman's creditors couldn't get paid back for years because much of the company's capital was domiciled in Europe. Unable to get their Lehman money, funds and individual investors sold anything liquid to have working capital and pay off debt.

That's why the stock market sold off so hard in early 2009. Mr. Marsal explained, "In the U.S., a liquidation has its primary objective of recovery maximization to the creditors." Lehman would prepay as much as 90% of claims and finish returning all assets in 3½ years.

In the U.K., on the other hand, the "primary objective is the minimization of liability to its receiver, encouraging decisions at glacier speed increasing the cost to the credi-

tors." Ten years later in Europe, PwC is "still rolling along," presumably still collecting fees. This lesson of liquidity is rarely discussed, but it may have been the most important postbankruptcy menace.

Has anything changed? After dealing with Lehman's unwinding, Mr. Marsal had hoped for a cohesive regulatory framework from Washington. Instead the bureaucracy won. Still active and influential are the Federal Reserve, the Federal Deposit Insurance Corp., the Office of the Comptroller of the Currency, the Commodity Futures Trading Commission—plus the Treasury, which should stay out of bailouts, and a growing bureaucracy created by the Dodd-Frank Act. No entity is in charge, so everyone is in charge. Politics still reigns over sound policy.

There is more concentration in banks today than pre-Lehman. They're better capitalized with better reserves, but it's still fractional reserve banking. And the shadow banking business that got drenched in derivatives may be larger today than it was before the crisis. Leveraged loans are rampant. That doesn't point to stability.

In downturns, equity hurts but debt kills. Like an electrode-implanted rat that can't stop pushing a pleasure lever, banks will lend until they implode. A decade ago, the Fed failed as the lender of last resort. It's still failing at preventing the next crisis.

Argentina Needs to Dollarize

AMERICAS
By Mary
Anastasia
O'Grady

The Argentine treasury was instead supposed to issue new debt. It did so, but not to the extent necessary in the midst of a crisis. Plus, markets understand that putting more pesos into government coffers is not the same as extinguishing them.

The bank raised reserve requirements and interest rates, but the panic was on. The demand to hold pesos has collapsed.

Another crisis for the peso, as the central bank proves it is not to be trusted.

Mr. Macri rattled markets in late August when he said he would ask the IMF for the next disbursement of the standby loan early. The peso swooned again.

Argentine Finance Minister Nicolás Dujovne spent two days at the fund in Washington last week, and on Wednesday he expressed optimism about his boss's request. The deal to release the funds early, Mr. Dujovne said, could be voted on this month.

The peso rallied a bit on the news. Yet as any Argentine understands, an IMF package can't cure what ails the peso.

This is a long-term political problem that has manifested itself in repeated economic crises since the mid-20th century. The government lives

beyond its means while taxes and regulations, particularly on labor, make many businesses uncompetitive. The net effect is always the same: ballooning debt and a lethargic economy followed by devaluation or default or both.

Mr. Macri has sought to heal the country from the polarization that flourished during the left-wing populism of his predecessor, Cristina Kirchner. In the early years of Mr. Macri's presidency, he emphasized reconciliation and shied away from telling the nation how big a mess he'd inherited. He also wanted to avoid a clash with the organized special interests that have a history of going to the streets and using violence to protect their privileges.

Mr. Macri has managed to cut back on electricity, water, gas and transportation subsidies, but the fiscal deficit—including provinces and municipalities—will still be around 5.5% this year and 3.5% in 2019, according to Aldo Abram, a director at the Buenos Aires think tank Libertad y Progreso. More reforms are needed, and the risk of a political and social upheaval is real.

The fastest way to restore confidence would be to put an end to the misery caused by the peso and to adopt the dollar. Argentines could then get on with the business of saving and investing in their beautiful country. Mr. Macri has tried gradualism. Now is the time to be bold.

Write to O'Grady@wsj.com.

Kids Don't Learn the Ropes These Days

By Mike Kerrigan

I attended a recent back-to-school event in the gymnasium of my son's elementary school. Other parents I know and like were there. Conspicuously absent was something I once knew but never liked. I speak of the climbing rope.

How this activity, a cruel mainstay of physical-education curricula throughout my grade-school years, got past the school board is beyond me. Maybe it was hidden from the lawyers. Perhaps a well-meaning educational theorist actually believed swashbuckling was an important life skill.

I don't know. All I know is when my dreams carry me back to my coming-of-age years, I'm oversleeping the SAT, leaving the locker room in a shirt but no shorts and contending with the climbing rope: respectively my recurring high-, middle- and ele-

mentary-school nightmares.

If you're over 40, you likely remember the scene. In a corner of the gym, three menacing ropes dangled from the rafters, descending 25 feet or so to the unforgiving floor. When I first laid eyes on them in the fourth grade, I couldn't say whether these ceiling serpents were activity or punishment.

My son won't have to endure my gym-class climbing terror.

My fear was entirely reasonable in the grim context of gyms those days. Along the wall girls were made to perform something called a flexed-arm hang, at the end of which they rattled like Apollo 13 on re-entry. Saturnine boys meanwhile hoisted themselves up a wall-mounted pegboard better suited for Parris Island

than elementary school. Joy hardly abounded.

My gym teachers—there were always two—quickly confirmed rope-climbing was a sanctioned activity. They relished telling me, knowing I was more inclined to derring-don't than -do. While shinnying up to the rafters surely delighted future Navy SEALS in my midst, it terrified me.

In theory, a spotter at the rope's base helped ease the climber's ascent. In practice, however, the spotter swung the rope wildly, like a CrossFitter jacked on Mountain Dew. The rule seemed to be the better the friend doing the spotting, the worse the gyrations, making an already dangerous clamber more so.

Even in ideal conditions, you still had to wrangle with someone like Lars. This was the mean kid one rope over who, 15 feet above the ground, leg-wrestled anyone he could engage. All this—the pirotetting rope, Lars's leg-

whips—for what? The right to reach the rafters, look down and think: *I'm too young to die.*

Sure, there was a mat laid out below, one blue rectangle tucked tidily under each rope. But it looked thick enough to extend life for a day or two in the event of a free fall. I can see clearly now: The mats were there mostly to quicken the proverbial cleanup in aisle two.

This is why I was so relieved at back-to-school night. The teachers could have said anything in that gym about the year ahead and it wouldn't have mattered. I saw what I came to see: No climbing ropes, or anyone resembling Lars.

It was a safe space—if not in modern parlance, at least in the way that mattered to me. My son should have a banner year.

Mr. Kerrigan is an attorney in Charlotte, N.C.

BOOKSHELF | By Laura Vanderkam

Fragile, Fearful, Feeling Aggrieved

The Coddling of the American Mind

By Greg Lukianoff and Jonathan Haidt
(Penguin Press, 338 pages, \$28)

For most of the past few decades, college students have been proponents of free speech, despite occasional bouts of protest and indignation. But something changed about five years ago. Students began demanding "trigger warnings" for certain material in their classes. Some demanded that anything "triggering" be removed entirely from the curriculum so that no one might feel traumatized. They lobbied for "safe spaces" where they could avoid being exposed to uncomfortable ideas. Members of what psychologist Jean Twenge calls "iGen" (born after 1995) moved from challenging controversial speakers to hounding even very liberal members of their own communities who wrote or said something that was deemed offensive.

"What is new today is the premise that students are fragile," write Greg Lukianoff and Jonathan Haidt in "The Coddling of the American Mind."

"Even those who are not fragile themselves often believe that others are in danger and therefore need protection." The debate narrows as everyone censors others as well as themselves. Mr. Lukianoff (president of the Foundation for Individual Rights in Education) and Mr.

Haidt (a professor at NYU's Stern School of Business) argue that this new vulnerability is a result of the ways in which the first social-media generation has been raised. Well-meaning parents and educators have inculcated in young people three bad ideas, what the authors call "the Great Untruths": that what doesn't kill you makes you weaker; that you should always trust your feelings; and that life is a battle between good and evil people. Students can't see nuance, and they don't feel tough enough to handle debate.

Tales of political correctness run amok—indeed, many of the incidents recounted in "The Coddling of the American Mind"—are nothing new to anyone who has been paying even fitful attention to college trends. Messrs. Lukianoff and Haidt differ from many other critics of campus excess in that they do not think of themselves as conservative or even right of center. "Neither of us has ever voted for a Republican for Congress or the presidency," they write.

Despite the "coddling" angle of the title, Messrs. Lukianoff and Haidt try not to fall into the trap of claiming that modern young people are uniquely lazy or whiny. In any case, they write, "by the standards of our great-grandparents, nearly all of us are coddled." What is more, members of iGen have been better at avoiding arrest or pregnancy during their teenage years, and better at graduating from high school, than recent generations born before 1995. They are, in short, not without inner resources.

Thanks to well-meaning, if misguided, parents and educators, students can't see nuance, and they don't feel tough enough to handle debate.

Still, there is a problem. The authors write with concern about the rise of anxiety and depression among young people, whose teenage foibles can be broadcast widely in the era of social media and who have not—at least among the privileged sorts who show up at elite colleges—experienced the unsupervised, risk-taking play that teaches emotional regulation and social problem solving. Messrs. Lukianoff and Haidt understand why young people want to feel mentally safe on college campuses. "If members of iGen have been risk-deprived and are therefore more risk averse," they write, "then it is likely that they have a lower bar for what they see as daunting or threatening."

That said, the authors also think it's a terrible idea for the adults who run colleges to cater to this need. They believe that such coddling especially hurts young people already prone to anxiety. They note that one of the most effective treatments for anxiety is cognitive behavioral therapy, which teaches people to overrule their immediate emotions and see themselves as tough enough to survive life's slings and arrows. They also believe that coddling hurts the cause of social justice that is so dear to students themselves. Few arguments are sharpened through groupthink; most are improved by facing skepticism or different points of view. "A community in which members hold one another accountable for using evidence to substantiate their assertions is a community that can, collectively, pursue truth in the age of outrage."

Given such a clear diagnosis, it is unfortunate that many of the proposed solutions in "The Coddling of the American Mind" are less than satisfying. The authors pinpoint, as one cause of hollow debate, the changing ratio of conservative to liberal faculty over the decades (from 1-in-3 or so in the mid-20th century to much lower in some fields now). But colleges are unlikely to start a conservative-hiring program, even if they add "viewpoint diversity" to the normal diversity statements, as the authors suggest. Nor will anyone champion a campaign to "discourage the creep of the word 'unsafe' to encompass 'uncomfortable.'" Students paying upwards of \$50,000 per year for college probably feel entitled to seek comfort even if it isn't especially good for them. The admonition to parents of future college students to "encourage your children to walk or ride bicycles to and from school" (to gain a sense of independence) is nice but probably insufficient on its own. No doubt there are walkers and bike riders among irate students demanding trigger warnings.

The authors' most compelling idea is that elite colleges show a preference for students who are mature enough to engage with the world as it is rather than demanding a world of safe spaces. Nothing would encourage teens to work or do full-time community service for a few years—or serve in the military—like Harvard declaring a desire to fill its freshman classes with people who have done such things.

Until then, unfortunately, the emphasis on safety will continue, and people on all sides will be poorer for missing the great debates that make higher education worthwhile.

Ms. Vanderkam is the author, most recently, of "Off the Clock: Feel Less Busy While Getting More Done."

OPINION

REVIEW & OUTLOOK

100% Certifiable California

California Democrats pose as green saints, though their climate and social-justice values often conflict. The latest example is the legislature's plan to banish fossil fuels from the state electrical grid, which progressives aim to export nationwide.

Most states are enjoying flat or declining electricity rates thanks to shale fracking, which has sent natural gas prices plummeting. But not California, where rates have jumped 25% since 2013. Electricity prices in the Golden State are by far the highest in the continental western U.S. and twice as high as in Washington state.

The reason: California requires that 50% of power be generated from renewables such as solar and wind by 2030. Democrats recently passed legislation establishing a 100% requirement for 2045. Even Governor Jerry Brown ought to realize this energy experiment will punish Californians who can't afford to live in Marin or Malibu.

Renewable prices have dropped thanks to technological improvements and cheap Chinese solar panel imports. The wholesale price of solar energy with the 30% federal tax credit is now nearly comparable to fossil fuels. But renewables impose other costs.

Start with backup power, which is needed when the sun isn't shining. A 100% mandate would require natural gas plants that currently provide backup power—many recently constructed—to be retired and replaced with enormous batteries. Customers will pay for the stranded plants and the batteries, which will have to be replaced periodically.

Even batteries probably won't capture all of the surplus solar energy pouring onto the grid on sunny days. So the state will have to find another outlet to avoid overloading the grid. In recent years California has paid Arizona to absorb its excess energy.

Then there are the state subsidies for renewable energy. Home and business owners that install solar panels can receive rebates and are paid the retail power rate for the excess energy they transmit to the grid, which increases the costs for everybody else. Most large-scale solar and wind farms are located in rural regions while natural gas plants are close to population centers along the coast. The cost to build and run power transmission lines from renewable plants is higher.

Managing the grid and balancing power sources will also become far more complicated and costly as renewable generation grows. Fel-

low sun-worshipper Australia provides a cautionary example.

In South Australia, wind and solar account for nearly 40% of power, which has caused rates to soar. South Australians pay more than three times as much for power than the average American. After storms felled transmission lines and caused power outages, the South Australian government tapped Tesla to build a battery the size of a football field capable of powering 30,000 homes for an hour to provide backup power in emergencies.

Tesla and the South Australian government have declined to disclose the battery cost. But the Electrek news site reported in January that Australia's battery owners were paid 79 cents per kilowatt-hour—about 10 times the wholesale cost of power in the U.S.—to absorb surplus energy from the grid. That power can later be sold at a premium during shortages. Customers get charged twice—once for storing the excess power and then for discharging it.

California's low-income residents will suffer the most since they spend more of their income on energy and live in hotter inland areas where more electricity is required for cooling. Workers in energy-intensive industries like manufacturing would be especially hard hit. Manufacturing employment has grown half as fast in California as nationwide since 2010.

All of this explains why a dozen Democrats in the state Assembly, most from low-income and minority areas, rebelled against the 100% renewable bill. "This is yet another in a laundry list of bills that are discriminatory to the people I represent," said Adam Gray of Merced.

California's power generation accounts for less than 0.2% of global CO₂ emissions, so the mandate won't matter to the climate. But green groups are hoping California's fossil-fuel purge will coax politicians elsewhere to follow. Democrats running for Governor in Colorado, Florida, Illinois and Maryland have endorsed a 100% renewable mandate. Presidential aspirants Cory Booker and Bernie Sanders have introduced legislation in the Senate setting a nationwide 100% renewable target.

Governor Brown would be wise to veto the bill. As an alternative, he's promoting a plan to integrate California's grid with other western states to minimize the costs of its renewable binge. But the liberals who dominate state politics would apparently rather make poor people pay more for energy so they can pretend they're saving the planet.

* * *

Mid Continent is seeking a tariff exemption from the Commerce Department on grounds that it can't find enough of the steel wire it needs in the U.S. Nucor Corporation, a U.S. steelmaker that is reaping profits from the tariffs, objected to Mid Continent's request and said it could supply the steel wire. Mid

South Wire Company said the same. But last week CNN Money reported that Mr. Pratt said that neither company on its own could supply enough raw material.

Time is running out. "I can tell you that if we don't get immediate relief, we could be shut down in the next 20 to 30 days," Mr. Pratt told CNN. While a recent meeting with a "very sympathetic" Commerce Secretary Wilbur Ross offers hope, some 20,000 companies have filed exemption requests. Which is another way of saying that for every steel job that Mr. Trump claims he has "saved" with his tariffs, many more are being eliminated.

Nailed by Steel Tariffs

When President Trump promised to make America great again, the employees at Mid Continent Nail in Missouri probably didn't expect he would put them out of work. But the steel tariffs imposed in June have the company hanging by a thread.

Mid Continent is the largest nail manufacturer in the U.S. and has been in Missouri for more than 25 years. It had 500 employees at its Popular Bluff plant and was the second largest employer in the small town before the Trump tariffs hit.

The trouble for Mid Continent is that foreign producers making nails abroad use low-price steel and export their production to the U.S. They can offer better prices than their U.S. rival because, as Chris Pratt, operations general manager for the plant, explained in a Journal op-ed last month, the tariffs pushed costs up "overnight" and made the company uncompetitive. "Orders dropped 70% in two weeks, and our workforce shrank from 500

Trump protectionism is driving a Missouri company to the brink.

employees to 370," he wrote.

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Sweden's Political Warning

Swedes went to the polls on Sunday and although it will take some time for a ruling coalition to emerge, the biggest immediate winner appears to be the party that won't form a government. The Sweden Democrats, born as a far-right political movement and now an anti-immigration party, garnered a little under 18% of the vote. That third-place finish is their best electoral result.

The governing party is still likely to be either the first-place center-left Social Democrats or the second-place center-right Moderate Party, the anchors of Swedish politics for decades. But they will govern with reduced vote tallies, and no coalition is likely to enjoy a majority in parliament.

As in so many recent European elections, the authority of mainstream parties is eroding. The Moderates were the biggest losers Sunday compared to 2014, down 3.5 points to 20%. The ruling Social Democrats have been hemorrhaging voters for years. Their better-than-expected result Sunday is that they finished at 28%, three percentage points down from the last election but well shy of the 40% tally they used to achieve.

The Sweden Democrats have won over many disaffected working-class voters, as the party's share of the vote has risen from under 6% in 2010. Others have shifted to the Left coalition, a far-left faction whose vote total also rose more than two percentage points Sunday.

The Sweden Democrats finish third on an anti-immigration platform.

Many commentators—and more than a few Swedish and European Union politicians—will mourn growing support for the "far right" by Sweden's historically tolerant voters. That misses much of the story.

The Sweden Democrats have gained support in particular since Sweden's decision to accept the highest number of Middle Eastern migrants relative to population of any European country in the 2015 crisis. And in this campaign the mainstream parties matched the Sweden Democrats with get-tough immigration pledges of their own. The Sweden Democrats, meanwhile, hew to conventional views on the need to spend more on Sweden's welfare state.

What's really on display is weakening public trust in mainstream politicians and parties. Voters increasingly doubt that the Social Democrats or Moderates will deliver on promises to stem immigration or reduce waiting times for doctors. Maybe the Sweden Democrats would fail if they take power, but they haven't been promising and failing for years.

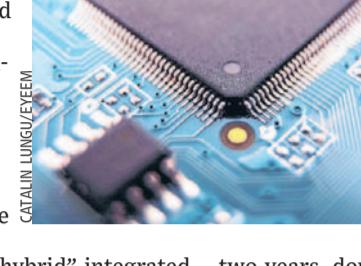
The Sweden Democrats trace their origins to a neo-Nazi group, and while the party's current leaders claim to have purged those elements, they bear watching for the uglier forms of nationalist sentiment. The other parties have pledged to lock the Sweden Democrats out of any governing coalition. But if those parties don't start delivering on campaign promises, more and bigger electoral upsets are inevitable.

LETTERS TO THE EDITOR

Noyce and the Integrated Circuit's Invention

When Andy Kessler named Jack Kilby of Texas Instruments the inventor of the integrated circuit, a collective groan boomed out of Intel headquarters in Santa Clara, rolled across the Stanford campus and echoed off the glass walls of the low-rise venture-capital headquarters on Sand Hill Road ("The Chip That Changed the World," Inside View, Aug. 27).

Kilby's integrated circuits were made using crude human-hair-size "bonding wires" to wire together separate transistors, capacitors and resistors into a circuit. These contraptions are still made. Called "hybrid" integrated circuits, they have never taken any significant share of the market, with the exception of the 1970s Cray-1 supercomputer, a behemoth that cost \$9 million, burned kilowatts of power and was less powerful than today's personal computers and smartphones which are products made from the very different "monolithic" integrated circuits, Robert Noyce's invention at Fairchild Semiconductor.



Noyce's monolithic integrated circuit process used precision photolithography to simultaneously create transistors, capacitors and resistors side by side in a single silicon wafer. They were also connected with wires, but with tiny on-chip integrated wires made on the same wafer that were 20 times smaller than Kilby's bonding wires.

Shortly after Noyce and Gordon Moore co-founded Intel in 1968, Mr. Moore projected that transistors and their integrated wires could be shrunk photographically by a factor of two in area every two years, doubling the number of bits of memory on a chip, with the shrunken bits running faster and on less power than the old ones. The integrated circuit that launched the electronics revolution and "Moore's Law" was invented by Robert Noyce in Silicon Valley.

T.J. RODGERS
Founding CEO
Cypress Semiconductor Corporation
Woodside, Calif.

Kentucky Strikes a Blow for Organized Labor

In your Aug. 9 editorial "The Right-to-Work Rout" you claim that: "Given the choice, after right-to-work passed, some 16,000 Kentucky workers decided union representation wasn't worth the cost, opting out of membership."

This claim is simply misleading. Historically, decreases in union membership have been attributed to a variety of factors, including plant closures and layoffs at private-sector unionized employers, decreases in public-sector unionized employment and spending in the construction sector.

Unions and management partner across many industries to produce some of the most successful products for the global marketplace and valued services for our citizens.

Martin Luther King Jr. referred to so-called right-to-work laws as an effort to destroy workers' rights: "In our glorious fight for civil rights, we

must guard against being fooled by false slogans, such as 'right-to-work.' It provides no 'rights' and no 'work.' Its purpose is to destroy labor unions and the freedom of collective bargaining. . . . We demand this fraud be stopped."

Instead of attacking and curtailing workers' rights, Americans must come together to rebuild the foundation of American prosperity, a strong middle class. Workers collectively organizing through unions has been and will continue to be an essential element for growing the American middle class.

Despite these attacks on the rights of workers, the future is ours. Kentucky's union members reflect the timeless wisdom of our state motto: "United we stand, divided we fall."

BILL LONDRIGAN
President, Kentucky State AFL-CIO
Frankfort, Ky.

