THE WALL STREET JOURNAL.

Markets

U.S. Sanctions Hit Iran's Plan to Tap Giant Gas Trove; Some of Iran's natural gas clients struggle to find banks willing to complete transactions

By Benoit Faucon in London and Ghassan Adnan in Baghdad
454 words
5 October 2018
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The Wall Street Journal Online
WSJO
English

Iran is finding it hard to receive payments for its natural-gas exports to Iraq, as U.S. pressure hits one of the Islamic Republic's most crucial sources of revenue beyond crude.

Iran's latest difficulties highlight the ways in which U.S. sanctions, set to take effect in November, are already affecting the country's key industries and its international customers. The Trump administration's decision to ban Iran's oil exports has led to a 29% drop in crude shipments in three months and contributed to a rise in **oil prices** above $80 a barrel.

Iranian natural gas sales are also prohibited under the sanctions, which could scuttle Tehran's ambition to boost exports of the commodity. Iran holds the second-largest natural-gas reserves in the world. In 2016, after previous sanctions had been lifted, Iran said it hoped to start selling natural gas to the European Union this year.

In recent weeks, Iraq has been struggling to continue its natural-gas purchases from Tehran because banks are reluctant to carry the payments ahead of returning U.S. restrictions, according to people close to both sides of the transactions. Iraq was Iran's most promising gas market because the huge needs of its power plants are fueled by the commodity.

"The difficulty in getting gas from Iran now is linked to the issue of transferring money to Iran because of the American sanctions," Sadoun Shehan, deputy head of media at Iraq's electricity ministry, told The Wall Street Journal. Tehran has been forced to curb supplies as U.S. pressure has "prevented any money transfer from Iraqi banks especially in U.S. dollars, to Iran," the Iraqi official said.

Iran started exporting gas to Iraq last year. The deliveries had been delayed for four years as Islamic State expanded its territory in Iraq. The militant group had impeded the completion of a pipeline connecting both countries, but was defeated decisively last year.

Iran's oil ministry said it had no information on the gas payment issues and Iraq's oil ministry didn't return a request for comment.

Baghdad, which badly needs the commodity for its power stations, is now considering bringing floating liquefaction plants to source the gas elsewhere, according to the people familiar with the matter.

Iran also exports limited quantities of natural gas to Azerbaijan and Armenia, as well as Turkey, with which it has had repeated payment disputes.

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THE WALL STREET JOURNAL.

Markets

Investors Cool on Hotly Anticipated London FinTech IPO; Shares in peer-to-peer lender Funding Circle traded sharply below their offer price

By Philip Georgiadis
645 words
3 October 2018
04:08 PM
The Wall Street Journal Online
WSJO
English

London's landmark fintech IPO flopped Wednesday, with shares trading sharply below their offer price, in a key test of investor appetite for the sector.

Shares in peer-to-peer lender Funding Circle closed at 365 pence per share ($4.74) on Wednesday, well below the firm's flotation price of 440 pence. Shares had earlier fallen as low as 335 pence, a more than 20% discount to the IPO.

Funding Circle's debut came on a gloomy day for London's IPO market as luxury car manufacturer Aston Martin fell on its first day of conditional trading. The car maker made famous by the James Bond franchise priced at the lower end of its range at 1,900 pence each, and fell nearly 5% Wednesday.

With its £1.5 billion flotation, Funding Circle became the first peer-to-peer lender to go public in the U.K., following the rapid expansion of a sector which allows investors to directly lend money to small- and medium-size businesses.

The company originates funding to growing businesses, and has facilitated loans worth more than £5 billion to 51,000 businesses globally.

More than two-thirds of its loans have been originated in the U.K. The company launched in the U.S. in October 2013 and also has operations in Germany and the Netherlands.

The company said it has raised more than £250 million of equity capital since 2010, from backers including Accel Partners, Baillie Gifford and BlackRock.

Funding Circle's slow start is the first test for investor appetite around fintech firms since Dutch payment technology company Adyen soared in its **stock-market** debut in Amsterdam in June.

Funding Circle's IPO hit issues soon after it announced flotation plans in September. It narrowed its IPO range ahead of the debut, having originally priced a range between 420 and 530 pence per share.