By Definition, Freshmen Have a Lot to Learn

I read David Gelernter's "Ten Things They Didn't Tell You at Freshman Orientation" (op-ed, Sept. 4) with delight. I disagree, however, with his fifth point: "Remember that a professor has no business mentioning his personal politics in class, ever." Although he recognizes that professors are human and sometimes "our biases slip out," he seems to believe that professors, at their best, teach without bias. This is simply not possible; our biases form and structure our courses in ways that we ourselves may not fully appreciate.

I tell my students that professors who promise to keep their personal views entirely out of class are at worst dangerously manipulative, and at best dangerously naive. I submit to Mr. Gelernter that the professors who "abuse their positions of authority" and therefore "should be in a different

line of work" aren't those who are open and honest about their personal views when it is appropriate, but rather those who—whether naively or deceitfully—present their personal views as if they were indisputable fact.

JONATHAN BUTTACI
The Catholic University of America
Washington

Mr. Gelernter's counsel for incoming Yalies of 2018 would have been equally applicable my freshman year at Yale (1986). During my first semester I was a member of the only all-female student group to ever be refused meeting space at the Yale Women's Center. The rationale? Our being women didn't mitigate the inherent "antiwoman" bias of our Christian, pro-life stance. Plus ça change.

SHANNON VOWELL
Frisco, Texas

California Gender Mandate Will Hurt Boards

As a veteran member of more than 20 corporate boards, including Volvo Car AB and Wynn Resorts Ltd., I hope that the bill that requires major companies based in California to put female directors on their boards ("State Pushes for Women on Boards," U.S. News, Aug. 30) isn't signed into law.

The marketplace is already working and we are seeing significant shifts in the addition of women joining public boards. For example, major index funds are now mandating that companies must have a minimum of two women directors or else they will withhold their votes.

We have experienced the pain of unintended consequences with the Sarbanes-Oxley Act of 2002, which resulted in a precipitous decline in initial public offerings because of the expense and burden the law puts on companies. The biggest risk in the California bill, which I see in blinking

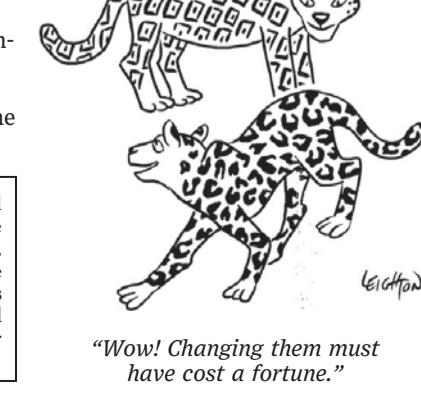
neon lights, is that even California-headquartered companies incorporated in Delaware would be subject to the new gender-diversity regulation. Corporations carefully review and select where they will incorporate based on the protections and regulatory framework a particular state offers. Delaware has long been the most business-friendly corporate framework and is widely embraced.

Diversity also needs to reflect ethnic, global, digital and technology diversity, not just gender. Corporate boards are strongest when there is a range of perspectives, experiences and viewpoints.

BETSY ATKINS
Chief Executive, Baja Corp.
Coral Gables, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Wow! Changing them must have cost a fortune."

CORRECTION

Sen. Marco Rubio's family-leave legislation does not provide for an income limit on eligibility. This was misstated in the Sept. 5 op-ed "Rubio's Family-Leave Benefit Will Go the Way of All Entitlements."

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

Peer Pressure and ‘Transgender’ Teens

By Jillian Kay Melchior

If your teenage daughter suddenly declares herself transgender, should you assume she's mature enough to make decisions that will permanently affect her health, fertility and future? Or could she be influenced by societal and peer pressure? Physician and researcher Lisa Littman doesn't have the answer, but transgender ideologues are trying to silence her for even asking the question.

Dr. Littman's study about transgender-identifying teens was published in the open-source, multidisciplinary scientific journal PLOS ONE last month. Her interest had been piqued in 2016, when she noticed an uptick in parental reports

Ideologues try to suppress a study on the increasing prevalence of ‘rapid onset gender dysphoria.’

that teens had suddenly insisted their gender identity didn't match their sex, although they'd shown none of the common prepubescent signs of the condition, known as gender dysphoria. She spoke to a clinician who'd observed the same trend. "When the characteristics of a population seeking care for a condition substantially changes, the responsible thing to do is to start asking questions about what might be contributing to these changes," Dr. Littman says.

Since little is known about such "rapid-onset gender dysphoria," the first step for researchers is to describe it and introduce topics for future inquiry. Dr. Littman surveyed

256 parents, whom she found online, collecting information about the teens' mental health, friend-group dynamics and social-media use. Dr. Littman's findings suggested these young people may have been driven in part by "social and peer contagion."

Nearly 70% of the teenagers belonged to a peer group in which at least one friend had also come out as transgender. In some groups, the majority had done so. Nearly 65% of teens had spent an increased amount of time online and on social media, and parents reported that pro-transgender YouTube videos and blogs might have been influential.

Declaring oneself transgender carried social benefits, the parents reported. Among parents who knew their children's social status, nearly 60% said the announcement brought a popularity boost. "Being trans is a gold star in the eyes of other teens," one parent wrote.

Not all social pressure was positive. Many respondents said their children's friends frequently mocked or derided people who were not gay or transgender. "To be heterosexual, comfortable with the gender you were assigned at birth, and non-minority places you in the 'most evil' of categories within this group of friends," one parent observed. Parents often said that children who had second thoughts about being transgender feared social repercussions. "[My child] couldn't face the stigma of going back to school and being branded as fake or phony . . . or worse, a traitor or some kind of betrayer," one reported.

Dr. Littman's critics claim that because she found survey participants primarily from three websites where parents discussed their concerns, the study is biased and scientifically unsound. Dr. Littman acknowledges the study is far from



TAMI CHAPPELL/REUTERS

conclusive but notes that for little-researched topics like rapid-onset gender dysphoria, "it's not uncommon" to begin with targeted recruiting of study participants. The parents she surveyed are generally liberal in attitude. More than 85% said they support gay marriage, and only 3% disagreed with the proposition that transgender people deserve the same rights and protections as others.

Dr. Littman's detractors also accuse her of bigotry. Her work "negates the experience of many transgender youth," according to Diane Ehrensaft, of the Child and Adolescent Gender Center Clinic at the University of California San Francisco's Benioff Children's Hospital.

Transgender activist Brynn Tannehill calls Dr. Littman's research "a naked attempt to legitimize anti-transgender animus with a veneer of academic responsibility." And Zinnia Jones, founder of the website Gender Analysis, called rapid-onset gender dysphoria a "hoax diagnosis" perpetuated by those who would deny transgender children "accep-

tance and affirmation." The motto of Ms. Jones's website: "The personal is empirical."

The effort at suppression had an effect. PLOS ONE's editor-in-chief, Joerg Heber, announced the journal would subject the study to "further expert assessment on the study's methodology and analyses." Spokesman David Knutson told me: "Any time there's a lot of reader concern or a lot of people talking about it, it warrants a second look, and that's what we're doing right now," adding that this is "basically how science works." Mr. Knutson would not elaborate about what specific concerns prompted the review or what it would entail.

Brown University, where Dr. Littman is an untenured professor, has also backed away from her paper. It took down a news release and attendant social-media posts about the study and posted a statement from Bess Marcus, dean of the School of Public Health, acknowledging "concerns that the conclusions of the study could be used to discredit efforts to support transgender youth

and invalidate the perspectives of members of the transgender community." The university updated its statement Thursday, emphasizing that "this is not about academic freedom as some news outlets have made it out to be" and "this is about academic standards."

Cass Cliatt, Brown's vice president for communications, tells me Brown was merely "reacting to PLOS ONE." It doesn't censor controversial research, Ms. Cliatt says, but in this case, "it's a question about the science. We believe strongly in academic freedom, but we have to be a responsible academic institution."

The reaction to Dr. Littman's study is especially overwrought given the modesty of her conclusions. She argues for more research and counsels caution in the meantime. Parents and physicians aren't infallible, she writes, but neither are teens, "particularly in the almost universally tumultuous period of adolescence." Consequently, "it is incumbent upon all professionals to fully respect the young person's insider perspective but also, in the interests of safe diagnosis and avoidance of clinical harm, to have the awareness and humility themselves to engage with parental perspectives and triangulate evidence in the interest of validity and reliability."

When teens sought treatment for gender dysphoria, the parents reported, clinicians often took the complaint at face value and failed to consider whether anything else might be going on. As for Dr. Littman's critics, they equate caution with bias, even hatred, and encourage teens to go through hormone therapy or surgery—drastic interventions whose effects are irreversible.

Ms. Melchior is an editorial page writer at the Journal.

On Syria, the U.S. Can Drive a Hard Bargain With Russia

By Dennis Ross

Syrian President Bashar Assad has launched his opening salvo to take back Idlib, the last major stronghold of organized rebel forces. The northwestern province is teeming with internally displaced Syrian civilians who have fled other parts of the country—Aleppo in December, Eastern Ghouta in April, and Daraa in June—under the weight of indiscriminate bombing by Russia and the Syrian regimes. U.N. officials say 800,000 people may be forced out of the city and the province in the assault. Refugees are running out of places to go.

In the face of this impending humanitarian disaster, the international community will do very little. The Trump administration warns it "will respond to any chemical weapons attack perpetrated by the Syrian regime." But with the Russians positioning forces to carry out naval and air bombardments, Mr. Assad is unlikely to resort to gas. President Trump tweeted that Mr. Assad should not "recklessly attack Idlib Province" and warned that the "Russians and Iranians would be making a grave humani-

tarian mistake to take part in this potential human tragedy." The Russians answered by striking Idlib.

Meanwhile, the Iranians continue to embed their own Qods Forces and Shiite militias in areas the regime retakes, changing the sectarian balance on the ground. If left unchecked, the Iran-Russia-Syria axis will continue to consolidate power across the region. Claims of friction among the three powers should be viewed with skepticism. While their interests may diverge, the Russians show little sign of walking away from either the Iranians or Mr. Assad, who they continue to deny has ever used chemical weapons.

The unmistakable reality is that the Russians, because of U.S. inaction, have become the key arbiter in Syria. If the U.S. wants to prevent Iran from consolidating a land corridor through Syria to Lebanon and the Mediterranean, it has to work through the Russians. If the U.S. wants to blunt the Israel-Iran collision course—with Iran hoping to menace Israel from Syria as it does through Hezbollah in Lebanon—it needs Russian cooperation. But Vladimir Putin does nothing free. The

question is whether the Trump administration is willing to apply the requisite leverage.

The Russians seem to alternate between saying it is unrealistic to expect the Iranians and their allied militias to leave, and probing to see what they can get for brokering such an

Putin gives nothing away without a price. To protect America's interests, neither should Trump.

agreement. Last month Nikolai Patrushev, secretary of Russia's Security Council, proposed a trade-off to Mr. Trump's national security adviser, John Bolton: In return for Russia's establishing a buffer zone in Syria free of Iranian and Shiite militias opposite Israel, the U.S. would drop sanctions against Iran. Mr. Bolton rejected the idea. He nonetheless announced after his meeting with Mr. Patrushev that he believed the Russians would like Iran to leave Syria. But it looks like the Russians are more interested in

brokering limited agreements, and only for a price.

In theory, the U.S. should be able to cut a favorable deal. With Turkey and Israel as partners, the U.S. position is more powerful than Russia's. Israeli officials recently acknowledged hitting 200 Iranian targets in Syria. Turkey has a military presence in and around Idlib, and the U.S. has forces in northeast Syria. Together, the U.S. and its partners control about 40% of Syrian territory.

Unfortunately, U.S. relations with Turkey are in crisis. President Recep Tayyip Erdogan has ratcheted up his rhetoric in response to Mr. Trump's sanctions over Turkey's detention of Pastor Andrew Brunson. Mr. Erdogan is in talks with the Russians to see if a cease-fire can be restored in Idlib. But Russian airstrikes the day after Mr. Erdogan's Tehran summit with Mr. Putin and Iranian President Hassan Rouhani may create an opening for the U.S. to bring the Turkish president back into the fold.

The two countries share a strategic interest in preventing Iran and Russia from expanding their presence in Syria. Washington should probe whether Ankara is willing to forge a

coordinated posture toward the Russians. Mr. Trump recently appointed James Jeffrey as the U.S. special representative for Syria engagement. Mr. Jeffrey is a former ambassador to Turkey whom Mr. Erdogan respects.

The U.S., Turkey and Israel share an interest in containing Iran and its Shiite militias in Syria. Russia has the capacity to deliver that, but it would want the U.S. out of Syria in return. The Trump administration could condition an American withdrawal on the following limits for Iranian and allied militia activity: No military bases in Syria; no more surface-to-surface missiles; no fabrication of missiles or advanced guidance systems in Syria or Lebanon; no qualitatively new air defense radars or missiles; and buffer zones with no Iranian or proxy presence near Turkey, Israel or Jordan.

Mr. Putin gives nothing away without a price. Neither should the Trump administration if it wants to protect American interests in the Middle East.

Mr. Ross has held senior national security positions in several presidential administrations and is counselor at the Washington Institute.

The Volcker Rule Needs Transparency More Than ‘Simplification’

By Sheila C. Bair

And Gaurav Vasishtha

A group of federal regulatory agencies have proposed a nearly 400-page "simplification" to the Volcker rule, the reform passed after the 2008 crash to curb risky financial activities. Part of the Dodd-Frank Act, the Volcker rule prohibits commercial banks, which are ultimately backed by taxpayers, from engaging in certain speculative trading activity. It also restricts their ability to invest in hedge funds or private-equity funds. The rule helps reduce moral hazard, decrease conflicts of interest between banks and their customers, and foster stability in the financial system.

Tampering with the Volcker rule is a dangerous business that should only be done with transparency and care. So it's alarming that regulators are aiming to change the rule without making public an analysis of the reams of data they have collected from banks since the implementation of the rule, nor releasing the data publicly. This lack of transparency makes meaningful public input in the rule-making process more difficult. Self-interested industry advocates who do have access to the data have a steep informational advantage. The opaque process bolsters the view that the simplification effort may be a ruse to weaken the regulation.

Since 2014 the Volcker rule has required banks with significant trading

activity to report certain metrics to five regulatory authorities—the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and the Commodity Futures Trading Commission. The metrics include information on each trading desk's risk exposures, sensitivities to different market conditions, profits and losses, and various inventory and trade ratios. Although primarily intended to ensure bank compliance, these metrics are also useful for policy makers to gauge the rule's effectiveness and monitor potential risks in the trading operations of the largest banks.

But the regulators haven't presented an analysis of this treasure trove of information. Instead, they are proceeding based on the banking industry's assertions about the impact of the Volcker rule. Their proposal, presented in May, would change the

scope of the proprietary trading prohibition, relieve certain trading desks of the obligation to demonstrate compliance, and essentially defer to bank management's discretion in de-

Five different agencies collect data in various forms. Regulators should standardize them.

scope of the proprietary trading prohibition, relieve certain trading desks of the obligation to demonstrate compliance, and essentially defer to bank management's discretion in de-

ciding whether certain trades fall within exemptions for hedging and market-making. For instance, management wouldn't even have to demonstrate that a "hedge" correlates with the risk it's meant to reduce. In the precrisis days, excessive deference to bank managers had disastrous consequences.

At the very least, these policies shouldn't be implemented before the data are carefully assessed. Withholding the data deprives the public of the most basic information on the rule's impact. The banking industry is already the dominant voice in the equation; the government's obfuscation gives the banks even more power. Regulators have been considering the release of these data, including ways to anonymize and aggregate them appropriately, for well over a year. It's time they finally did so.

In the interests of true simplification, regulators should also seize the opportunity to standardize the data currently being collected in various formats by five different agencies. Volcker rule metrics remain an underused tool for monitoring systemic risk. By coordinating efforts to analyze them, regulatory authorities could better spot problematic trends in a timely fashion. This would go a long way toward assuring the public that this important reform is being used faithfully and rigorously to prevent the kind of reckless behavior that brought the economy to the brink a decade ago.

Ms. Bair was chairman of the Federal Deposit Insurance Corporation from 2006-11. Mr. Vasishtha is the Senior Vice President and Director of Financial Regulation at the Volcker Alliance.

THE WALL STREET JOURNAL.

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Notable & Quotable: Witnesses

Paula Bolyard writing for PJ Media, Sept. 7:

If you want proof that our system is broken, you need only look at today's hearing on the nomination of Brett Kavanaugh to the Supreme Court, where children who aren't old enough to vote testified against the nominee. The great sages of the Democratic Party are kids who know little-to-nothing about the role of the Supreme Court, as their testimonies demonstrated today.

First up was Parkland shooting survivor Alayah Eastmond. "I am very concerned since learning Brett Kavanaugh's views on guns, and how he would strike down any assault weapons ban," she explained. . . . She also took the time to call out

Second Amendment extremist groups" and "other domestic terrorists." . . .

Eastmond was followed by two children with chronic health problems, both of whom have apparently been led to believe that if Kavanaugh is confirmed, they will be banned from seeking treatment for their conditions and forced to breathe dirty air. . . .

Sen. Cory Booker (D-N.J.) followed up by asking Eastmond what policies she would like to see enacted—again, highlighting how far off-track these hearings have gone. Rather than focusing on Kavanaugh's judicial philosophy and his legal opinions, Democrats on the Senate Judiciary Committee have chosen to focus on legislative issues.

In the interests of true simplification, regulators should also seize the opportunity to standardize the data currently being collected in various formats by five different agencies. Volcker rule metrics remain an underused tool for monitoring systemic risk. By coordinating

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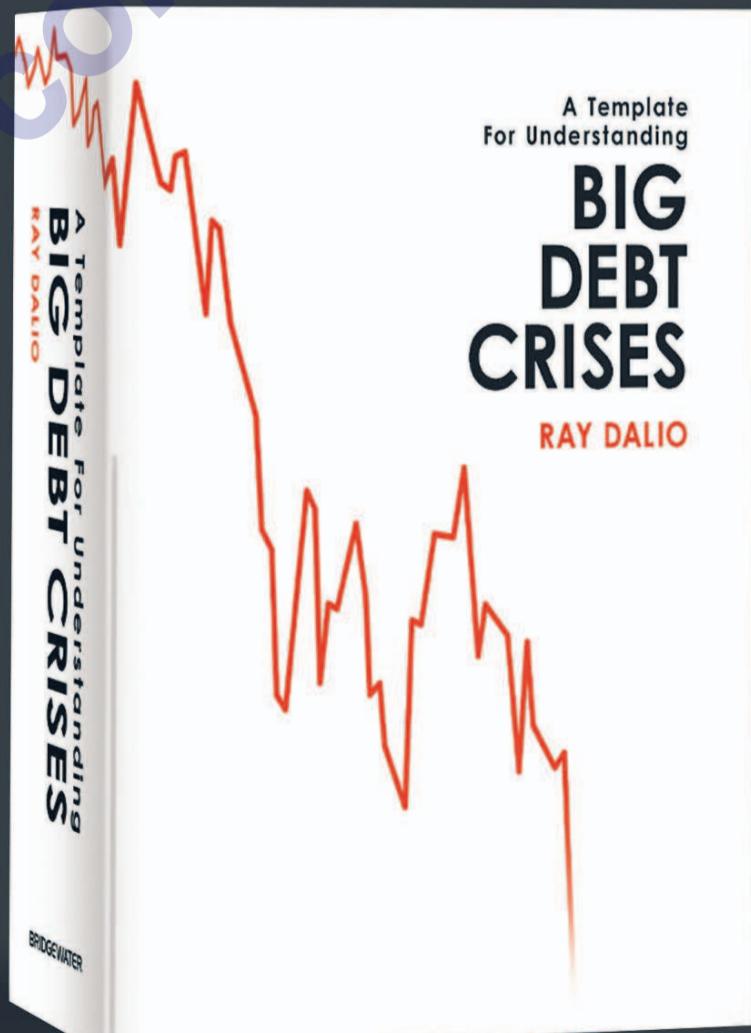
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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, September 10, 2018 | B1

Last Week: S&P 2871.68 ▼1.03% S&P FIN ▼0.15% S&P IT ▼2.93% DJ TRANS ▲0.39% WSJ\$IDX ▲0.39% LIBOR 3M 2.331 NIKKEI 22307.06 ▼2.44% See more at WSJMarkets.com

Google, EU in Online Border War

Google on Tuesday will appeal an order to extend the European Union's "right to be forgotten" to its search engines across the globe, arguing

By Sam Schechner
in Paris and
Jacob Gershman
in New York

before the EU's top court that the order encourages countries to assert sovereignty beyond their borders.

National laws used to stop at the border. In cyberspace, they increasingly stretch around the world, as regula-

tors in Europe, the U.S. and Canada have started asserting legal authority over the internet across country lines.

That is thrusting global technology companies such as Google, Facebook Inc. and Microsoft Corp. into a potentially costly legal morass, and setting the stage for conflict over who will—or should—regulate everything from free speech and privacy to cybercrime and taxes.

The Google dispute before the EU's Court of Justice in Luxembourg is the highest-profile case yet to test where jurisdiction begins and ends when it comes to data. Google

is appealing a 2015 order from France's privacy regulator, CNIL, to extend the EU's "right to be forgotten" to all of its websites, no matter where they are accessed. CNIL fined Google €100,000 (\$115,527) when it didn't comply.

France argues that the right—which allows individuals to request removal of results that include personal information from searches for their own names—is empty if users can still access those results by spoofing their location, for instance by connecting to a VPN. Google, a unit of Alphabet Inc., says France's demand risks allowing the cen-

sorship laws of dictators and tyrants to dictate what people around the world can see online.

"It will set governments' expectations about how they can use their leverage over internet platforms to effectively enforce their own laws globally," said Daphne Keller, who studies platforms' legal responsibilities at the Stanford Center for Internet and Society and previously was Google's associate general counsel.

At issue in these disputes, experts say, is a fundamental mismatch between how both laws and the borderless internet operate. As regulations

proliferate, tech firms risk ending up in a legal bind no matter which course of action they take, lawyers say.

Over Google's objections, Canada's highest court last year ordered the internet giant to globally block search results linking to commercial websites associated with a company accused in Canada of stealing trade secrets. A U.S. federal judge later declared that the Canadian world-wide injunction wasn't enforceable in the U.S. Google ultimately agreed to comply with the injunction, which remains in place.

Conflict also can arise when

Please turn to page B4

D.E. Shaw Faces a Fight Over Statement On Firing

BY RACHAEL LEVY

A former partner at D.E. Shaw Group, one of the world's largest hedge funds, filed a complaint against the firm, accusing it of defaming him in communicating his firing.

The complaint highlights a new challenge for employers, who in the age of #MeToo must decide what to say, if anything, upon terminating an employee alleged to have engaged in misconduct.

Last week, Daniel Michalow filed the complaint with the Financial Industry Regulatory Authority, said his lawyer, John Singer. Mr. Michalow is seeking hundreds of millions of dollars in restitution and a "corrective statement" from the firm, Mr. Singer said. The filing isn't public.

In March, the company gave Mr. Michalow the option to retire, which he chose to do, people close to Mr. Michalow and a person close to D.E. Shaw said. D.E. Shaw later said Mr. Michalow was fired after an internal investigation. Finra arbitrates complaints about the business activities of brokerage firms.

"To the extent you're going to say something that is disparaging, there's not much you can say that will protect you from being sued," said Michael Willemain, an attorney at Wigdor LLP, which has represented employees filing discrimination cases but isn't a party to the D.E. Shaw dispute. "To the extent that you are going to say anything, the less explicit it is, the less disparaging it is, the less it is an accusation of misconduct or wrongdoing, the less likely it is to give rise to any le-

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Profits Soar in Japan, but Shares Don't

BY MIKE BIRD

Something strange is going on with corporate Japan: Profits have soared at Sony Corp., Suzuki Motor Corp. and many others. Yet foreign investors, by and large, aren't that interested.

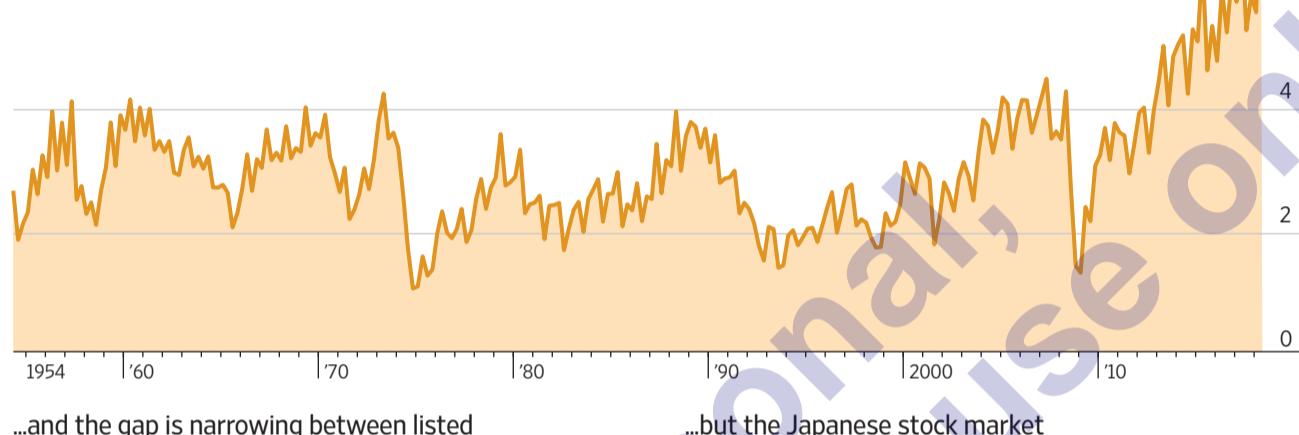
Overall, Japanese companies have rarely been better at making money. After decades of stagnation, profitability has soared under Prime Minister Shinzo Abe's economic revival program, dubbed Abenomics. Profit margins at nonfinancial firms hit a record 7.7% in the second quarter. This ratio, which compares earnings before interest payments and taxes with sales, rarely topped 4% until a few years ago.

The trend has been sparked by both strengthening economic growth and changes to the way publicly traded businesses are run in Japan. As part of Mr. Abe's changes, companies have been encouraged to focus more on measures of efficiency, such as return on equity, and on being more responsive to shareholders, with better qualified and more independent boards. Complex corporate structures are being unwound. A steward-

Please turn to page B2

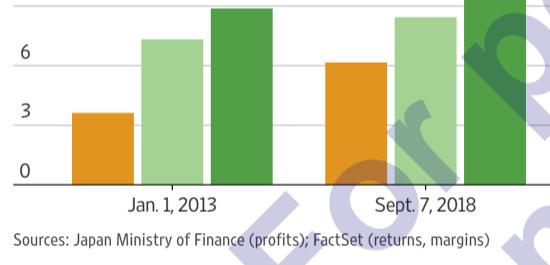
Japanese companies have become much more profitable in recent years...

Corporate profits as a share of sales



...and the gap is narrowing between listed Japanese companies and their global peers...

Net margins of FactSet indexes



Sources: Japan Ministry of Finance (profits); FactSet (returns, margins)

...but the Japanese stock market still trails behind U.S. stocks.

Total returns, weekly



THE WALL STREET JOURNAL.

INSIDE



CHEAP CUSTOM DRUGS SPUR A REACTION

PHARMACEUTICALS, B3

FROZEN MEALS ARE SELLING LIKE HOT CAKES

MARKETING, B2

Conflicting Signals Stir Up Oil Market

BY DAN MOLINSKI

The oil market is at a crossroads after its worst week in almost two months prompted many investors to reassess whether global growth will continue stoking demand for fuel.

West Texas Intermediate slid 2.9%, the biggest weekly decline since July, to \$67.75 a barrel. That is after the U.S. crude benchmark had capped August with one of its sharpest rallies of the year, jumping more than 7% from the middle of the month. Brent, the global barometer for crude, ended

last week 1% lower at \$76.83, after nearing an almost four-year high.

The rapid rise and fall in oil prices is a sign investors are weighing conflicting signals in the market. On one hand, robust developed-market economies have sustained demand for crude, while U.S. sanctions against Iran have led to shrinking oil exports from the country, draining global supplies.

At the same time, emerging markets recently tipped into a bear market, spurring investors to monitor whether deeper declines will spill over into other assets.

Emerging markets are the main source of growth in oil demand, said Ole Hansen, head of commodity strategy at Saxo Bank. He expects crude prices to be rangebound but also that spikes may push U.S. gasoline prices higher, which could lead to lower oil consumption.

Demand growth for crude would then be hit by a "perfect storm" of rising oil prices and weaker currencies," he said.

Adding to pressures, the oil market is entering a season when demand typically weakens. Autumn is considered a "quiet period" for oil, with prices often declining as the

summer driving season ends and refineries shut for maintenance.

U.S. oil prices have drifted between \$64 and \$74 since April, while \$71 and \$79 have been the bookends for Brent.

Data show demand for oil and fuel staying strong domestically. U.S. gasoline prices, which average \$2.86 a gallon, are about 20 cents higher than they were last year at this time.

But U.S. motor gasoline supplied to the market—a figure used by economists as a proxy for demand—has averaged 9.4 million barrels a day since April.

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'The Nun' Conjures Up Another Warner Bros. Win

Associated Press

LOS ANGELES—The horror movie "The Nun" topped the domestic box office in its first weekend, scoring a best for the "Conjuring" franchise and another win for Warner Bros.

Studio estimates on Sunday said the film brought in \$53.5 million from 3,876 North American theaters. Internationally, it banked \$77.5 million for a \$131 million global debut. The movie, a spinoff of "The Conjuring 2," cost \$22 million to produce. Before "The Nun," the largest opening in the "Conjuring" universe was "The Conjuring's" \$41.8 million launch.

Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. <i>The Nun</i>	Warner Bros.	\$53.5	\$53.5	--
2. <i>Crazy Rich Asians</i>	Warner Bros.	\$13.6	\$136.2	-38
3. <i>Peppermint</i>	STX Entertainment	\$13.3	\$13.3	--
4. <i>The Meg</i>	Warner Bros.	\$6	\$131.6	-43
5. <i>Searching</i>	Sony	\$4.5	\$14.3	-26

*Friday, Saturday and Sunday Source: comScore

BUSINESS & FINANCE

TV Dinners Back With Pizza-a-zz

BY ANNIE GASPARRO AND SAABIRA CHAUDHURI

Sales of frozen microwavable meals are rising at the fastest pace in a decade, drawing attention from food-company executives otherwise struggling with falling sales for well-known but outdated brands.

"We believe this is not a blip," said Sean Connolly, chief executive of **Conagra Brands** Inc., maker of Healthy Choice, Banquet and Marie Callender's frozen meals. "For the first time in a generation, this space is starting to be modernized again."

Sales of frozen entrees rose 5.7% over the year ended July 15, according to market-research firm Spins, after annual growth of 0.6% and 1.5% the previous two years. The latest bump outpaces the 2% rise in overall packaged-food sales and marks a change from several years of diminishing sales in frozen meals earlier this decade.

Conagra, **Nestlé** SA and **Kraft Heinz** Co. are spending millions of dollars to freshen up frozen brands, introduce new ones and expand manufacturing capacity.

Karrin Childs, a 37-year-old accountant in Akron, Ohio, got past her aversion to bland frozen meals after trying Nestlé's new Lean Cuisine dishes, such as butternut squash ravioli, in distinctive black packaging.

"It's always good to have

Pickup in the Freezer Aisle

Frozen-food sales are growing, delivering profits to struggling packaged-food companies.

Fastest-growing food categories

Change from previous year for the 12 weeks ended March 10

Fresh fruit

6%

Frozen vegetables

6

Frozen pizza

5

Frozen meals

4

Salty snacks

4

BUSINESS NEWS

Cheap Custom-Made Drugs Spur Backlash

Compounders face tighter rules, lawsuits from traditional pharmaceutical makers

BY MELANIE EVANS

A new kind of drugmaker is emerging to meet demand for lower-price medicines by custom-making drugs, sparking pushback from federal health regulators and legal challenges from traditional pharmaceutical companies.

Meanwhile, pharmaceutical companies have filed suits that seek to stop rivals from compounding drugs at large volumes.

The conflicts underscore a central challenge as policy makers, industry and the FDA itself seek to ease regulation and bolster competition to lower drug prices—balancing access to less-expensive drugs against safety concerns and legal protections for innovative medicines.

"If people start taking compounded drugs because of cost, instead of a generic or new drug, that would undermine the premarket approval system," Julie Dohm, the FDA senior science adviser for compounding, said. "Those studies and that testing are so critical to knowing that the drug will be safe and effective."

Drug compounding is a longtime practice, typically done by individual pharmacies to satisfy the specific needs of a patient.

Over the years, some compounders grew to produce large quantities of certain drugs to sell to hospitals and clinics. Federal scrutiny intensified after pain drugs mixed by New England Compounding Center in Framingham, Mass., led to an outbreak of fungal meningitis in 2012 that killed at least 64 people. In response, Congress required large-volume outsourcing compounders, known as "outsourcing facilities," to follow certain manufacturing, quality and labeling standards, though the rules stopped short of requiring FDA approval of compounded drugs.

About 70 facilities are registered with the FDA to compound drugs in bulk, though it couldn't be determined how many market lower-cost medicines. Then last month, the FDA proposed excluding

proposed taking some ingredients off a list of those approved for bulk-compounded drugs, which are often sold to hospitals and doctors. The agency sees no clinical need for compounders to use those ingredients, FDA Commissioner Scott Gottlieb said in a statement announcing the proposal.

Meanwhile, pharmaceutical companies have filed suits that seek to stop rivals from compounding drugs at large volumes.

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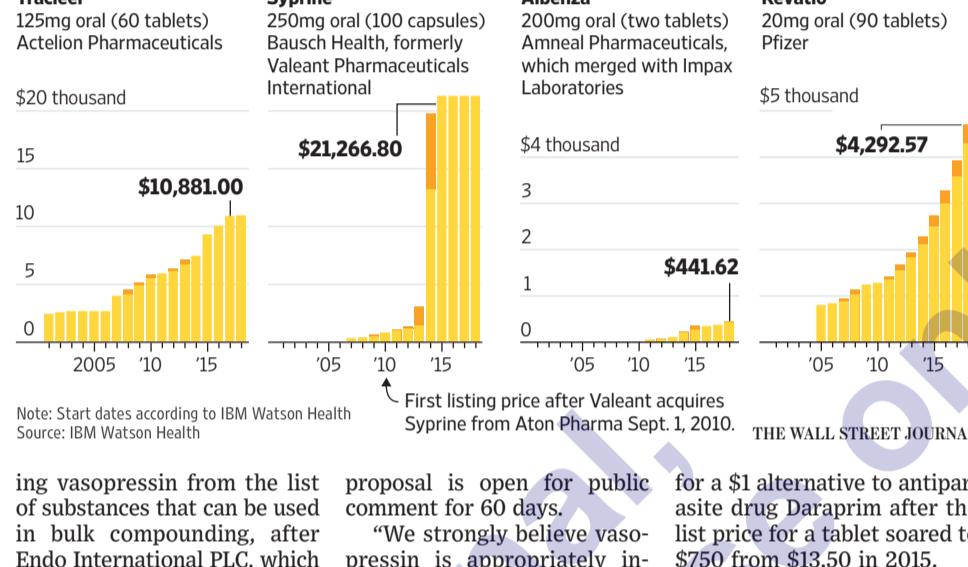
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Imprimis reached a deal with Express Scripts to make a \$1 alternative to an antiparasite drug.

Price Pressure

High-priced drugs face growing competition from drugmakers known as compounders. Below, a selection of branded drugs that face competition from compounded alternatives.



Note: Start dates according to IBM Watson Health
Source: IBM Watson Health

ing vasopressin from the list of substances that can be used in bulk compounding, after Endo International PLC, which sells a version under the brand name Vasostrict, revived a lawsuit over the agency's compounding policy.

Endo Chief Legal Officer Matthew Maletta said the company was "extremely pleased" with the proposal and optimistic FDA would finalize it. The

proposal is open for public comment for 60 days.

"We strongly believe vasopressin is appropriately included on the bulk substances list and we look forward to our active participation with the FDA during the comment period," Athenex said.

Pharmacy-benefit manager Express Scripts Holding Co. signed a deal with compounding Imprimis Pharmaceuticals Inc.

for a \$1 alternative to antiparasite drug Daraprim after the list price for a tablet soared to \$750 from \$13.50 in 2015.

The deal gives "members who need an affordable alternative to an egregiously priced medication" another choice, said Jennifer Luddy, an Express Scripts spokeswoman.

Daraprim's price rose after Turing Pharmaceuticals AG, then led by Martin Shkreli, bought

the U.S. rights.

Vyera Pharmaceuticals, formerly Turing, didn't respond to a request for comment.

Meanwhile, an Allergan PLC lawsuit threatens Imprimis's compounding of an alternative to Allergan's Restasis dry-eye treatment. Allergan alleges Imprimis is using false and misleading advertising to market its compounded drug.

An Allergan spokeswoman said when a company mass-produces and markets "standardized drugs that are not tailored to an individual patient's medical needs under the guise of compounding, they may be putting thousands of patients at risk."

"The facts will demonstrate that Allergan was not out-marketed by us and physicians were not misled by us," said Imprimis CEO Mark L. Baum. He declined to comment further on the lawsuit.

Regulators should consider drug costs when designating shortages that would enable outsourcing compounders to step in, Mr. Baum said. If you cannot afford a drug it is "effectively in short supply."

A new venture, Osh's Affordable Pharmaceuticals, of Littleton, Colo., is marketing compounded drugs for three diseases. Osh's doesn't bulk-produce the drugs but says it has agreements with pharmacies in 30 states to make the low-cost versions.

Osh's markets a compounded version of Syprine, a Wilson disease treatment from Bausch Health Cos. Syprine lists for as much as \$21,000 a month for certain patients, according to wholesale-acquisition cost data from IBM Watson Health, and a generic version made by Teva Pharmaceutical Industries Ltd. costs about \$18,000. Osh's version will cost about \$120 for the same prescription, said founder Alex Oshmyansky.

Dr. Oshmyansky said Osh's will satisfy the FDA by ensuring patients have prescriptions for a custom-made drug. Bausch and Teva declined to comment.

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TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By David Pierce

Look to Cloud to Safeguard Your Digital Life



When it comes to keeping your digital files safe, you should follow the 3-2-1 Rule.

Coined by photographer Peter Krogh and now so widely respected that the government recommends it, the rule goes like this: Have at least three copies of everything, on at least two different types of media, at least one of which should be somewhere else. Two of those are pretty easy. Buy a big hard drive and back your stuff up, and keep your laptop out of the bathtub. Your third place should be a cloud-storage service.

In general, cloud storage works in two ways. One is

the everything-everywhere method: You download an app, which adds a folder to your computer that connects to your cloud storage. Anything you add to or change in that folder automatically uploads, then can be downloaded to your other devices. (Some apps let you choose which folders or files download to a given device.)

The other approach is to upload everything once, then manage it all through web and mobile apps instead of keeping it synced to your local machine. I mostly use the second method, because I don't want the same photo potentially taking up space on five devices.

I like four of the biggest services: Dropbox, Google Drive, Microsoft's OneDrive

and Apple's iCloud. Using any of them is better than using none, but they have important differences. Not all will be for you.

iCloud (5GB free, 2TB for \$10/month): If you have an iPhone and/or Mac, you're likely already using iCloud to sync contacts, calendars, notes and messages across your Apple devices.

If you upgrade, starting at \$1 a month for 50GB of space, iCloud becomes a full-on backup and sync tool for every file on every Apple device you own, which you can access in Finder on your Mac or the Files app on iOS. Problem is, you have to download files every time you want to access them, which will fill your hard drive quickly.

iCloud shows little love for non-Apple devices, too. The iCloud web app stinks, and iCloud for Windows is far more complicated to use than other services.

OneDrive (5GB free, 1TB for \$7/month): OneDrive checks all the cloud-storage boxes—works on lots of devices, easy enough to use, stores all your files—but

doesn't offer much in the way of uniquely great features. I like On Demand, which can show you synced files as if they're local but won't download them until you open them. On the other hand, I dread using its slow web interface. You can't beat the price: \$7 a month gets you a terabyte of storage plus a full Microsoft Office 365 subscription with Word,

Excel and the rest.

OneDrive is designed primarily for people who use Microsoft and Windows products daily. Still, it's friendlier to other platforms than iCloud is.

Google Drive (15GB free, 2TB for \$10/month): Drive's best features are Google's best features. You can search for the text of handwritten notes or find a picture just by describing it. The new Quick Access bar guesses,

surprisingly accurately, what you might be looking for every time you open the app. There's also no better place to put your random files if you already work in Google Docs and store your pictures in Google Photos. It doesn't have tags or labels for organizing your stuff,

though—Google would rather you just search.

Dropbox (2GB free, 1TB for \$10/month): Dropbox is the only one of these services not owned by a tech giant, and that neutrality offers some advantages. It has a huge number of integrations that allow you to edit Microsoft Office and AutoCAD files, send huge attachments in Gmail or quickly share things in Slack.

Dropbox is good at managing multiple devices by only downloading the files you need on each one. Dropbox's version history even keeps past iterations of your files, too, to save you from a bad edit or accidental delete. I don't care for Dropbox's super-sparse interface, but it's an impressively robust tool.

Apple to Broaden Its iPhone Screens

BY TRIPP MICKLE

three new phones and 28% bigger than the two models unveiled in 2016.

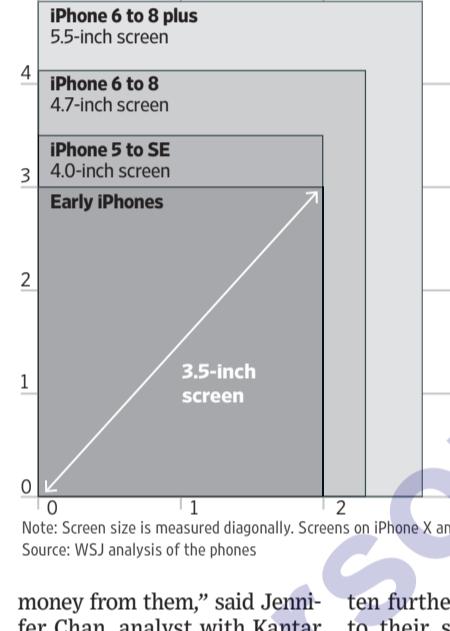
At a time when people are buying fewer new phones, bigger size brings two advantages. It helps Apple buoy prices and profit margins because it can sell larger phones at a greater markup than it pays suppliers for the larger screens. And it encourages people to use their phones more, helping momentum of Apple's services business, which includes app-store sales and subscriptions to video services like Netflix and HBO.

Users with smartphone screens 6 inches or larger, like ones Apple plans to launch this year, typically use twice as many apps as those with 5.5-inch screens, such as those on the largest versions of the iPhone 6 or 7, said Kantar Worldpanel, a market research firm. Users of the larger devices also are 62% more likely to play games and twice as likely to watch video daily as people with smaller screens.

"The bigger the device, the more people are getting out of it, and the more opportunity there is for Apple to generate

Through the Years

Apple plans to announce two new iPhone models with larger screens and an updated version of iPhone X with a faster processor.



money from them," said Jennifer Chan, analyst at Kantar Worldpanel. She added that the larger phones typically carry faster processors, more memory and better graphics than smaller devices.

Though the iPhone remains Apple's most important product, accounting for about two-thirds of revenue, unit sales growth has waned in recent years and is expected to flat-

ten further as people hold on to their smartphones longer and it gets harder to keep raising prices.

Apple's iPhone revenue increased 15% to \$129.51 billion over Apple's first three fiscal quarters through June, even as shipments rose 0.4% to 170.8 million units over the period. The services business jumped 26% over the same period to \$27.2 billion.

The new iPhones are likely to start at \$800 for the LCD model, \$900 for the iPhone X update and \$1,000 for 6.5-inch OLED model, up from last year's starting prices of \$699, \$799 and \$999, according to Nomura Group's global equity research unit. It predicts average iPhone selling prices will rise by \$20.

—Yoko Kubota and Yang Jie contributed to this article.

Infowars Pulled From App Store

Apple Inc. removed Alex Jones's Infowars website from its App Store late Friday, eliminating one of the few remaining digital platforms available to the right-wing provocateur.

The company took down five apps affiliated with Infowars for violating its app-developer guidelines, an Apple spokeswoman said. Those guidelines preclude apps that deliver content that is "offensive, insensitive, upsetting...or in exceptionally poor taste." That includes "mean-spirited references or commentary" about religion, race, sexual orientation and gender.

Infowars won't be allowed to return to the App Store, the spokeswoman said. She declined to say what Infowars content violated Apple's policies.

The removal came a day after Twitter Inc. permanently banned Infowars and Mr. Jones, its founder. That followed previous content removals from Facebook Inc. and Alphabet Inc.'s YouTube.

Mr. Jones has argued that Silicon Valley is suppressing his First Amendment rights and trying to stifle conservative viewpoints.

much as 4% of a company's annual world-wide revenue.

Google declined to comment on what it will do if it loses the case. A ruling will likely take at least several months. Before the court rules, one of its advocate generals will issue a nonbinding opinion.

Google says it will argue that its application of the right to be forgotten is already effective in France for well over 99% of searches. More broadly, the company plans to assert that the EU has an obligation to minimize legal conflict with other jurisdictions. It also will argue that the right to be forgotten is far from settled law in many places, such as the U.S., where freedom of speech usually prevails over privacy concerns.

Google, EU In a Battle On Borders

Continued from page B1
one country's police demand data from a tech company, but another country's law forbids giving such data to foreign police. In early 2015, for instance, Brazilian law-enforcement officials detained a Microsoft executive in São Paulo after the company refused to produce Skype data of a Brazilian customer, Microsoft said in a blog post later that year. The reason: The data was kept in the

U.S., and American law at the time forbid Microsoft from turning it over to foreign law enforcement, putting the company in a legal bind, the company said.

The Google case being heard Tuesday stems from the EU Court of Justice's landmark ruling in 2014 that created a right to be forgotten from search engines. The court said that search engines must honor individuals' requests to remove results, including their personal information, from searches for their own name. But the court also said Google must balance those requests against the public interest in keeping those results linked to that person—for instance, in the case of public figures.

Google moved quickly to

implement the ruling on all the European versions of its search engine, setting up a request and vetting process that has so far removed some one million search results in Europe. In one instance, Google removed links to a 1998 Wall Street Journal article about tantric sex from the search results of a man who the article said had attended a tantra workshop.

If Google complies with the French ruling ordering global application, the firm risks running up against U.S. free-speech protections. Content providers could seek U.S. court injunctions to stop removals, but then Google would face EU privacy fines if it complies. Under the EU's new privacy law, such fines can rise to as

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to manage the risk and compliance of ever-changing regulations.

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MARKETS DIGEST

New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range(\$)	Low/High	Bookrunner(s)
9/11	8/15	111 Inc Software-Medical Tech, through optimized supply chain and resources.	YI Nq	18.6	14.00/ 16.00	JPM, Citi, China Int'l	
9/11	8/13	NIO Inc Manufacturer of electric vehicles.	NIO N	160.0	6.25/ 8.25	MS GS, JPM, BofA ML, DB, Citi, CS, UBS	
9/13	8/17	Principia Biopharma Inc Biopharma focused on the design & develop. of small molecule drugs.	PRNB Nq	4.7	15.00/ 17.00	BofA ML, Leerink Prtnrs, WFS	
9/13	8/17	Outoutiao Inc Software-Apps. Mobile content aggregator.	QTT Nq	16.0	7.00/ 9.00	Citi, DB, China Merchants Securities, UBS	

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	Symbol	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
Sept. 10	March 14, '18	Arcus Biosciences Inc	RCUS	15.00	138.0	-14.3	180 days
Sept. 11	March 15, '18	Zscaler Inc	ZS	16.00	220.8	187.8	180 days
Sept. 12	March 16, '18	Senniao Technology Ltd	AIHS	4.00	13.5	27.5	180 days
Sept. 15	March 19, '18	Golden Bull Ltd	DNJR	4.00	7.1	90.0	180 days

Sources: Dealogic; Dow Jones Market Data

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Expected Issuer/Business	Symbol/ Primary exchange	Amount (\$ mil.)	Friday's price(\$)	Bookrunner(s)
Sept. 13 Navios Maritime Containers Inc Transportation	NMCI Nq	100.0	n.a.	JPM, BofA ML, Citi, Clarkson Platou Securities AS

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/ Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
KalVista Pharmaceuticals	Sept. 6 March 29, '17	\$68.0	\$100.0	Jefferies, Stifel, Cantor Fitzgerald
Retrophin	Sept. 5 Sept. 4, '18	\$276.0	...	Jefferies, Barclays
Sun Communities Real Estate/Property	Sept. 4 April 6, '18	\$506.5	...	Citi, BofA ML, BMO Cptl Mkts, RBC Cptl Mkts
Agree Realty Real Estate/Property	Sept. 4 June 2, '17	\$193.2	...	Citi, Jefferies

Public and Private Borrowing

Treasuries

Monday, September 10 Tuesday, September 11

Auction of 13 week bill; Auction of 4 week bill;

announced on September 6; settles on September 13 announced on September 10; settles on September 13

Auction of 26 week bill; Auction of 52 week bill;

announced on September 6; settles on September 13 announced on September 6; settles on September 13

Auction of 3 year note; Auction of 3 year note;

announced on September 6; settles on September 17 announced on September 6; settles on September 17

Wednesday, September 12 Thursday, September 13

Auction of 10 year note; Auction of 30 year bond;

announced on September 6; settles on September 17 announced on September 6; settles on September 17

Public and Municipal Finance

Deals of \$150 million or more expected this week

Final Sale maturity	Issuer	Total (\$ mil.)	Rating	Bookrunner/ Bond Counsel(s)
Sept. 10 prelim.	Massachusetts Clean Water Trust	165.0	N.R.	N.R. Citi/-
Sept. 11 June 1, 2038	King (Shoreline) SD #412	206.8	N.R.	N.R. Preliminary/ Foster Pepper
Sept. 11 Oct. 1, 2048	St Petersburg City- Florida	204.6	N.R.	N.R. Preliminary/Bryant Miller Olive PA
Sept. 12 March 1, 2039	Mecklenburg Co- North Carolina	150.0	N.R.	N.R. Preliminary/Robinson Bradshaw & Hinson
Sept. 12 April 1, 2044	Santa Clara Financing Auth	163.3	N.R.	N.R. Preliminary/ Orrick H & S
Sept. 14 prelim.	Chicago Public Housing Authority	225.0	N.R.	N.R. Cabrera Capital Markets Inc/-
Sept. 14 prelim.	Las Vegas Conv & Visitors Auth	500.0	N.R.	RBC Cptl Mkt/ Stradling Yocca Carlson

Source: Thomson Reuters/Ipreo

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BUSINESS OPPORTUNITIES

BEN LABROT
FOUNDER & CEO, FLOATING DOCTORS
LOS ANGELES, CA

2000

Graduates from med school in Ireland

2004

While on vacation in Tanzania, spends an entire day treating the residents of a remote Maasai village

2008

Found Floating Doctors. Regularly travels to Haiti, Honduras and Panama to treat patients in remote coastal areas. Lives without income for 4 years

2010

Breaks free from mooring, and crashes boat onto an island reef. Narrowly escapes with vessel intact

2015

Purchases an annuity

2030

Target retirement date



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Income

MARKETS

Overseas Rout Rattles State

By ASJLYN LODER
AND JULIE WERNAU

The troubles hammering developing economies are reverberating as far as Tennessee, where the state's retirement system is the biggest shareholder of a dozen exchange-traded funds that buy stocks in those markets.

The rout has exposed the difficulties facing U.S. public pensions, many of which have embraced riskier assets in recent years hoping to boost returns.

The Tennessee Consolidated Retirement System, which manages \$50 billion in pension assets for the state's public employees, has almost \$2 billion invested in ETFs devoted to some of the hardest-hit markets such as South Africa, Indonesia and Turkey. Those investments have lost \$243 million since the start of the year, according to FactSet.

Emerging-market countries have suffered in recent months as a rising dollar and higher U.S. interest rates have made their debt burdens more expensive. Those pressures pushed the MSCI Emerging Markets Index into bear-market territory Thursday, defined as a decline of more than 20% from a recent peak.

Public pension funds had hesitated to embrace emerging markets because of human-rights abuses and government instability but have tiptoed in recently, looking for an alternative to the high valuations and slow growth in much of the developed world.

"Globally, pension funds have been investing less and less in equities and bonds and investing more in so-called other alternatives: private equity, infrastructure, emerging markets," said Olivia Mitchell, the International Foundation of Employee Benefit Plans Professor at the Wharton School of the University of Pennsylvania. "That's really a search for higher returns, and that also comes with higher risk."

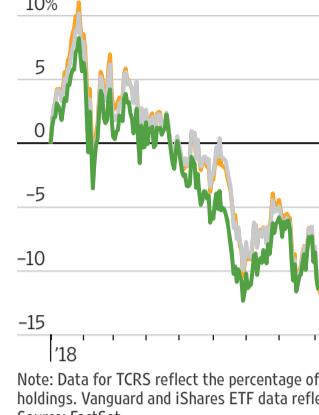
The exposure of U.S. public pension funds to emerging-market equities now averages 4.5%, up from 2.9% a decade ago, according to eVestment, an investment data provider. Tennessee's is 4%.

The New Jersey Division of Investment is the third-largest investor in the \$4 billion

Different Paths

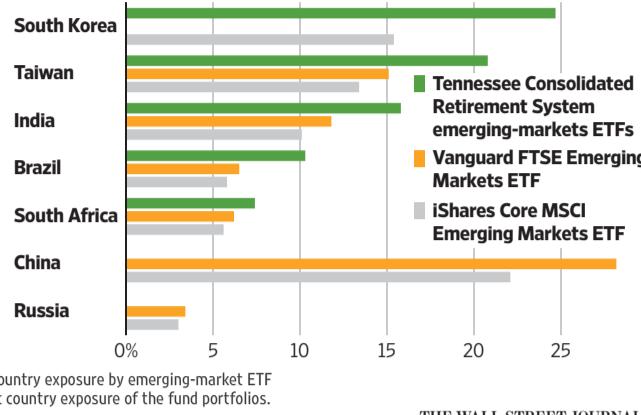
Tennessee's public pension system built its own emerging-market portfolio using single-country ETFs. The system excludes China and Russia, countries that are part of traditional emerging-market indexes.

ETF performance

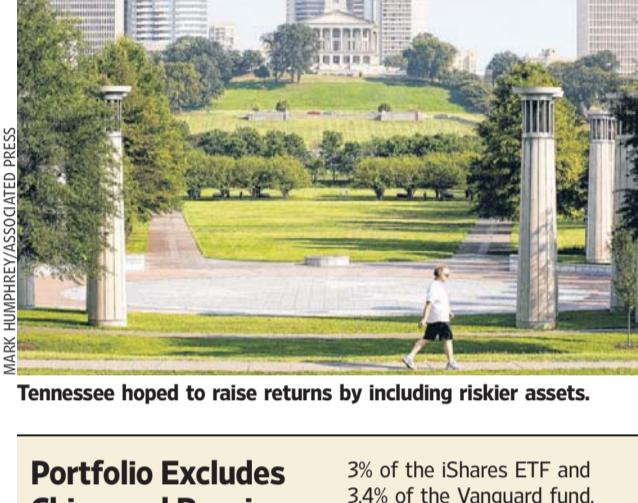


Note: Data for TCRS reflect the percentage of country exposure by emerging-market ETF holdings. Vanguard and iShares ETF data reflect country exposure of the fund portfolios. Source: FactSet

Percentage of assets, by selected countries



THE WALL STREET JOURNAL.



Tennessee hoped to raise returns by including riskier assets.

Portfolio Excludes China and Russia

Notably, Tennessee's portfolio excludes China, the biggest slice of most traditional emerging-market indexes.

China makes up 22% of the \$48 billion iShares Core Emerging Markets ETF and 28% of the \$58 billion Vanguard FTSE Emerging Markets ETF, according to FactSet. Tennessee doesn't invest in Russia either, which comprises

3% of the iShares ETF and 3.4% of the Vanguard fund.

Michael Brakebill, chief investment officer for the Tennessee retirement system, said missing out on China's juggernaut has sometimes been painful, but he has concerns about its financial stability.

That decision has helped this year: The benchmark Shanghai Composite has slumped more than 18% in 2018.

"I don't have huge regrets that we don't have money there right now," he said.

iShares MSCI Taiwan ETF, according to FactSet. Pension plans in Finland, Quebec and Alabama are among the top holders of the \$30.1 billion iShares MSCI Emerging Markets ETF.

What is unusual is the breadth and size of Tennessee's

single-country ETF holdings. It owns nearly 40% of the \$338.6 million in the iShares MSCI South Africa ETF, almost 24% of the \$803.8 million iShares India 50 ETF and more than 21% of the \$169.2 million iShares MSCI Philippines ETF. In all, Tennessee owns 17

Business Insider about an impending article, Mr. Michalow asked D.E. Shaw to issue a statement clarifying that he wasn't found to have committed sexual misconduct or harassment, according to the people close to him.

In response, D.E. Shaw issued a statement that Mr. Michalow was fired for "gross violations of our standards and values." It described his conduct as "abusive and offensive." The firm wasn't willing to say the complaints raised no concerns of harassment or discrimination, the person close to D.E. Shaw said.

"All I asked of the Executive Committee, and even David Shaw, was to be ethical and tell the truth. Instead, they maliciously followed through on their threats to defame me and destroy my reputation," Mr. Michalow said in a statement to The Wall Street Journal. Mr. Shaw is the billionaire founder of the firm.

"Mr. Michalow's account is inaccurate and his claims have no merit," D.E. Shaw's spokesman said. "We stand by our de-

cision to part ways with him and will defend ourselves in the appropriate forum."

Mr. Singer, Mr. Michalow's lawyer, is a well-known attorney who represents several men who lost their positions in light of #MeToo. Tom Clare of Clare Locke also represents Mr. Michalow.

D.E. Shaw's investigation into

The fund cited 'gross violations of our standards' in the partner's firing.

Mr. Michalow began early this year after Mr. Michalow told a colleague that he wanted to hire an assistant he could "call sugar tits," the people close to D.E. Shaw and Mr. Michalow said.

After another employee complained, the firm started an investigation into Mr. Michalow.

That investigation found four other questionable incidents, including a time he had changed

shirts in a hallway and told a colleague he needed a hug after a bad day, the people close to Mr. Michalow said. D.E. Shaw disputes that account.

Following his departure, Mr. Michalow rejected more than \$10 million from D.E. Shaw. The money would have required Mr. Michalow to forgo his right to legal action.

"Under his longstanding employment agreement, Mr. Michalow would have been entitled to receive previously earned compensation had he signed a standard separation and release agreement," D.E. Shaw's spokesman said. "He failed to do so and forfeited any right to that compensation."

Mr. Clare, one of Mr. Michalow's lawyers, disputes D.E. Shaw's account.

Mr. Michalow contends other staffers exhibited behavior worse than his own. In May, he published on social media a letter detailing his claims to Mr. Shaw, where he said some executives dated junior reports and visited strip clubs. D.E. Shaw declined to comment on those allegations.

Ex-Partner Takes On D.E. Shaw

Continued from page B1

gal liability."

Mr. Michalow, 36 years old, joined D.E. Shaw after graduating from Harvard University in 2004 and rose quickly at the firm. At 25, he was running the firm's structured-credit unit, which made around \$500 million over the next few years, the people close to Mr. Michalow said. He made partner at 29 at the end of 2011 and was paid nearly \$40 million the next year, the people close to him confirmed.

Most recently, Mr. Michalow co-ran D.E. Shaw's \$6 billion discretionary macro strategy, which looks for market inefficiencies across asset classes.

D.E. Shaw initially said Mr. Michalow retired in March. In May, after being contacted by

THE TICKER | Market events coming this week

Monday

Consumer credit

June, prev. up \$10.21 bil.

July, exp. up \$13.8 bil.

Tuesday

Wholesale inventories

June, previous up 0.1%

July, expected up 0.6%

Wednesday

Short-selling reports

Ratio, days of trading volume of current position, at Aug. 15

NYSE 4.9

Nasdaq 4.1

Mort. bankers indexes

Purch., previous up 1%

Refinanc., prev. down 1%

* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES)

♦ ADJUSTED FOR STOCK SPLIT

EIA status report

Previous change in stocks in millions of barrels

Crude oil down 4.3

Gasoline up 1.8

Distillates up 3.1

Consumer-price index

All items, July up 0.2%

Aug., expected up 0.3%

Core, July up 0.2%

Aug., expected up 0.2%

Capacity utilization

July, previous 78.1%

Aug., expected 78.3%

Import-price index

July, previous 0.00%

Aug., expected up 0.1%

Treasury budget

Aug., '17 \$108.0 bil. deficit

Aug., '18, exp. n.a.

Earnings expected*

Estimate/Year Ago(\$)

Adobe 1.69/1.10

Kroger 0.37/0.39

Friday

EIA report: natural gas

Previous change in stocks in billions of cubic feet

up 63

Business inventories

June, previous up 0.1%

July, expected up 0.5%

Michigan Consumer Sentiment Index

Aug., final 96.2

Sept., prelim. 96.0

Early Losses in China For BlackRock, Fidelity

By STELLA YIFAN XIE

Some of the world's largest asset managers have gotten a rough welcome in China.

No sooner did fund managers such as **BlackRock** Inc. and **Fidelity International** roll out their inaugural Chinese stock funds for wealthy domestic investors than the country's markets started sliding—the Shanghai Composite Index has fallen 18% this year. The declines have coincided with escalating trade tensions between China and the U.S., China's weakening currency and a slowdown in economic growth.

Although the new BlackRock and Fidelity stock funds have outperformed the broader Chinese market, they—and most of their global peers' new China funds—remain in the red. That marks an inauspicious start for global asset managers trying to establish a performance record within China and build brand recognition there.

Expanding in China is vital for the firms' long-term growth plans, especially as more investors in developed markets put their money in passive investment funds.

In April, BlackRock Chief Executive Laurence Fink said building a presence in high-growth markets such as China was one of the firm's top priorities.

China's asset-management industry is expected to surge to nearly \$12 trillion over the next five years, from \$7.5 trillion now, according to data from Z-Ben Advisors, an industry consultant.

Investors have to be mindful of turbulence in emerging markets, said Marina Gross, executive vice president of portfolio research and consulting at Natixis. She found wealth managers put just 3.5% of their moderate-risk portfolios into emerging-market stocks, but even that small allocation drives 12% of their risk. "Any more than 5% really starts to swamp the portfolio from a risk perspective," she said.

So far this year, Tennessee's emerging-markets portfolio has declined 11.3%, in line with the performance of the broader emerging-markets ETFs, according to FactSet.

Mr. Brakebill said it makes sense to invest in emerging markets because they account for about 50% of the world's gross domestic product. It has "basically done and delivered what we thought it might," he said.

—Ira Iosebashvili contributed to this article.

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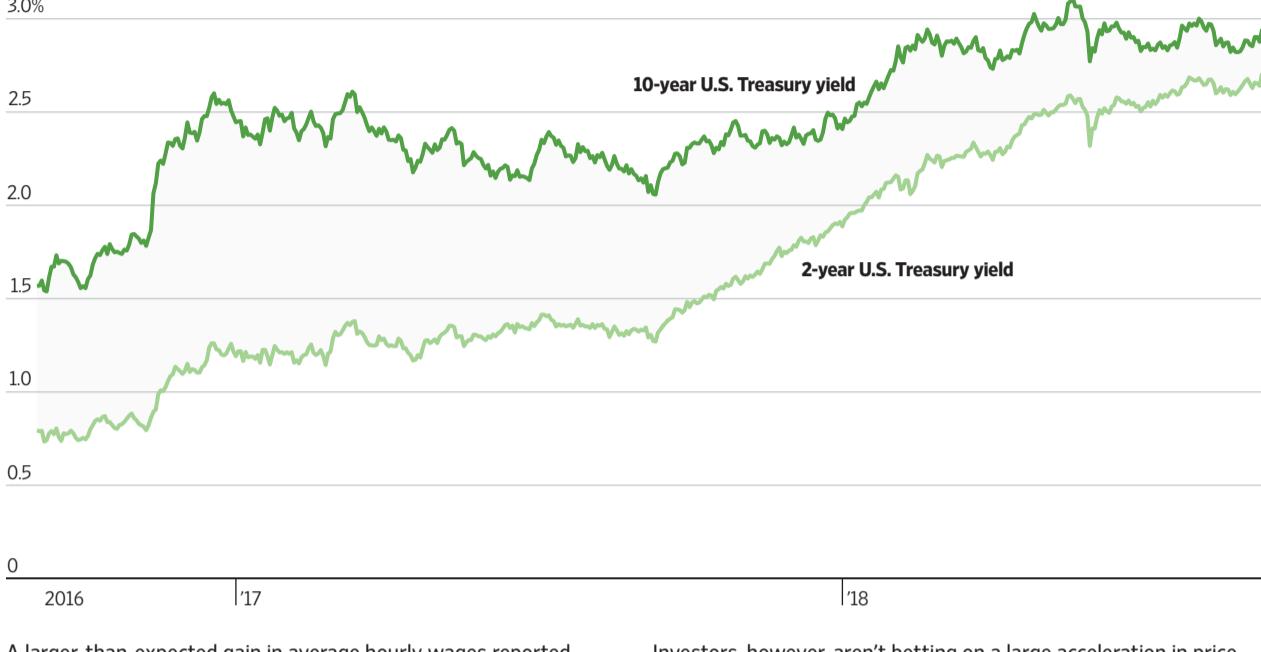
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MARKETS

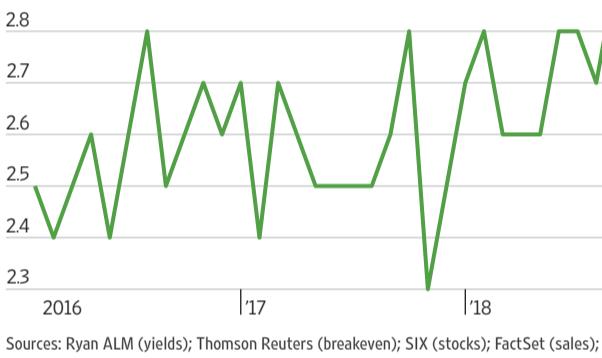
Rising Wages Have Inflation Perking Up

Inflation will be front and center for investors this week. Labor Department data out last Friday showed strong gains in U.S. workers' wages, sparking selling in government bonds. The declines sent the yield on the benchmark 10-year Treasury note, which rises as bond prices fall, to its highest level since Aug. 8, widening the gap between the 10-year and two-year yields. Since the beginning of the year, investors have been searching for signs of inflation, which poses a threat to the value of a bond's fixed interest and principal. Should wages accelerate, some analysts expect the gains to power more consumer spending, leading to a cycle of price increases throughout the economy.



A larger-than-expected gain in average hourly wages reported Friday raised new concerns about an acceleration in inflation. Wage gains are typically considered a precursor to inflation. The slow pace of pay increases earlier this year had been matched by rising prices for gasoline. That had diminished some of the increase to purchasing power that was expected to come from the 2017 tax cuts.

U.S. hourly wages, change from a year earlier



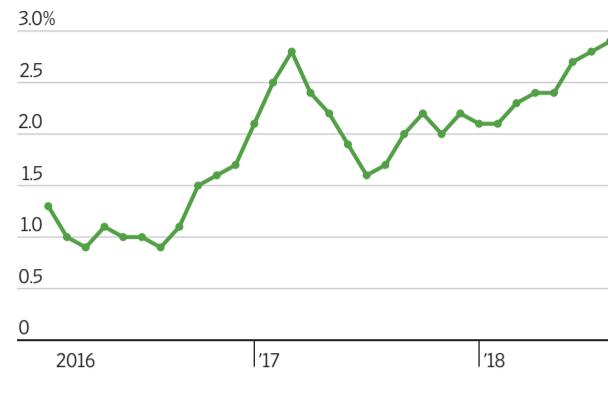
Sources: Ryan ALM (yields); Thomson Reuters (breakeven); SIX (stocks); FactSet (sales); Bureau of Labor Statistics (price index, earnings)

Investors, however, aren't betting on a large acceleration in price increases. A measure of bets on average annual inflation over the next 10 years rose modestly Friday to 2.11 percentage points. Bondholders have been reluctant to bet on a faster pace of consumer-price increases. Continued tension between the U.S. and its major trading partners has damped economic activity and threatens to further restrain the pace of growth.

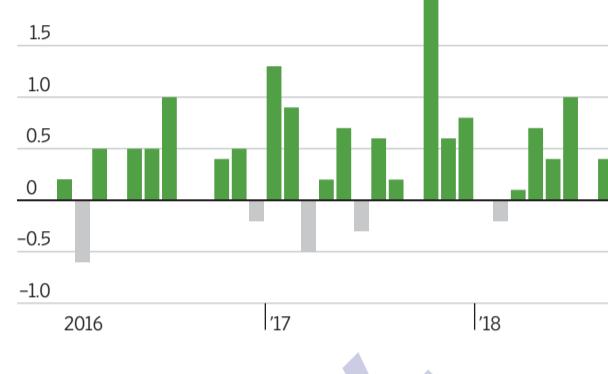
10-year breakeven rate



Investors will get a fresh look at inflation prospects this week when the Labor Department releases the consumer-price index. The index reached a six-year high earlier in 2018, propelled by rising prices for energy, transportation services and shelter.



Economists will watch for continued strength in consumer spending, an engine of the economy, when the Commerce Department releases August retail-sales data this Friday. Growth in retail sales in July was driven by stronger spending at grocery stores, restaurants, department stores and clothing stores.



Shares of retailers have been among the best performers in the S&P 500 this year, an unexpected turnaround fueled by strong earnings, buoyant consumer confidence and a nationwide shopping spree. Department stores, discounters and auto-parts retailers are some of the biggest gainers.



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FINANCIAL ANALYSIS & COMMENTARY

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Mondelez's Muddled Growth Path

Mondelez International, the global purveyor of Oreo cookies and Cadbury chocolate, laid out a new strategic vision on Friday. It left many observers on Wall Street hungry for more details.

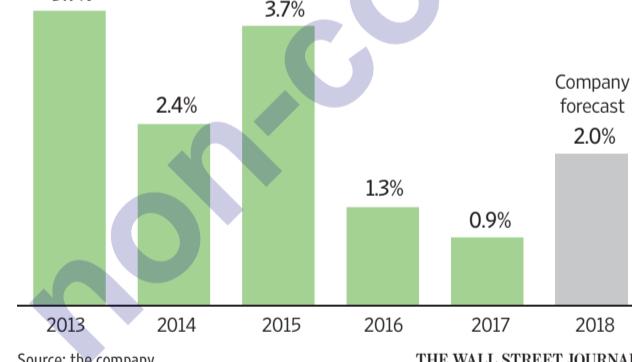
Following a strategic review, new Chief Executive Dirk Van de Put said the company is turning its focus to accelerating sales growth, having been focused on cost cuts and margin expansion since it spun off Kraft Foods in 2012.

The packaged-food industry as a whole is trying to make this same transition as shareholders are eager to see pathways to growth. But investors seemed unconvinced by Mr. Van de Put's plan to get there, sending shares down 2.2% on Friday.

Mondelez executives said they plan to spend more on sales and marketing and also distribution and logistics capabilities over the next few years. They also said they plan to invest more in the company's broad portfolio of local brands in emerging markets. These efforts

Hoping for a Rebound

Mondelez International organic net sales growth



should be enough, they argued, to accelerate organic sales growth to 3% a year compared with 0.9% growth in 2017 and a growth rate expected near 2% this year.

But the company acknowledged a gaping hole in its portfolio where healthy snack options should be. Mr. Van de Put said consumers are snacking more often, a positive trend for Mondelez. But they also are avoiding sugar. Acquisitions may be

necessary to bring more wholesome brands on board, executives hinted Friday.

Mondelez is helped by its exposure to emerging markets, where health concerns are less of an issue. In the first half of the year, the company got 38% of revenue from these markets and it expects them to grow at a mid-single-digit rate going forward compared with low-single-digit growth for developed markets.

Right now, however, this exposure isn't helping Mondelez. Emerging markets have been struggling with slowing growth, inflationary pressures and weakening currencies. These factors, along with planned increases in spending, contributed to the company's surprisingly low guidance of 3% to 5% adjusted earnings-per-share growth in 2019. That is down from 13% to 14% growth expected in 2018 and analysts' estimates of around 7% growth for 2019. The company didn't clarify how much each of the various factors would contribute to the slowdown when repeatedly asked on the conference call.

Mondelez is trading around 17 times forward earnings. While below its average multiple of 20 times over the past five years, that still isn't particularly cheap. Vague pledges that the company will engineer a new growth phase won't be enough to bring that valuation back. The burden is on Mondelez to deliver.

—Aaron Back

OVERHEARD

Companies, like whisky, improve with age—and none more so than companies that make whisky.

An English whisky startup, the Lakes Distillery, is thinking of going public. English as opposed to Scotch whisky is a rare breed, but the craft-whisky boom has prompted a handful of launches.

Anyone can make a new vodka or gin, but whisky needs time to age. This is one reason Chief Executive Nigel Mills is considering raising up to £15 million (\$19 million) on London's Alternative Investment Market: It needs cash to tide it over until it is ready to sell stock in greater volumes. The other reason is marketing. He wants investors to become "brand ambassadors."

A taste for whisky rather than rapid returns is certainly an investment requirement. A fully mature Lakes Distillery product won't be ready until 10 years after distilling began in late 2014. For better or worse, whisky may be the ultimate long-term investment.

Broadcom Explains CA Deal at Last

It took **Broadcom** a little while to plug its latest deal, but late is better than never.

The chip maker used its fiscal third-quarter report Thursday to better explain its rationale for buying CA Technologies. The acquisition—announced two months ago—signaled Broadcom taking a strategic turn deep into the enterprise-software market. The company made little effort at the time to explain the move to investors. Broadcom's stock slid 19% and has remained down ever since.

So the company's belated explanation was a step in the right direction. Broadcom Chief Executive Hock Tan said CA's customer base gives Broadcom a new opportunity to sell its chip products.

Investors seemed receptive, sending Broadcom's shares up Friday. Ed Snyder of Charter Equity—one of several analysts who downgraded the stock following the CA announcement—said the strategy Mr. Tan described will require either Broadcom or its software customers to partner with an equipment maker. "Neither

of those two approaches will be quick or easy, but it isn't likely to matter near-term given the savings and divestitures that can be squeezed out of CA in the next 18 months," Mr. Snyder wrote in a report Friday.

Broadcom's shares, meanwhile, remained just under 11 times forward earnings even with Friday's gains. That is a discount of nearly 23% to the PHLX Semiconductor Index. A risky, counterintuitive deal may rightly keep the stock from fetching a premium for a while. But at this level, giving Broadcom's gambit the benefit of the doubt isn't terribly risky.

—Dan Gallagher

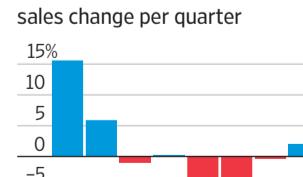
Under Armour Deserves a Discount to Its Competitors

A glance at its stock this year suggests **Under Armour** has returned to the growth trajectory that marked its rise as an athletic-wear giant. Shares are up 40% after finishing 2017 as one of the worst performers in the S&P 500.

The reality is the rebound has been driven more by the strong economy than a turnaround at Under Armour, which still hasn't addressed its underlying problems. Those include persistent discounting, slowing revenue growth, churn in its executive offices and a leader who seems distracted. CEO Kevin Plank opened a private investment firm, **Plank Indus-**

Under Performer

Under Armour's North America sales change per quarter



tries, in 2017. Analysts worry that he is more interested in liquor distilling and race-horse breeding than in fixing Under Armour's flagging operation.

In July, the company reported a net loss that widened to \$95.5 million from \$12.3 million a year previously. Revenue rose 8% to \$1.17 billion, but that was mostly due to an increase in off-price sales. As the company's sales to **Dick's Sporting Goods** have declined, it has entered **Kohl's** and other discount retailers, like **DSW** and **Famous Footwear**.

When Dick's reported a drop in sales, CEO Ed Stack partly blamed Under Armour's decision to sell more to discount stores. In the long term, that move hurts Under Armour's ability to sell at full price. Analysts have suggested that Under

Armour is becoming more like **Reebok** than **Nike**.

The company's sales-growth guidance for the year has fallen to an anemic range of 3% to 4%. Meanwhile, the company has been cash-flow negative for years.

Another problem is inventory levels, a legacy of the company's years of unabated growth. Inventory was expected to rise by 20% in the second quarter but was only up 11% year over year in part because of increasing off-price sales. That cycle of discounting likely will continue. The company is touting its rapid growth in international markets, up 28% in the past quarter, but that is from a

small base. To boost overseas growth enough to offset its slowdown at home, Under Armour will have to beat other, healthier companies, like **Nike** and **Lululemon**.

Mr. Plank has claimed that he is focused on turning around the company, not on his other pursuits with Plank Industries. But analysts are less than convinced. While the company talks a good game on earnings calls about elevating the brand, it isn't actually taking the steps to do so.

As **Nike** sells through at full price, Under Armour has consigned itself to the sale aisle of **Kohl's**.

—Elizabeth Winkler

INVESTING IN FUNDS & ETFS

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THE WALL STREET JOURNAL.

Monday, September 10, 2018 | R1

INSIDE**SAVING FOR RETIREMENT****Ask Encore: The 4% Rule Is Just a Starting Point**

Columnist Glenn Ruffenach discusses whether that is still the 'safe' number to withdraw annually from your savings in retirement

R2

FUNDAMENTALS OF INVESTING**'Value' Stocks Aren't What They Used to Be**

Some believe that price-to-book value ratio—the usual way for investors to evaluate such stocks—has lost its relevance

R4

REAL-ESTATE INVESTING**As REITs Rebound, Some Sectors Stand Out**

Office REITs are showing promise, as demand for top-quality space is strong in some cities

R6

REITs as ETFs

The pluses and minuses of real-estate investing via ETFs

R6

FIXED-INCOME INVESTING**The Best Moves to Make In an Inverted Yield Curve**

A George Mason professor on what market history says about how investors should proceed if an inversion actually happens

R7

ALTERNATIVE INVESTMENTS**Hedge Funds Are on the Way To a Bad 10-Year Streak**

They continue to lag behind the stock market, despite a record level of assets. But a few managers are delivering.

R8

SAVING FOR COLLEGE**How to Get the Most Financial Aid**

Our question-and-answer column addresses the latest tips, including why you shouldn't buy life insurance as a way to shelter assets

R8

BEST BET/WORST BET**Reid Hoffman on the Investment He Missed**

The co-founder of LinkedIn discusses his best and worst investment decisions, including the PayPal touchdown—but his regret at putting on Stripe

R10

NEWS CHALLENGE**All About Fafsa**

Take our quiz to test your smarts on college financial aid, namely that data-filled form

WSJ.com/FundsETFs**SCOREBOARD**

August 2018 fund performance, total return by fund type. More on R2.		
U.S. stocks*	Intl. stocks*	Bonds (intmd.)
3.1%	-1.8%	0.5%

*Diversified funds only, excluding sector and regional/country funds

Source: Lipper

THE FIDUCIARY RULE IS DEAD.

What's an Investor To Do Now?



BY LISA BEILFUSS

With regulations in flux, it's a confusing time to work with investment professionals

IT IS A TRICKY TIME to be working with an investment professional.

Regulation is in flux, and different types of professionals are held to different standards when it comes to giving advice and recommending products. So, it can be hard to know exactly what you're paying for.

Muddying the waters, a U.S. Circuit Court in June threw out the Labor Department's fiduciary rule, an Obama-era regulation that sought to curb conflicts of interest in financial advice that the Obama administration said cost American families \$17 billion a year and a percentage point in annual returns.

Here are a few things investors should know as they navigate their financial relationships.

The decision was a final blow to a rule that the financial-services industry fought, saying it would make advice more costly, and that the Trump administration had put under review for revision or repeal.

The Securities and Exchange Commission, meanwhile, has been working on its own investor-protection measure. The agency's version may wind up replacing the fiduciary rule, though it is shaping up to be less restrictive for brokers, and consumer advocates say that it would do little to raise the standard of care that is currently required.

Brokers are regulated by the Financial Industry Regulatory

NAMES CAN BE CRUCIAL

Financial pros can go by a number of titles: There is wealth manager, financial planner, broker, financial adviser—as well as "advisor" with an "o"—and more. The difference is sometimes semantics, but it is often much more.

For one, financial advisers, regulated by the SEC, have for decades been held to a fiduciary standard, meaning they have to put clients' interests before their own. The requirement traces back to the stock-market crash of 1929 and subsequent Depression, which Congress in part blamed on abuses in the securities industry.

Brokers are regulated by the Financial Industry Regulatory

Please turn to the next page

Reflections on the 9½-Year-Long Bull Market

BY JOHN A. PRESTBO

ALL HAIL THE tenacious bull market.

Today marks 9½ years of generally rising stock prices—up 296% so far in the Dow Jones Industrial Average, or 406% including dividends. This prolonged upturn signified the end of the 2007-09 recession in which the Dow plunged 54% and some other broad-market indexes fell even further.

This bull run is far and away the Dow's longest, at 107 months through January's record close of 26616.71—and sitting at 115 months counting the trading since then. If the bull run extends to a full 10 years by March 9, it may surpass the stupendous percentage gains posted in the 1920s (up 495.2% over 96 months) and mid-1930s (up 371.6% in 56 months).

As the now-retired markets editor of The Wall Street Journal, I have seen many bull (and bear) markets come and go. To be honest, back in 2009 I didn't suspect the initially timid recovery would persist so long as to become epic. But a few key—and coincident—factors combined to stimulate longevity.

First, stocks' rebound from the

deep dive in 2007-09 was s-l-o-w. This frustrated Wall Street, but it prevented the Dow from racing too far ahead of the economy. Many people were scared of the stock market, and they toe-dipped back in only after the market rebounded convincingly.

The Dow's recovery to its previous high of 14087.55, set in 2007, required 52 months, or more than four times as long as the average full restorations of the previous four bear markets.

However, this wasn't surprising in the wake of a market collapse that was 191% worse than the average of those previous four bear markets.

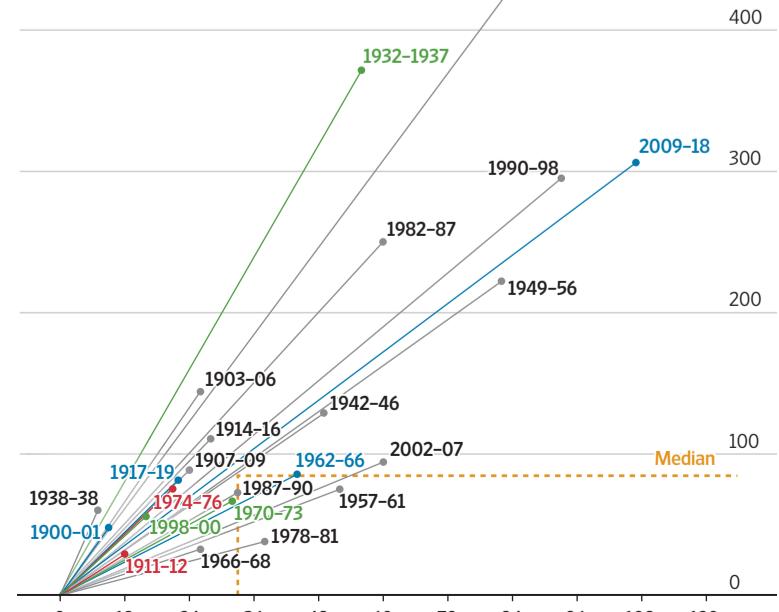
The easy Fed

Meanwhile, money was cheap and easy. To fight the recession, the Federal Reserve dropped interest rates to almost zero and flooded the monetary system with cash. Bonds were offering dismal yields, so investors were forced to take greater risks to get the returns they needed. For the most part, this meant buying stocks.

But when they did, they found fewer stocks to chase and fewer shares of those stocks available on the market. Because cheap money fostered robust merger-and-acquisi-

The Longest Run

Bull markets in the Dow Jones Industrial Average, 1900 to the present; length measured in months



tion activity and extravagant share-buyback campaigns by many companies, the numbers of both listed stocks and shares outstanding have shrunk over the past decade. As a result, the money that investors poured into the market had a greater upward influence on prices than it otherwise would have.

The stock market, of course, didn't go straight up. It never does. It meanders above and below each previous day's close as some investors put money in and others take it out. It was to make longer-term trends more visible that Charles H. Dow devised stock indexes in the first place, back in the 1880s and 1890s.

Occasionally the market will dip or spurt over several days or weeks as it "corrects" or "rallies." By my count, there were seven corrections of 10% or more over the past 9½ years, including one in 2011 of 19.4%. There also were four smaller pullbacks in the 6% to 8% range.

Age difference

A minority of party-poopers argue that the market's double-dip corrections in 2015-16 broke the upward thrust of the bull that began in 2009.

Please turn to the next page

JOURNAL REPORT | INVESTING IN FUNDS & ETFS

ASK ENCORE | GLENN RUFFENACH

The 4% Rule Is Just a Starting Point

Also: What to do when a financial adviser wants to 'move things around'

Is 4% still the going number for the amount considered "safe" to withdraw from savings in retirement? And is there a "magic" number that should make me feel comfortable about retiring? I'm 64½.

This question gives me a chance to highlight several resources about tapping a nest egg, one of the most important and difficult tasks that retirees face.

Based on pioneering research in the early 1990s by William Bengen, then a financial planner in California, the so-called 4% rule states that retirees can pull about 4% annually from their nest egg (a figure Mr. Bengen eventually set at 4.5%), with a high probability that their savings will last 30 years.

But Mr. Bengen, now retired, never has claimed that his findings are right for every retiree. He started with a specific set of assumptions: a retirement lasting (again) 30 years, with savings in a tax-deferred account, and nothing left for heirs. Change just one of those parameters, and your "safe" withdrawal rate may differ.

So, to answer your first question, the 4% rule ("guideline" would be a much better word) is still a good starting point when thinking about tapping your savings. But that's all it should be—a starting point. There are many techniques to help you pull funds from a nest egg, most of them tied to the idea that withdrawal rates should be "dynamic," or change each year in response to changes in the markets. (More on this in a moment.)

As for a "magic" number, it varies by person. Depending on your circumstances (the size of your savings, investment fees, other sources of income, your life expectancy, spending patterns, etc.), you might be comfortable with a withdrawal rate of, say, 4.5%—or something closer to 3%. Of course, the lower your withdrawal rate, the safer. William Bernstein, the author of several books about investing, puts it this way: "Two percent is bulletproof, 3% is probably safe, 4% is pushing it, and at 5%, you're eating Alps in your old age."

Now, some resources:

♦ **Options and mechanics.** If you plan to tap your savings on your own, two resources, in particular, can be a big help. Karsten Jeske, a chartered financial analyst and author of the Early Retirement Now blog (earlyretirementnow.com) has written a 28-part (and counting) series about safe withdrawal rates. In short, Mr. Jeske is no fan of the 4% rule; rather, his articles look closely at, and make a compelling argument for, withdrawal strategies that are tied to "changing economic and financial conditions."

Similarly, check out "Living Off Your Money" by Michael H. McClung. This valuable book, although somewhat technical, focuses on "systemic withdrawals"—how to generate sustainable income in retirement. To that end, Mr. McClung patiently examines a number of strategies for investing your savings, pinpointing a withdrawal rate, and pulling funds from your nest egg. His website (livingoffyourmoney.com) includes a companion spreadsheet.

♦ **Guaranteed income.** If you have a high level of guaranteed income in retirement—Social Security, a pension, an annuity—you probably can pull more from your savings each year than people with smaller amounts of such income. That's the point made by David Blanchett at researcher Morningstar Inc. and Mike Piper, who writes the Oblivious Investor blog. See Mr. Blanchett's thoughts about this in the Journal of Financial Planning (go to onefp.org and search for: Impact of Guaranteed Income) and Mr. Piper's take on safe withdrawal rates at obliviousinvestor.com. (Search for: safe withdrawal rates.)

♦ **Numbers vs. lifestyle.** For the moment, let's put aside numbers and consider how your lifestyle might affect your withdrawal rate.

Darrow Kirkpatrick, who writes the Can I Retire Yet? blog (caniretireyet.com), has come up with a Retirement Flexibility Scale that uses non-numeric factors to help would-be retirees determine whether their particular withdrawal rate should be closer to 3% or 5%. Some examples: Could you return to work in your original career in the first four years of retirement, if necessary? Do you have the skills to start a business? Could you downsize to reduce housing expenses? There are 12 questions in all. (At his website, search for: Retirement Flexibility Scale.)

♦ **Back to Bengen.** Finally, William Bengen, the aforementioned father of the 4% rule, spoke earlier this year with the American Association of Individual Investors. In a lengthy interview, he explained how his withdrawal method works and why he still has a great deal of faith in his research. The biggest threat to his recommendations? A sustained period of high inflation, he says. (And not a lengthy period of low returns, as some critics of Mr. Bengen's work have suggested.) Go to aaai.com/journal and search for: Bengen.

Of course, all of the above raises the question: Should you choose a withdrawal rate, and how to pull the necessary funds from savings, on your own? Again, this is one of the most important financial steps you will take in retirement—and if you err early in the process, the consequences could be ruinous. This is a moment when a good financial adviser can be invaluable.

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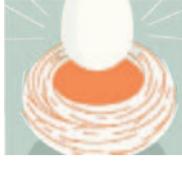
I get calls from my financial adviser when the market fluctuates, and he proposes moving things around (at no fee). Your thoughts? How much "moving" is good, or bad, for me?

Good questions. First, your adviser shouldn't necessarily be "moving things around" when markets "fluctuate." Markets always are moving higher and lower, and a good financial plan anticipates this. Indeed, the whole point of having a plan that allows you to sleep comfortably at night is not to tinker with it simply because markets happen to be fluctuating.

In short, a good financial adviser is going to be trading in your account as seldom as possible—ideally, once or twice a year, at most, notes Jason Zweig, who writes The Wall Street Journal's The Intelligent Investor column.

Second, I strongly suspect that there is a fee, of some sort, when your adviser "moves things around." The worst example of this is "churning," the constant selling and buying of investments to generate commissions. Again, your adviser might be telling you that there are "no fees" when he or she sells and buys. But I would take that with a grain of salt and look closely at how fees work with your holdings.

Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column looks at financial issues for those thinking about, planning and living their retirement. Send questions and comments to askencore@wsj.com.



Also: What to do when a financial adviser wants to 'move things around'

Investors Move On From Fiduciary Rule

Continued from the prior page
Authority, or Finra, the securities industry's self-regulatory body. They must provide what the agency describes as "suitable" investment advice—short of the fiduciary care required of their adviser counterparts.

Where things get tricky is that some financial professionals are dually registered, and some have professional designations that carry requirements trumping the standards required by regulators. For example, a broker who's also a certified financial planner has to serve as a fiduciary, when doing financial planning, to maintain the designation.

The best way to know whether your adviser is a registered investment adviser, broker or both is to search BrokerCheck, a database maintained by Finra. An individual's profile will denote his or her title and regulatory overseer.

But industry professionals and consumer advocates say investors should confirm any information with their adviser. Even better, the experts say: Investors should ask a financial professional to put in writing whether he or she is a fiduciary in their particular relationship.

LOCATION MATTERS

When it comes to which standard of care is required of an investment professional, where he or she works matters. Advisers who are held to a fiduciary standard must choose products that are in the best interest of the client. But what products an adviser can pick varies from firm to firm.

For example, at stand-alone investment advisories—those that aren't connected to a bank or brokerage—advisers typically have access to the universe of investment products, including the cheapest index funds. Some brokers at firms connected to banks do too, but not always. Some firms have house funds and lucrative partnerships with fund companies, and their brokers have more limited menus of investment options from which to choose.

To understand any constraints and incentives an investment adviser might have in recommending products, consumer advocates suggest checking firms' securities disclosures. Advisory firms regulated by the SEC have to spell out conflicts of interests in those.

With the Labor Department's fiduciary rule dead,

FUND RESULTS

WSJ.COM
Lipper's A-to-Z monthly fund listings are free at WSJ.com/FundsAnalysis.

Unclear Rulebook

Which of the following is true of your financial adviser?

Adviser must act in my best interest

73%

Adviser's or firm's interests may come first

11%

Adviser sometimes must serve my best interest, but not always

6%

I do not know what is required of my adviser

10%

Source: Cerulli Associates, survey of 8,000 investors

brokers don't have to disclose conflicts the way they did under the rule. Observers say potential rules from the SEC requiring that brokers serve clients' best interest may emphasize disclosing conflicts over mitigating them.

For now, the best way to understand conflicts and constraints is to ask your broker, and to have him or her explain product selections.

"Never own something you don't understand," says Patti Houlihan, who heads the advocacy group Committee for the Fiduciary Standard. "If you can't understand [a product] after reading a few pages on it, you shouldn't be buying it," she says, suggesting investors walk away from anything that is confusing or sounds too good to be true.

FEES DON'T NECESSARILY MEAN 'BEST INTEREST'

Many investment advisers, already required to act as fiduciaries, charge investors a percentage of their assets under management. Doing so eliminates commissions, which can cause conflicts of interest by pushing an adviser to recommend one product over another to the detriment of the client.

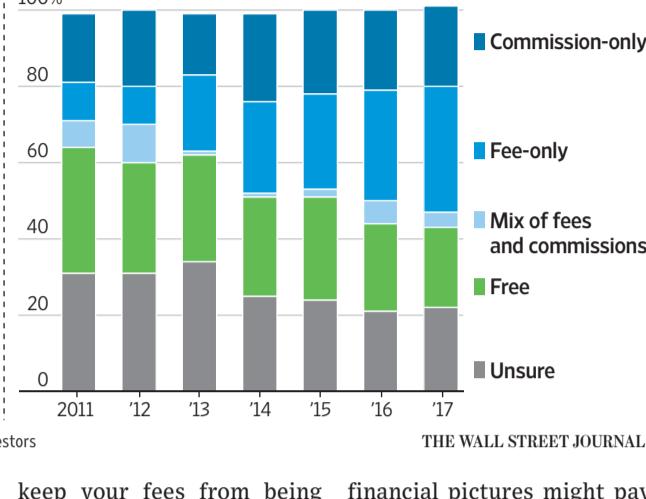
After the fiduciary rule was unveiled—and then went into temporary effect—many brokerages accelerated moving clients toward fee-paying accounts from commission accounts. They said it made compliance with the new regulation easier, because charging commissions under the fiduciary rule would require disclosures and contracts that executives said were too onerous and costly.

Fee accounts are regulated by the SEC, meaning once you're in one, the adviser needs to act as a fiduciary. But that doesn't mean being put into one was actually in your best interest.

A fee account "doesn't

Cost Confusion

How do you compensate your financial adviser? (Some 43% of investors in the latest survey believe their service is free or aren't sure how they compensate their advisers.)



THE WALL STREET JOURNAL.

keep your fees from being way higher than they should be," says Barbara Roper, director of investor protection at the Consumer Federation of America.

"The fee-based accounts at brokerage firms still incorporate the conflicts of the broker-dealer model," Ms. Roper says, such as revenue derived from fund companies, proprietary products and incentives meant to encourage broker behavior.

Ms. Roper encourages investors to ask their financial professionals for detailed fee breakdowns. For example, is a 1% advisory fee all-inclusive, or is that separate from underlying product fees? Investors with more complicated

financial pictures might pay more to get more service, but even they should be wary of paying much more than 1%, Ms. Roper says.

"That's a hole you have to dig out of," she says, referring to the long-term effect of fees on investment returns.

By the same logic, paying commissions doesn't necessarily mean you don't have a fiduciary. In the spirit of the obligation, investment professionals are expected to evaluate on an individual basis what type of model is best.

Ms. Beilfuss is a Wall Street Journal reporter in New York. Email her at lisa.beilfuss@wsj.com.

MONTHLY MONITOR | WILLIAM POWER**U.S.-Stock Funds Rose 3.1% in August, Adding To Their Global Lead**

In the stock-market olympics, Americans won the medals this time.

U.S.-focused stocks, and the mutual funds and exchange-traded funds that invest in them, pulled away from the rest of the world in August. At a time when trade disputes were rattling many global investors, leading to a retreat in stock markets outside the U.S., the continued strength in U.S. corporate earnings and upbeat economic data benefited U.S. markets.

The result was that the average U.S.-stock fund registered a total return of 3.1% for August, according to Thomson Reuters Lipper data. These U.S.-focused funds are now up 9.3% for the year to date after having risen 18.3% for all of 2017.

It was a different story across the oceans. International-stock funds were down 1.8% for August and are now off 2.5% so far this year.

In the U.S., tech stocks in particular were strong. As a result, several Lipper fund categories had a robust month: Science and technology funds were up 5.4% (and now nearly 16% so far this year), and health/biotechnology was up 5.5% (and 18% for the year).

Funds that focus on small-capitalization stocks—which are less exposed to global turmoil, including trade disputes—continue to drub other U.S. categories. Small-cap growth funds rallied 8.2% in the month and are now up nearly 23% for the year. Small-cap fund managers have been dominating the list of top-performing stock pickers.

Bond funds gained on average in August, as some investors sought safety. Funds focusing on intermediate-maturity, investment-grade debt (the most common type of bond fund) were up 0.5%, shaving their year-to-date decline to just over 1%.

Mr. Power is a Wall Street Journal news editor in South Brunswick, N.J. Email him at william.power@wsj.com.

SPOTLIGHT | ISHARES U.S. AEROSPACE**MILITARY SPENDING BOOSTS AN ETF**

The largest aerospace-and-defense exchange-traded fund has surged over the past year, though analysts say global trade disputes are tempering optimism for the sector.



investors have viewed as a tailwind for the sector, says Mr. Nagrath.

However, Mr. Nagrath points to fears about what growing trade conflicts might mean for the civil aerospace industry, with companies like Boeing increasingly reliant on the international market. Boeing, for example, has estimated that Asia-Pacific will soak up 40% of airplane deliveries from 2018 to 2037.

Global spending on both aerospace and defense is continuing to rise, which could underpin ITA in the coming years, says Neena Mishra, director of ETF research at Zacks Investment Research.

However, "there are concerns that a widening fiscal deficit could impact military spending [in the U.S.] in the early 2020s," she says, while trade disputes or oil-price increases could affect the commercial side.

—Gerrard Cowan

The Bull at 9½

Continued from the prior page
They insist that the current bull market isn't in its 10th year but rather began on Feb. 12, 2016, and thus is only 2½ years old.

Of course, the conventional definitions of a correction being a drop of 10% to 20% and a bear market requiring a retreat of 20% or more are just rules of thumb, not scientifically explained calibrations. Some analysts have complicated matters by concocting "rules" about how much the Dow must rise over how many days following a decline to determine if a bull market is dead or still running. This is what's behind the party-pooper argument.

Bull markets have no "meaning" beyond the obvious: Stock prices are rising. Since those prices roughly reflect an upward trend in corporate earnings, which in turn depend upon economic conditions, bull markets confirm what we're experiencing—that financial well-being has come to pass.

However, the stock market is about what will happen next, which raises the question: Does this spectacularly long bull market say anything about what's coming? There is an adage on Wall Street that bull markets don't die of old age. Rather, something happens to change investors' expectations for the not-too-distant future.

Mr. Prestbo a former Wall Street Journal and Dow Jones Indexes editor, is an adviser to MarketGrade Capital, which chooses components of the Barron's 400 Index. He can be reached at reports@wsj.com.

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⁴Excludes Vanguard funds that are closed or not available for direct shareholder investment.

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JOURNAL REPORT | INVESTING IN FUNDS & ETFS

'Value' Stocks Aren't What They Used to Be

Some believe the usual way to evaluate such stocks—the price-to-book-value ratio—should be sent to the graveyard

BY MARK HULBERT

IS "VALUE" DEAD? Or have we just been measuring it in the wrong way?

It's an urgent question, because value stocks—when defined according to the traditional criterion, low price-to-book-value ratios—have lagged behind growth stocks for at least a decade now. And though value stocks in the past have come roaring back after going through similarly long periods of lagging, some researchers are questioning whether they will do so again.

That's because a growing percentage of companies' market value now comes from intangible assets—things like patents, trademarks and research-and-development expenditures—that are either ignored in the book-value calculation or reflected inconsistently. Therefore, the researchers say, the price-to-book ratio has lost its relevance.

If they are right, we can't expect stocks with the lowest such ratios to reassert their historical dominance over stocks with the highest ratios. And it may call for using a new measure that more accurately measures value, once again allowing investors to feel comfortable about following a value strategy.

What is clear is that value as a stock-picking style has been a laggard in recent years. Over the past decade, growth stocks (as presented by the 50% of stocks with the highest price-to-book ratios) beat value by 1.9 annualized percentage points, according to data from Dartmouth College Prof. Kenneth French. That's a huge reversal from the previous eight decades, during

which value (the 50% of stocks with the lowest price-to-book ratios) beat growth by 4.6 annualized percentage points.

There also can be little doubt that intangibles have grown in importance. According to Ocean Tomo, an intellectual-property consulting firm, 84% of the S&P 500's market capitalization now comes from intangible assets, up from just 17% in 1975.

Losing relevance

Baruch Lev, a professor of accounting and finance at New York University, is one of those arguing most forcefully that the increasing significance of intangible assets is the leading cause of book

value's loss of relevance. He says that the accounting treatment of intangible assets—under GAAP, or generally accepted accounting principles—is both outdated and inconsistent: When a company invests in developing patents, its brand or efficient business processes, for example, GAAP

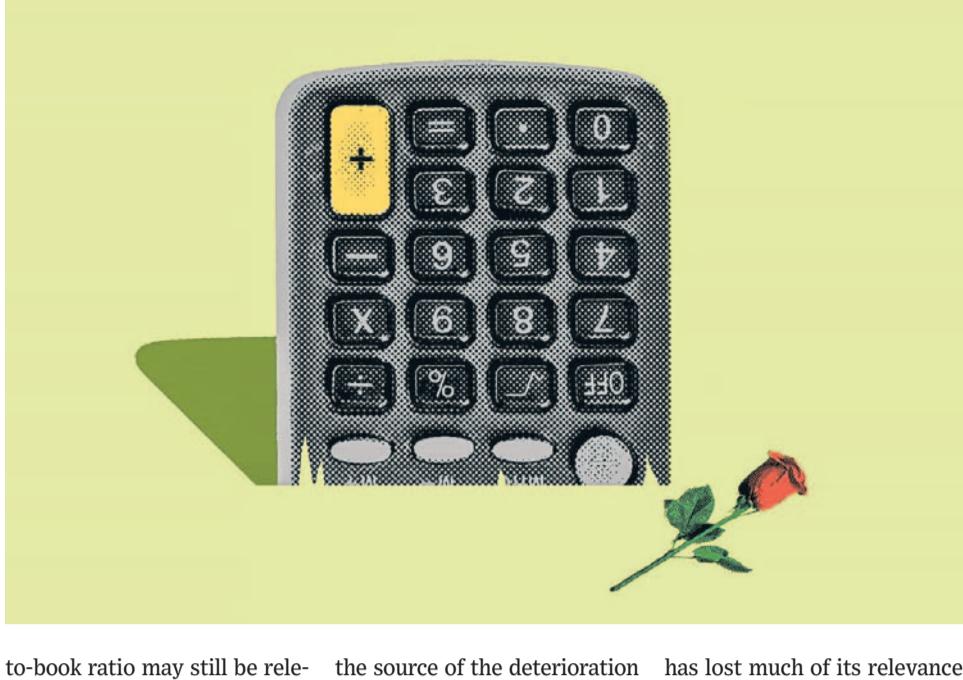
requires that the investment be treated as an expense rather than as an asset. But if the company buys an intangible asset instead of generating it internally, then GAAP calls for it to be listed as an asset on its balance sheet.

"Every aspect of the financial report is adversely affected by this dated, industrial-age treatment of intangible capital," Prof. Lev argued in his 2016 book, "The End of Accounting and the Path Forward for Investors and Managers," co-written with Feng Gu, a professor of accounting and law at the University at Buffalo.

To be sure, not everyone is ready to write the price-to-book ratio's obituary. In an interview, Kent Daniel, a finance professor at Columbia University and a former co-chief investment officer at Goldman Sachs, acknowledges that GAAP's treatment of intangible assets leaves much to be desired. But he says the price-to-book ratio has always been an imperfect and noisy measure of a firm's value. For example, book value has never "captured the value of a firm's growth prospects at all." So its failure to fully and accurately reflect the value of intangible assets doesn't necessarily mean that it isn't able to do a decent job differentiating between underpriced and overpriced stocks.

In fact, Prof. Daniel says some researchers have found that the book-to-value ratio actually does a better job differentiating among companies that have spent the most on R&D than with firms that spend the least. Investment in R&D, of course, is one of the most significant categories of intangible assets.

Another clue that the price-



OLIVER MUNDY

to-book ratio may still be relevant comes when using it to forecast the S&P 500's return over the subsequent 10 years. Its record since 1975 has been better than it was over the prior five decades.

Book value's problems

If the price-to-book ratio is still somewhat effective, then why has value lagged behind growth in recent years?

One answer comes from a study set to appear in the Journal of Financial Economics. Ray Ball, an accounting professor at the University of Chicago and a co-author, says

the source of the deterioration is that book value has come to be dominated by one of its two main components.

This offending category is "contributed capital," or the sum of all of a company's past equity issuances, less share repurchases. Though a ratio of price to contributed capital per share has never had much predictive value, this didn't affect the effectiveness of the price-to-book ratio so long as contributed capital represented a small share of book value, Prof. Ball says. But as it has grown to be a larger share, the price-to-book ratio

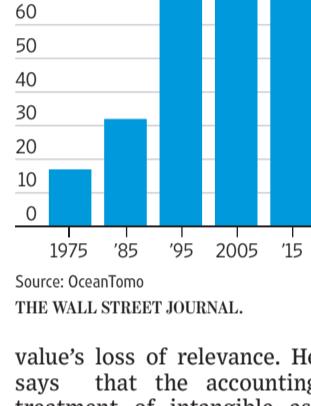
has lost much of its relevance.

The other major component of book value is retained earnings, and Prof. Ball says that a ratio of price to retained earnings per share remains as effective an indicator as ever in predicting stock returns. His recommendation to investors who have been relying on the price-to-book ratio is to focus instead on this modified ratio based on retained earnings.

Mr. Hulbert is the founder of the *Hulbert Financial Digest* and a senior columnist for *MarketWatch*. He can be reached at reports@wsj.com.

Little 'Book Value'

Percentage of S&P 500 market value represented by intangible assets



Source: OceanTomo

THE WALL STREET JOURNAL.

value's loss of relevance. He says that the accounting treatment of intangible assets—under GAAP, or generally accepted accounting principles—is both outdated and inconsistent: When a company invests in developing patents, its brand or efficient business processes, for example, GAAP

another clue that the price-

How the Largest Funds Fared

Performance numbers are total returns (changes in net asset values with reinvested distributions) as of Aug. 31; assets are as of July 31. All data are final.

Stock Mutual Funds and ETFs

Fund	Ticker	Assets (\$billions)	Total Return (%)				
			August	1-year	3-year	Annualized 5-year	10-year
Vanguard TSM Iidx;Adm	VTSAX	725.83	3.5	20.3	15.9	14.2	11.0
Vanguard 500 Index;Adm	VFIAX	433.72	3.3	19.6	16.1	14.5	10.9
Vanguard Tot Stk Mkt Iidx;Inv	VGTSX	356.43	-2.2	3.1	8.3	5.8	3.6
SPDR S&P 500 ETF	SPY	271.67	3.2	19.5	16.0	14.4	10.8
Vanguard Instl Indx;Inst	VINIX	231.56	3.3	19.6	16.1	14.5	10.9
American Funds Gro;A	AGTHX	193.98	2.3	23.5	17.3	15.6	10.9
American Funds EuPcR6	RERGX	167.61	-2.4	3.6	8.8	7.8	N.A.
Fidelity 500 Iidx;Pr	FUSVX	159.13	3.3	19.6	16.1	14.5	10.8
iShares:Core S&P 500	IVV	152.64	3.3	19.6	16.1	14.5	10.8
American Funds Bal;A	ABALX	132.13	0.8	9.9	10.7	9.9	8.7
Fidelity Contrafund	FCNTX	130.95	4.5	25.6	18.4	16.7	12.2
Vanguard Dev Mkt;ETF	VEA	110.89	-1.9	4.5	8.0	6.2	4.1
American Funds Inc;A	AMECX	109.85	0.1	7.0	9.3	8.2	7.7
American Funds Wash;A	AWSHX	107.30	1.6	16.6	15.1	12.8	10.0
American Funds CIB;A	CAIBX	106.31	-1.1	1.8	6.4	6.1	5.4
Vanguard Wellington;Adm	VWENX	104.97	1.1	10.3	10.6	9.6	8.6
Vanguard Md-Cp Iidx;Adm	VIMAX	100.69	2.5	16.5	12.6	12.8	10.9
American Funds Pln;A	ANCFX	100.64	0.7	15.5	15.7	13.8	9.9
American Funds CWGI;A	CWGIX	100.40	-1.3	8.9	10.4	9.2	6.8
American Funds ICA;A	AIVSX	97.07	0.4	15.3	13.9	12.7	9.6
Vanguard Sm-Cp Iidx;Adm	VSMAX	92.97	4.5	23.8	15.2	13.1	11.4
Vanguard EM St Iidx;ETF	VWO	84.52	-3.5	-2.6	9.4	4.7	3.0
American Funds NPer;A	ANWPX	84.38	1.4	14.8	13.9	12.3	9.4
Vanguard Gro Iidx;ETF	VUG	82.48	4.7	23.4	17.3	16.2	12.0
Franklin Custlnc;A	FKINX	78.16	-0.4	4.4	7.7	5.6	6.5
Dodge & Cox Stock	DODGX	73.64	1.7	18.1	15.6	13.6	10.2
iShares:MSCI EAFE ETF	EFA	72.94	-2.0	4.3	7.0	5.6	3.6
Vanguard Value Iidx;ETF	VTV	71.97	2.0	16.3	14.7	12.8	9.8
Vanguard Ext Mk Id;Adm	VEXAX	68.05	4.5	23.2	14.9	13.1	11.3
Vanguard PRIMECAP;Adm	VPMAX	67.46	3.1	27.0	20.4	18.3	12.9
American Funds AMCP;A	AMCPX	66.49	2.5	23.6	15.0	14.2	11.8
Invesco QQQ Trust 1	QQQ	65.98	6.0	28.8	22.6	21.2	16.1
Dodge & Cox Int'l Stock	DODFX	61.73	-4.1	-2.3	5.8	5.3	4.3
Vanguard RE Iidx;ETF	VNQ	60.79	2.5	4.6	9.0	10.0	7.8
iShares:Core MSCI EAFE	IEFA	58.77	-1.8	5.1	7.9	6.5	N.A.
First Eagle:Global	SGIIK	55.67	-0.6	4.5	8.5	6.9	7.5
T Rowe Price BC Gro	TRBCX	55.51	3.9	28.1	20.1	19.0	13.8
Fidelity Tot Mk;Pr	FSTVX	55.43	3.5	20.3	15.8	14.2	10.9
T Rowe Price Gro Stk	PRGFX	54.68	3.4	22.7	17.9	17.7	13.1
Vanguard Wellesley;Adm	VWIAK	53.54	0.6	4.5	7.2	6.7	7.6
American Funds Mut;A	AMRMX	51.16	1.7	14.2	13.4	11.7	9.7
Vanguard Windsor II;Adm	VWNAX	49.07	1.7	15.3	12.4	11.1	9.3
iShares:Core MSCI EmMkts	IEMG	48.89	-2.7	-0.5	11.2	5.0	N.A.
MFS Value;I	MEIIX	48.79	0.3	9.7	12.0	11.4	9.1
iShares:Core S&P Md-Cp	IJH	48.36	3.2	19.9	14.8	13.2	11.2
Vanguard Health Care;Adm	VGHAX	47.91	4.9	14.3	8.0	15.4	13.6
iShares:Russ 2000 ETF	IWM	46.43	4.3	25.4	16.2	13.0	10.5
Oakmark Internat;Inv	OAKIX	45.81	-4.9	-3.4	7.6	5.2	7.9
iShares:Core S&P Sm-Cp	IJR	45.18	4.9	32.5	19.3	15.4	12.4
Fidelity Gro Company	FDGRX	45.14	7.5	31.7	22.7	19.9	15.0

Bond Mutual Funds and ETFs

Fund



WSJ PRO CYBERSECURITY SMALL BUSINESS ACADEMY

Dear Small Business Owners and Executives,

In my role as Cybersecurity Research Director for WSJ Pro, The Wall Street Journal's professional membership, I constantly assess how nation states and cybercriminals seek to steal our data and bring chaos to our networks.

In my experience, small businesses are at significant risk of attack. Last year, 51% of small businesses experienced a cyberattack—a growing trend—and others may not have even known they were compromised. Despite the average cost of a data loss incident reaching over \$2.2 million this year, few small businesses are adequately prepared to respond. For some, a single attack could be enough to put them out of business.

Improving cybersecurity without breaking the bank is possible and on October 15 and 16 in Dana Point, California, we will show you how. Our inaugural, two-day Small Business Academy event aims to give executives and senior practitioners expert insight and practical training.

Please don't become one of an ever-growing number of companies that finds out the hard way the cost of getting cybersecurity wrong. Secure your company's future at the Small Business Academy. I look forward to seeing you this October.

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Best,

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An ad, behind the pedestrian, for Boston Properties' renovated 159 E. 53rd St. in New York.

ing plays a big role as well for data centers.

One data-center REIT experts recommend is **Equinix** Inc. (EQIX), the world's largest retail data-center provider by revenue, according to Morningstar. "The company has caught the tide of cloud computing at the right time since birth," Morningstar analyst Neil Macker writes in a report. "Key to its success is the business ecosystem joined by both magnetic cloud platforms, such as Amazon and Google, which attract other tenants to Equinix, as well as telecommunication carriers that offer connectivity services on site."

The housing play

As for housing REITs, Mr. Bohjalian says the number of families in need of homes is expected to grow in the next three to five years, and demand will ultimately exceed supply. That bodes well, he says, for REITs that specialize in apartments, manufactured housing and single-family rentals. Experts also agree that the rising price of purchasing a single-family home will keep people in apartments longer, giving owners the ability to raise rents.

Mr. Brown recommends **American Homes 4 Rent** (AMH). This REIT's shares currently trade at roughly a 10% discount to net asset value, he says, and the value of its portfolio is rising. "They can raise rents higher than inflation," he says, thanks to rising demand from residents who can't afford to buy a home.

Going to the mall

Mr. Brown even likes some REITs in the retail sector. Store closings are now running 50% to 60% below 2017 levels, he says. "That's having a positive impact on the leasing environment." And many retailers have begun to respond more effectively to **Amazon.com** Inc. and other e-commerce companies by beefing up their own e-commerce efforts and the portfolios of their bricks-and-mortar stores, he says.

Mr. Weil is a writer in West Palm Beach, Fla. He can be reached at reports@wsj.com.

REITs as an ETF: Pluses and Minuses

BY GERRARD COWAN

EXCHANGE-TRADED funds that invest in real estate can be a low-cost way to play the property sector. However, there are reasons for caution.

Real-estate ETFs can consist of real-estate-investment trusts, or REITs, or a mixture of REITs and stocks of companies in the property sector.

Some focus on the U.S. market, while others provide international exposure. They generally feature low fees, a big advantage over actively managed real-estate funds,

says Ben Johnson, director of global ETF and passive strategies at Morningstar.

Schwab U.S. REIT ETF

(SCHH), for one, a \$4.84 billion fund with a 5.44% return this year through Aug. 1, charges expenses of 0.07%, he says, compared with a median of 1.10% for the Morningstar real-estate category, excluding ETFs.

Nevertheless, this has been a bumpy year for the funds. Mr. Johnson says funds in Morningstar's real-estate category (including ETFs) saw an average return of 3.63% through the end of August, compared with 10.5% for the MSCI USA Index. These "relatively lackluster" returns are partly attributable to rising interest rates, Mr. Johnson says, "which can serve as a short-term headwind for this rate-sensitive sector."

Michael Iachini, head of manager research for Charles Schwab Investment Advisory, says REIT ETFs "do not move in lockstep with either stocks or bonds." But they do offer the potential for diversification and income. Through the end of August, he says, Morningstar data show a trailing 12-month yield of 4.05% for

the average ETF in the financial firm's real-estate category, compared with 1.38% for the average large-blend ETF.

When REIT ETFs are used to diversify a portfolio, investors should be comfortable with returns that vary from the broad market, depending on how much they invest in the area, says Rich Powers, head of ETF product management at Vanguard, which runs **Vanguard Real Estate ETF** (VNR), the largest U.S. real-estate ETF, with assets of about \$33 billion. More than 96% of the fund is invested in REITs, he says.

"These funds have historically provided investors with non-market-correlated re-

turns and diversified income opportunities," he adds.

Daniel Prince, head of iShares U.S. Wealth Advisory Product Consulting,

which runs U.S.-focused and global real-estate ETFs, says investors have started returning to real-estate ETFs after a rocky first half. In the first five months of 2018, he says, there were about \$2.25 billion of outflows from U.S.-listed real-estate ETFs, and outflows of \$116 million in those listed in other countries.

However, June and July saw inflows of just under \$1.68 billion in the U.S. and almost \$2.6 billion internationally.

It is important to diversify internationally, says Matthew Bartolini, head of SPDR Americas Research at State Street Global Advisors, which runs a number of real-estate ETFs, including **SPDR Dow Jones Global Real Estate ETF** (RWO), a \$2.4 billion fund that has seen returns of 2.05% through August.

Mr. Cowan is a writer in Northern Ireland. He can be reached at reports@wsj.com.

As REITs Return to Life, Some Sectors Stand Out

Experts think these flavors look especially good

BY DAN WEIL

have faded. "Now the concern is about an economic slowdown in the second half," which suggests a more benign interest-rate environment, says Steven Brown, senior portfolio manager at American Century Investments.

Better fundamentals
"Today we feel good about real-estate fundamentals," says Tom Bohjalian, a portfolio manager at Cohen & Steers. Indeed, while expectations for higher interest rates have eased, he says, the economy remains strong enough to continue fueling demand in housing and a number of other real-estate sectors.

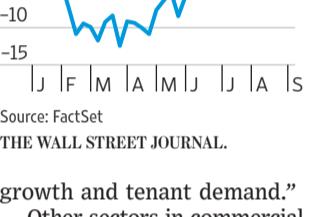
"While supply is higher than usual for this stage of the real-estate cycle, we think it will diminish in late 2018 and 2019," he says. "So REITs will have pricing power to raise rents on high levels of occupancy."

Some experts see opportunities in office REITs. Mr. Brown, for one, likes **Boston Properties** Inc. (BXP), whose shares, he says, are trading at a discount despite a portfolio concentrated in Washington, D.C., New York, Boston and

San Francisco. Demand for top-quality office space remains strong in those cities, Mr. Brown says. While there is concern about weakness in financial jobs in those markets, he says, "media, telecom and technology have good job

Rebound

Percentage change in the S&P U.S. REIT index for 2018



Source: FactSet

THE WALL STREET JOURNAL.

growth and tenant demand."

Other sectors in commercial real estate that industry insiders particularly like include data centers and cellphone towers. Data-center and cellphone-tower REITs are benefiting from the explosion in data usage, including e-commerce and video on demand. The growth of cloud comput-

Category Kings in 10 Realms

Top-performing funds in each category, ranked by year-to-date total returns (changes in net asset values with reinvested distributions) as of Aug. 31; assets are as of July 31. All data are final.

Large-Cap Core

	Assets (\$millions)	Total return (%)				
		Aug	YTD	1-yr	5-yr*	
Amer Cent:Foc DG;Inv	84.6	5.9	26.9	36.6	17.4	
EntrepreneurSh:ERS Etp30	74.1	6.4	23.1	N.A.	N.A.	
Principal Sust Mom Idx	5.7	6.4	16.7	N.A.	N.A.	
RBB:SGI US Lw Vol Eq;I	414.5	4.3	15.0	25.0	13.8	
CIBC Atlas Disc Eq;Inst	1,009.0	3.5	14.0	24.7	14.7	
Vanguard PRIMECAP;Adm	67,450.0	3.1	14.0	27.0	18.3	
Fidelity Momentum Factor	95.7	5.2	13.8	25.2	11.4	
Category Average:	1,143.4	3.7	5.5	14.7	11.5	
Fund Count	810	805	783	749	592	

Large-Cap Value

	Assets (\$millions)	Total return (%)				
		Aug	YTD	1-yr	5-yr*	
Barclays ETN+ShillerCAPE	104.8	4.4	12.7	19.4	17.2	
DoubleLine:Sh Enh CAPE;I	5,607.6	4.1	12.0	18.4	N.A.	
Eaton Vance Foc VI Opp;I	77.3	2.4	9.7	23.6	12.4	
Cognios LC Value;Inst	25.8	3.0	9.0	18.9	N.A.	
Aptus Fortified Value	74.5	2.8	8.7	N.A.	N.A.	
Ivy:Value Fund;I	1,240.5	3.0	8.3	17.0	10.5	
Amer Cent:Inc&Gro;Inv	2,289.2	2.6	8.2	19.3	12.4	
Category Average:	1,039.8	0.1	-1.3	8.2	9.8	
Fund Count	483	483	473	465	353	

Large-Cap Growth

	Assets (\$millions)	Total return (%)				
		Aug	YTD	1-yr	5-yr*	
Berkshire:Focus	159.5	13.8	36.8	48.2	20.5	
Dunham:Focused LC Gro;N	84.7	8.6	31.7	36.4	15.7	
Touchstone Inst:Snd Gr	1,968.2	5.6	28.8	32.7	15.7	
Transam:Cap Growth;I	1,350.3	8.7	28.8	36.7	21.2	
Touchstone:Sel Gro;Y	2,623.9	5.6	28.4	32.2	15.5	
Biondo Growth;Inv	34.9	7.3	24.3	31.5	11.7	
Baron Fifth Ave Gro;Inst	278.4	5.6	23.1	31.2	18.7	
Category Average:	1,566.3	2.4	11.6	21.6	14.6	
Fund Count	713	714	705	690	549	

Midcap Core

	Assets (\$millions)	Total return (%)				
		Aug	YTD	1-yr	5-yr*	
CB Select;I	140.4	7.7	32.4	47.1	19.0	
IronBridge:SMID Cap	196.2	4.6	17.1	26.6	11.7	
Champlain Mid Cap;Inst	2,476.8	5.7	16.8	26.9	15.8	
Private Cap Mgmt Value;I	66.1	3.0	15.7	23.7	11.1	
Destinations SMC Eq;I	787.2	4.9	14.6	24.8	N.A.	
Invesco RJ SB-1 Eq	192.1	4.4	13.5	25.2	11.8	
JOHCM US Sm-MC Eq;Inst	7.7	4.6	13.4	26.9	N.A.	
Category Average:	952.4	2.4	3.9	11.8	9.6	
Fund Count	474	473	464	456	328	

Midcap Value

	Assets (\$millions)	Total return (%)				
		Aug	YTD	1-yr	5-yr*	
</tbl

JOURNAL REPORT | INVESTING IN FUNDS & ETFs

FIXED-INCOME INVESTING

The Best Moves to Make in an Inverted Yield Curve

A George Mason professor on what market history says about how investors should proceed

BY DEREK HORSTMAYER

MUCH HAS BEEN said in recent months about the possibility of an "inverted yield curve." If any inversion actually occurs, how might it affect investors' portfolios, and is there anything individuals can do to protect themselves?

The yield curve—the difference between the interest rates available on shorter-term and longer-term Treasury bonds, shown as one curved line—generally slopes gently upward in normal times, as investors demand more return on investments that tie up their money for a longer period.

Recently, however, the yield curve has fallen to its flattest level since the onset of the 2007-09 recession. When rates of different maturity Treasurys get so similar, bond-market investors take notice and start bracing for a possible inversion of the curve, which is when short-term yields surpass long-term ones. A flattening of the yield curve suggests that investors are getting worried about near-term growth and leaves some pundits eager to predict the economy is headed for a downturn.

This past week, the spread between the 10-year and two-year Treasury was just 0.24 percentage point. Should it continue on this trajectory and actually invert, history shows that investors shouldn't hold out much hope for monumental returns across any asset class in the years that follow.

Is there anything investors can do to insulate themselves? If historical returns offer any direction, traditionally safe assets may prevail as the best strategy should the dreaded inversion occur.

Looking back to the 10 inversions

An investigation of the 10 yield-curve inversions (when the rate on the two-year Treasury exceeded that of the 10-year Treasury) that have occurred since the buildup in the 1920s to the Great Depression found that large-cap stocks delivered an average annual rate of return of just 1.5% in the two years following the inversion. Worse, small-capitalization stocks averaged minus 3.1% over the same time frame.

Counter to this, traditionally safe assets like long- and short-term bonds have fared a bit better following yield-curve inversions. Following the 10 inversions, long-term bond portfolios averaged an annual rate of return of 6.2% and short-term bond portfolios averaged 5.5% in the two years following

an inversion.

Not only do stocks appear to deliver the lowest returns following yield-curve inversions, they deliver the greatest volatility in these time periods, as well. For instance, large-cap stocks lost more than 50% of their value in a two-year period following the 1929 yield-curve inversion (leading into the Great Depression). On the positive side, large-caps delivered gains of more than 20% in the two years after the 1981 inversion.

While the historical evidence seems to suggest that safer assets perform better on average following an inversion, it is important to note that inflation has averaged 4.5% following these events. That fur-

ther reduces the attractiveness of all of these investments. In fact, once the inflation rate is factored in, the only asset class that historically has even a positive real rate of return following an inverted curve are bonds, with an average portfolio of short- and long-term issues registering a paltry 1.3% annual real rate of return.

A better record in recent decades

Interestingly, the yield curve has become a much better predictor of recessions in recent decades.

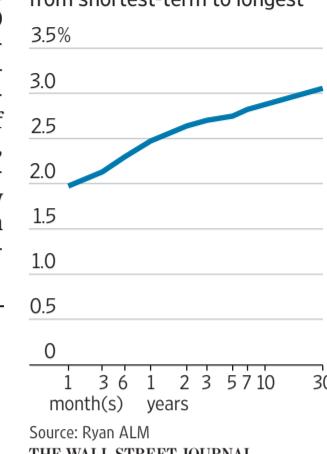
An inverted yield curve has accurately predicted every recession going back to the mid-1960s, with only one false positive, in 1966. Yet, from 1926 to 1966, eight recessions occurred and only twice did an inverted yield curve manifest within a year before a given recession.

All told, the data suggest that prices (especially equities) respond much more to an inversion than to the actual recession, which comes on average 12 months later. In 75% of cases over the past 90 years, the two-year returns to large-cap stocks are significantly worse following an inversion than they are following an official recession.

Dr. Horstmeier is an assistant professor of finance at George Mason University's Business School in Fairfax, Va. He can be reached at reports@wsj.com.

Yield Curve

A comparison of the yields of Treasury bills, notes and bonds, from shortest-term to longest



Source: Ryan ALM

THE WALL STREET JOURNAL.

Prediction Scoreboard

Did an inverted yield predict a coming recession?

Date	Correct A yield-curve inversion preceded a recession	False Positive An inversion but no recession followed	Missed It The yield curve didn't invert prior to the recession
October 1926	✓		
August 1929	✓		
May 1937		✓	
February 1945		✓	
November 1949		✓	
July 1953		✓	
August 1957		✓	
April 1960		✓	
September 1966		✓	
December 1969	✓		
November 1973	✓		
January 1980	✓		
July 1981	✓		
July 1990	✓		
March 2001	✓		
December 2007	✓		

Note: Inverted yield curve based on 10-year T-bond yield compared with two-year note

Inversion Blues

Performance of various investments following a yield-curve inversion.

Average annualized returns.

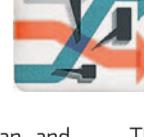
	One year following inversion	Two years following inversion
Gold	5.6	4.1
Long-Term Bonds	5.4	6.2
Short-Term Bonds	5.9	5.5
International Equity	-9.2	-1.2
Small-Cap Equity	-10.8	-3.1
Large-Cap Equity (Dow)	-6.1	1.5

Source: Derek Horstmeier, George Mason University

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IN TRANSLATION

MARKET BREADTH



dex that are reaching record levels is falling. And that is happening even though the index itself keeps going higher.

The upshot is that "fewer stocks are carrying the load of the market," the report says, "a bad signal for further price gains."

Generally, rallies that have many stocks pushing up an index have more resilience than those that rely on a few stocks, says Don Coxe, chairman of Chicago-based Coxe Advisors LLC.

Mr. Coxe notes a classic example of lack of breadth signaling a market decline was in 2000 and 2001, when technology stocks kept pushing the broad index higher, without much help from other shares, until the rally collapsed and turned into a rout.

—Simon Constable

Right now, the indications aren't good for stock investors. For instance, a recent report from Goldman Sachs notes that a mere 10 stocks in the S&P 500 index were responsible for generating more than half the gains in the index this year through late July.

Similarly, a recent report from Morgan Stanley notes that the number of stocks in the tech-stock-led Nasdaq in-

An additional two billion people will need housing by 2030.

Over that same time period, the global middle class will increase to nearly five billion people. Add to that the fact that interest rates are always in motion and it's no wonder businesses and individuals turn to CME Group to help manage their risks and navigate fluctuating borrowing costs. That, in turn, enables lenders and property developers to keep pace with population growth. This is how the housing industry can find solutions that make shelter more accessible around the world. This is how the world advances. Learn more at cmegroup.com/finance.

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JOURNAL REPORT | INVESTING IN FUNDS & ETFS

ALTERNATIVE INVESTMENTS

Hedge Funds Nearing A Bad 10-Year Streak

The funds continue to lag behind the stock market, despite a record level of assets. But a few managers are delivering.

BY ERIC UHLFELDER

HEDGE FUNDS were finally hoping the return of volatility in 2018 was going to revive their fortunes.

But no such luck. Hedge funds are well on their way to their 10th straight year of underperforming U.S. stocks.

To assess what happened in the first half of 2018, global industry data tracker BarclayHedge ran a broad screen of several thousand hedge funds for The Wall Street Journal. BarclayHedge found the average hedge fund return to be a paltry half percent while the S&P 500 rose more than 2.5%. Incomplete returns through July so far show a significant widening of the year-to-date performance gap, with the market up nearly 6.5% while hedge funds gained 1.0%.

The Wall Street Journal sorted the funds by strategy, identifying the weakest first-

half performers. They were led by emerging markets, commodity trading advisers, or CTAs, and global macro, which were down 4.7%, 2.2%, and 1.1%, respectively (see table).

"Emerging markets are being hurt by an appreciating U.S. dollar, the rising specters of trade wars and protectionism, political discord and macroeconomic turmoil, especially in Turkey, Argentina and Brazil," says Carl Tohma, manager of Jabre Capital EMEA fund, which outperformed the BarclayHedge EM index by 5.5 percentage points.

Global Macro funds and CTAs—which both target broad asset-class exposure such as interest rates, currencies, stocks, bonds and commodities—took two major hits: the February reversal in the U.S. stock rally, and the return of volatility in European debt after the Italian election results in May.

A global macro fund that

stood out for its first-half performance was AlphaQuest Original of Quest Partners LLC, which climbed nearly 21%. The fund uses quantitative models to target periods of rising volatility and short-term trade exposure. Quest President Prashant Kolluri says the fund's returns in the first half were boosted by quickly moving in and out of the U.S. stock rally that followed the tax-overhaul passage, and by being short Italian bonds and long safe-haven bonds, such as German bunds. Bets on rising crude-oil futures also helped.

Still popular

Despite dull industry performance, investors still haven't lost their taste for hedge funds. According to Hedge Fund Research, assets grew to a record \$3.236 trillion as of June, up from \$3.211 trillion at the end of 2017, supported by some massive fund launches. These include Steve Cohen's



QUEST PARTNERS

One first-half winner is the global macro fund from Quest Partners in New York, up nearly 21%. The firm's management team, from left, Robert Toth, head of trading; Prashant Kolluri, president; Paul Czkwianianc, head of research; and Nigol Koulianjan, founder and chief investment officer.

\$13 billion Point72, former Millennium Management executives Michael Gelband's and Hyung Soo Lee's \$8 billion ExodusPoint, and former Viking Global CIO Daniel Sundheim's \$4 billion D1 Capital.

While most strategies continue to struggle, the several that did outperform the market in the first half were led by distressed securities. Funds in this category, which generally focus on companies suffering from poor mergers, loss of industry leadership, shifting demand or restructuring, were up an average 6.26%. While the category is up more than 10% over the past year, this follows several years of lackluster returns.

One leading hedge-fund manager in this category is \$281 million Man GLG European Distressed. Its U.S. Dollar Class A fund was up 11% for the first half, and nearly 15.5% over the past 12 months. Though it has an annualized rate of return of more than 11% since its launch a decade ago, with volatility under 9.5%, the fund is also recovering from sluggish performance over the past several years. A representative for the fund says it declines to comment.

While fixed-income funds as a whole didn't do much during the first half, several specialty fixed-income strategies managed decent returns, led by collateralized debt obligations, up 6.24%, asset-backed loans, which tacked on nearly 4%, and asset-backed securities, up 3.44%.

A lead performer in funds specializing in CDOs continues to be Hildene Opportunities Master. The \$1.8 billion fund, launched a decade ago, has generated gains of nearly 23% a year with volatility of 8.4%. Hildene is keeping pace with its historic returns, with gains of over 10% through June.

A key driver of performance, says Hildene co-CIO Brett Jeff-

pack is the \$234 million Odey European Equity, a fund from London-based Odey Asset Management that uses long and short strategies. Its Sterling class was up 24% for the first six months, helped by two bets: shorting the pound and U.K. government bonds on the premise that Britain's exit from the European Union will harm the U.K. economy, and a long position in British telecom and media company Sky PLC, which is the target of a three-way bidding war.

But Odey's surge reflects the challenges of assessing funds by what they've done lately. Over the past three calendar years, the fund has lost more than 20% annually.

"Broad market dynamics have broken down," says Panayiotis Lambropoulos, portfolio manager of hedge-fund investments at the \$28 billion Employees Retirement System of Texas. He notes there has been an explosion of debt issuance and soaring equity valuations along with plenty of events to move prices, but a surprising lack of dispersion among assets.

"There seems to be a new rule book out there," Mr. Lambropoulos says, "but its content, typically informed by established financial theories and experience, has turned increasingly indecipherable."

Mr. Uhlfelder writes about international capital markets from New York. He can be reached at reports@wsj.com.

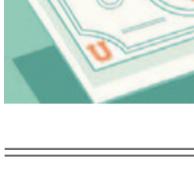
Hard to Beat the Market

First-half 2018 performance of various hedge-fund strategies, in percentage returns

	Jan-June 2018 Net Returns	1-Year Annualized Net Returns	3-Year Annualized Net Returns	5-Year Annualized Net Returns
Distressed Securities	6.26	10.26	4.51	4.39
Collateralized Debt Obligations	6.24	12.34	8.00	11.07
Asset-Backed Loans	3.96	9.11	7.78	9.39
Asset-Backed Securities	3.44	7.62	8.26	7.90
European Equities (hedged)	2.51	4.60	2.65	4.70
Mortgage-Backed Securities	2.49	5.16	4.66	6.17
Equity Long/Short	1.63	6.47	3.61	4.94
Event Driven	1.55	4.97	4.98	5.01
Convertible Arbitrage	1.08	1.56	2.24	2.72
Equity Long Bias	1.04	9.26	4.94	6.68
Fixed-Income Arbitrage	0.59	1.19	3.37	4.66
Credit Long/Short	0.47	2.46	3.14	3.80
Equity Market Neutral	0.28	2.46	2.25	3.58
Merger Arbitrage	0.18	1.59	4.86	4.55
Multistrategy	-0.27	2.90	2.98	4.52
Global Macro	-1.06	2.48	1.87	2.69
Commodity Trading Advisers	-2.19	0.15	-1.25	0.54
Emerging Market	-4.65	4.62	4.55	4.26
Barclay Hedge Fund Index	0.48	6.26	4.43	5.28
S&P 500 Total Return Index	2.66	14.38	11.93	13.42

Source: BarclayHedge

THE WALL STREET JOURNAL



SAVING FOR COLLEGE | CHANA R. SCHÖENBERGER

How to Get the Most Financial Aid for College

Why you shouldn't buy life insurance as a way to shelter assets, and other tips

Readers continue to write in with queries about the best way to pay for college. We asked experts to help us answer readers' questions on college savings and tax-advantaged "529" accounts.

* * *

How can I maximize college aid for my child? What are the best strategies for where to put our family's money so that we can get as much financial aid as possible?

Financial aid can be a game with high stakes, especially if aid is the difference between a college education and a lack of one, or between a heavy load of student loans and none.

If you're anticipating making changes to your family income before you apply for aid, you'll have to do that before Jan. 1 of the student's sophomore year in high school. For changes to your family's assets, those can occur as late as the filing date for Fafsa (the Free Application for Federal Student Aid), as long as you can document the change, say, with a bank-website printout.

"It is important to note that the answers to questions about income and taxes are based on the prior-prior year's federal income-tax return," or 2017 for the 2019-20 Fafsa, "while the answers to asset and demographic questions are as of the date the Fafsa is filed," says Mark Kantrowitz, publisher of the college-finance information site savingforcollege.com.

"Parent assets, including checking and savings accounts, count as less than 6% when determining the family contribution," says James DiUlio, chairman of the College Savings Plans Network, an association of state 529 plans. Schools know that families have expenses other than college, including retirement and the care of elderly parents or other children.

Among the most useful ways to save for college are 529s because the money grows

tax-free and can be taken out without taxes or penalties when used for eligible educational expenses.

When a 529 account is owned by a parent, with the student as the beneficiary, the account gets counted at 5.64% of its value. If the student is the owner, money held in the account is counted at 20%; once the student starts withdrawing money, that is counted at up to 50%. An account owned by a grandparent or anyone else doesn't count at all until distributions start flowing to the student to pay for college, and then it is considered untaxed income to the student and counted at 50%.

Before you start moving assets around specifically to increase your financial aid, first go online and use a financial-aid calculator to see how these strategies will affect your aid. It might all be for naught. "If a family has sufficient assets to affect eligibility for need-based financial aid, usually they have sufficient income to wipe out aid eligibility even if they had no assets," Mr. Kantrowitz says.

He cautions specifically against buying life insurance as a way to shelter assets for this purpose, because the contracts are often opaque and difficult to understand, and may come with high fees or charges that end up costing the family more than they would gain in aid.

What's more, "trust funds almost always backfire, so forget about trying to set up a trust fund to shelter the money," Mr. Kantrowitz says.

The only trust funds that don't affect aid eligibility are court-ordered ones (to pay for an accident victim's medical expenses, for instance) or those that are being legally contested at the time of the Fafsa filing, such as a trust set up by a will that is the subject of a court fight.

If you have another child going to college, or your family's living arrangements or financial situation change, you can always call the college's financial-aid office to plead your case

for more aid.

"The financial-aid officers at any college are excellent resources for families; just don't waste your conversation time with them recalling what your older child or a relative received four years ago," Mr. DiUlio says.

Another common problem, he says, is that families often don't look seriously at several colleges, public and private, that may offer choices of grants, loans and work-study. Just because your child declares that she's found her "dream school," don't stop looking for bargains if aid is an issue.

"Don't be the family that takes more time shopping for a lawn mower than choosing a college and the financing that will be a good fit for you," he says.

Rather than go through complicated machinations, it makes more sense just to save for college if you have the means.

"Any dollars in hand are more valuable when compared to having to pay back loans with interest over time," Mr. DiUlio says.

* * *

We have a grandparent 529 account for our 20-year-old granddaughter, who has dropped out of college. The financial statements indicate the account needs a custodian until she is age 21. What happens when she reaches 21? Can the account be extended if she decides to resume college? If the account must be terminated, are the remaining funds hers or do they still belong to the grandparents? Would there be a tax on the earnings plus a penalty, and who is responsible for those payments?

With this type of account, your granddaughter will gain control at age 21; the money no longer belongs to the grandparents who contributed it, Mr. DiUlio says. She can keep the account open while deciding on future educational plans, or she can withdraw the money as she wishes.

If your granddaughter doesn't use the withdrawals for eligible educational expenses, she will be liable for income taxes on the gains portion of any money withdrawn, as well as a 10% penalty.

* * *

My granddaughter, who plans to go to college next year, is living with her aunt. She ran away from home, where her mother was mistreating her, and neither parent is likely to cooperate with filling out financial-aid forms. Whose income will count on the Fafsa? And what can I do with the 529 that I have established for her, since I don't wish to give her parents control of it?

In this situation, "she should appeal to the college financial-aid administrator for a dependency override," Mr. Kantrowitz says, submitting copies of documents that prove her circumstances, like letters from social workers, clergy, police, or court orders. Unless she has adopted the girl legally, her aunt isn't considered a parent for Fafsa purposes, but any cash support her aunt is giving her has to be reported on the financial-aid form, Mr. Kantrowitz says.

You don't have to give her parents control of the money in your grandparent-owned 529 account.

"If you don't want to affect her eligibility for need-based financial aid, you could wait until after Jan. 1 of her sophomore year in college to start taking distributions, when it will no longer affect her aid eligibility, assuming she graduates in four years," he says.

* * *

My 14-year-old daughter is about to start working part time, and I plan on contributing an amount equal to their total salary to a Roth IRA, up to the maximum allowed, every year going forward. How will this affect their ability to receive financial aid for college?

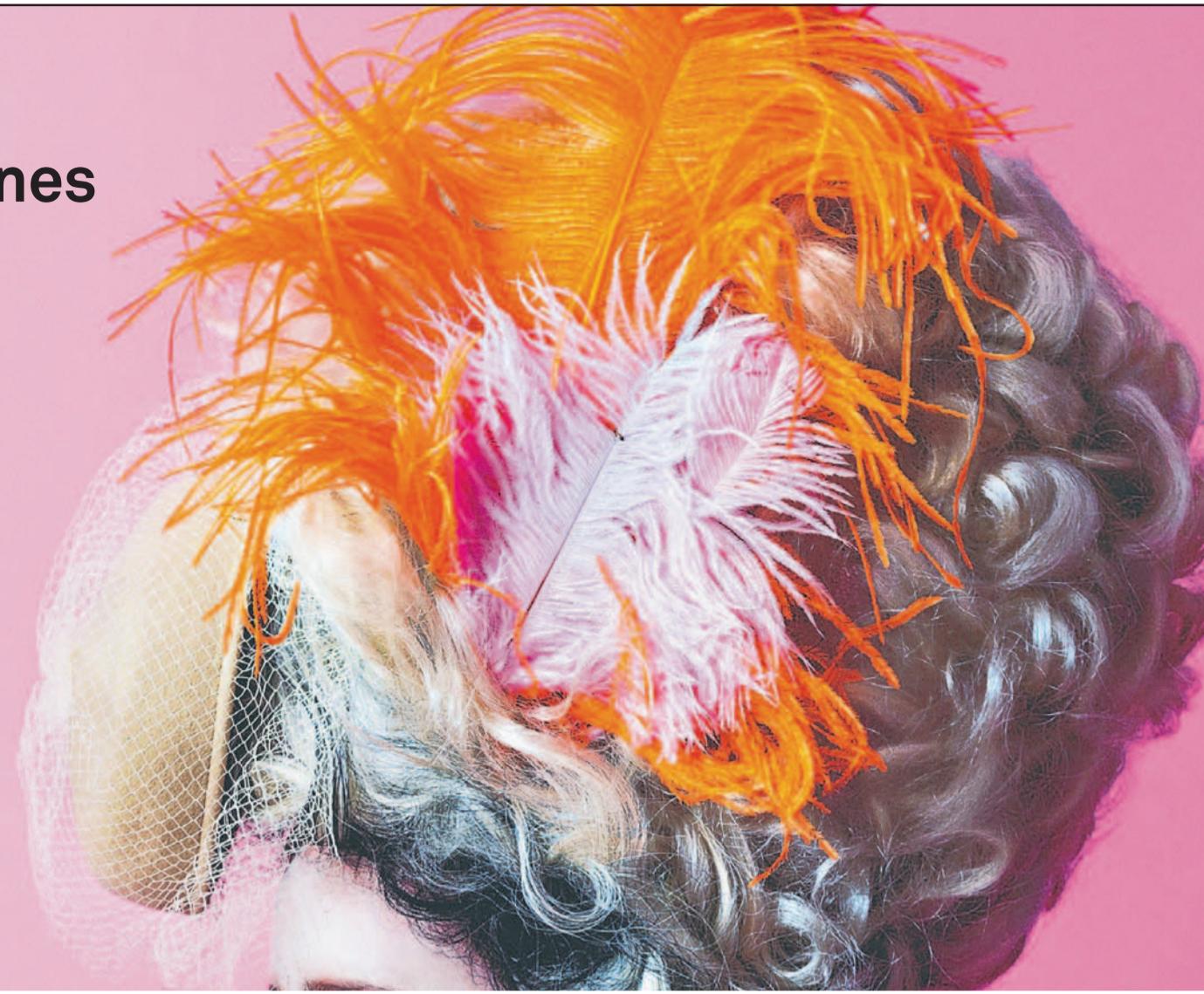
An IRA (or other retirement account) isn't reported as an asset on the Fafsa.

"However, distributions from a Roth IRA, such as a tax-free return of contributions, will count as untaxed income on a subsequent year's Fafsa," Mr. Kantrowitz says. Those distributions will reduce aid eligibility by as much as half of the distribution amount.

Have a college-finance question in general? We'll be answering some of them in future Investing in Funds & ETFs reports. Write to reports@wsj.com.

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JOURNAL REPORT | INVESTING IN FUNDS & ETFS

BEST BET/WORST BET

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GAINS

A billion-dollar career as a tech entrepreneur and investor

In 1998, Mr. Hoffman was trying to get traction for his startup, SocialNet—a site for dating and connecting people with mutual interests—when his friend Peter Thiel asked him if he would join the board of Confinity, his budding payments company that used cryptography technology.

Mr. Hoffman hesitated for two reasons. First, he felt that he needed to give his startup all of the attention he could. Second, he thought encryption on mobile phones was a bad idea. But he thought Mr. Thiel and his team were extremely talented. “I figured I would learn from them as well,” he says. “Even though I told them I was absolutely convinced the idea they were pitching me on was a terrible idea.”

The next year, Confinity launched a product called PayPal, which revolutionized online payments. Mr. Hoffman went on to join the company full time as chief operating officer. The company, renamed PayPal Inc., went public in 2002, was bought by eBay the same year for \$1.5 billion, and was spun out as a separate company, now **PayPal Holdings**, in 2015.

Mr. Hoffman said taking the board seat made his career. “It’s what led to me being able to do angel investing and what led me to essentially finance the first money in LinkedIn,” he says.

THE TAKEAWAY: Investors often judge a company on a combination of three things: market position, team and momentum, Mr. Hoffman says. They blend their opinions of all three to reach a decision. He thinks a little differently. He thinks one of the three has to be far above the bar for him to get involved.

His Confinity/PayPal success reinforced that when you choose an investment based on talent, that talent has to be so strong that you want to be working with them for a decade, that you’d be willing to be “in a foxhole with them,” he says, even if you’re not completely sold on other parts of the package—like

the idea. “When you make that judgment on talent, that’s a reason to say: ‘Wow, it’s encryption on mobile phones? No problem. I’m in.’”

WORST BET
Passing on StripeINVESTMENT
Zero

LOSSES

Tens of millions of dollars by current valuation

It’s missed opportunities, not losses, that Mr. Hoffman regrets. Not investing in a company that goes into orbit costs him a lot more than an investment going to zero, he says. “Losing those is the thing that is the disaster,” he says. “It’s the, ‘Oh, my God! This thing is going to the moon and I’m not in it!’”

To date, he says his biggest regret is passing on digital-payments company Stripe.

Mr. Hoffman says Paul Graham, co-founder of the startup accelerator Y Combinator, encouraged him to meet with founders John and Patrick Collison, saying: “These guys are some of the best that have ever come through here. They’re going to reinvent the banking industry.”

Mr. Hoffman met the brothers, liked them, and acknowledged that they had a “really good” idea. But he passed, because he thought they were valuing Stripe too high, and because he knew just how hard it is to make a go of it as a payments company.

Stripe is now valued at more than \$9 billion, according to news reports on funding rounds. By passing on the opportunity, Mr. Hoffman missed out on millions.

THE TAKEAWAY: “Sometimes as investors in what are possibly real breakout areas, you exercise too much price discipline,” he says.

Stripe faced an uphill battle—it would have to become a revolution, a platform and “enable a bunch of stuff” to succeed. But, the potential upside of a company that processes payments online is incredibly high, Mr. Hoffman says.

Huge, potentially disruptive ideas belong in a portfolio, even if success is a long shot, he says. He now thinks he should have said to himself: “If anyone is going to pull something out in payments, these two probably will do it. So I should go along for the ride as part of a portfolio bet.”



SPOTLIGHT | TURKEY

ETF OPTIMISM

Some investors are seeing the recent instability in Turkey as a buying opportunity, with many piling into the \$386 million **iShares MSCI Turkey ETF** (TUR).

Turmoil in Turkey has pushed down the Turkish lira and unsettled the emerging markets. A political tussle between the U.S. and Turkey in mid-August dealt another blow to the Turkish economy.

Dave Nadig, managing director of ETF.com, says: “There’s only one Turkey ETF in the U.S., the iShares TUR, and it is essentially where all the flows and trading volume have been”—\$182 million in flows since Aug. 1.

Why the huge flows? Mr. Nadig explains: “Well, certainly some folks are ‘buying the dip,’ but the volume has been so huge there is little question that some of this is ‘create to lend’ activity: essentially big firms making new shares so they can loan them out to short sellers.”

The create-to-lend process is when market intermediaries create ETF units to allow other traders to cover short positions. Investment strategies involve shorting ETFs, which is a surprisingly popular trading tactic in the ETF marketplace and a large part of ETF trading volume.

The ETF targets the MSCI Turkey Investable Market Index, holding 62 stocks, with the largest allocation being financial services. In terms of performance the ETF has been tumbling, year to date, with a total return of minus 54%.

Deborah Fuhr, managing partner at ETFGI, a research and consultancy firm, reports that in June and July, net new assets in ETFs exposed to Turkey were high due to the inflows to the London-listed iShares MSCI Turkey UCITS ETF (ITKY) and the TUR ETF. They drew \$162.5 million and \$56.8 million respectively.

—Tanzeel Akhtar

Reid Hoffman took a board seat and landed a career.

Reid Hoffman on What He Missed

BECAUSE HE MADE a pile of money from co-founding LinkedIn, has invested in companies like Airbnb and is generally considered one of Silicon Valley’s most-high-profile angel investors, Reid Hoffman gets hit up for money—a lot.

His inbox, he says, is flooded with between 100 and 200 cold pitches every week. And he looks seriously at six to eight ideas a week that he fields from all corners of his life.

In good pitches, he says, entrepreneurs don’t just boast of their credentials and competitive edge; they clearly articulate the risks and challenges and how they will overcome them. But part of his job is seeing good ideas in bad pitches.

For example, in one meeting an otherwise impressive founder told him, “I’m not sure I’m going to keep doing this. After the summer, I may go back to school.” And he closed by saying, “Well, if you don’t like this idea, I have another idea...,” which was basically simply a version of Napster. But the company’s momentum was such that Mr. Hoffman invested anyway.

That founder, he says, was Mark Zuckerberg. The company was **Facebook**. And his \$37,500 investment turned into \$400 million.

Here, Mr. Hoffman, now a partner at Greylock Partners and author of “Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies,” recalls two other bets: one he made, and one he should have made.

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BY CHRIS KORNELIS



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