Russ Mould, investment director at stockbroker AJ Bell, said investors are approaching any form of credit financing with "eyes wide open" as interest rates rise and following issues with some listed lenders in the U.S.

Shares in U.S. firm LendingClub have fallen sharply since its flotation under the weight of a sales practice scandal that resulted in the firing of its founder and chief executive, while New York-based small-business lending firm On Deck Capital's shares are currently trading at around a third of the price of its December 2014 IPO.

As well as the possible headwind of rising interest rates, which could chip away at investor interest in more risky investments, some analysts have also questioned how peer-to-peer lenders may perform in a future economic downturn. Still, Funding Circle said in its IPO prospectus that in its own stress tests showed returns for investors would remain positive even in an extreme economic downturn comparable with the 2008 financial crash.

Investor reaction to the IPO is a blow to London's hopes for establishing itself as a market for high-profile technology floats, and comes after the U.K. capital missed out on the float of homegrown luxury online shopping company Farfetch, which announced it would pursue a New York listing in August.

At the time of the Funding Circle's listing, the London Stock Exchange hailed the company's decision to list in London as confirming the city as a "leading international financial center for raising capital for global fintech businesses."

Adam Clark contributed to this article.

Write to Philip Georgiadis at philip.georgiadis@wsj.com

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THE WALL STREET JOURNAL.
U.S. EDITION

Tax Law Spurs New Property Investments

By Peter Grant and Gregory Zuckerman
823 words
1 October 2018
The Wall Street Journal
J
B9
English

Corrections & Amplifications

The first name of Aron Betru, managing director of the Center for **Financial Markets** at the Milken Institute, was misspelled as Aaron in a Markets article Monday about tax-advantaged opportunity zones.

(WSJ October 3, 2018)

(END)

Billions of dollars have started piling into new real-estate funds targeting disadvantaged U.S. neighborhoods, as investors line up to capitalize on a section of last year's tax overhaul.

The tax bill created more than 8,000 tax-advantaged "opportunity zones." They range from parts of New York, Los Angeles and Washington, D.C., to rural areas and the entire U.S. territory of Puerto Rico. On Thursday, Treasury Secretary Steven Mnuchin predicted the zones will attract over $100 billion in private capital.

Opportunity-zone investments could be "the biggest thing to hit the real-estate world in perhaps the past 30 or even more years," said Bruce Stachenfeld of law firm Duval & Stachenfeld.

The zones have multiple tax benefits. Anyone with capital gains -- from real estate, Amazon.com shares or most any other source -- can defer taxes on them until 2026 if they roll those gains into investments in these designated zones. Investors can also get a discount of up to 15% on those taxes when they eventually pay them. And capital gains from qualified investments in the zones that are held for at least 10 years won't be taxed at all.

"Billions of dollars, maybe more, will be coming into the market, with the investors saying, 'We only want to put this money into these communities because of these tax benefits,'" said Seth Pinsky, executive vice president of New York developer RXR Realty, which is exploring creating an opportunity-zone fund.

So many investors are expected to take advantage of the tax break and invest in these zones that it will cost the government $7.7 billion between 2018 and 2022. The cost will shrink to $1.6 billion over 10 years as deferred taxes are paid, according to the Joint Committee on Taxation.

The tax benefits apply to most equity investments in the zones, including real-estate development and operating businesses such as restaurants, stores and technology startups. But most of the initial investments are expected to be in real estate, partly because opportunity-zone tax law provides the most benefits to investors who can quickly deploy a lot of capital.

Developers and investors say there are still many unanswered questions, including whether the tax breaks will produce the intended benefits for targeted neighborhoods. They are hoping for more clarity when the Internal Revenue Service issues further guidance.

The program -- partly conceived by Sean Parker, who helped launch Facebook and Napster -- has raised concerns among community groups about the impact on existing residents of low-income areas. "There's a tipping point where the people who were there before get pushed out, and the people who come in are the people who are benefiting," said Mr. Pinksy.

Aaron Betru, managing director of the Milken Institute's Center for **Financial Markets**, said he has heard about close to 20 firms that have either started raising or are planning to raise funds ranging from $100 million to $500 million.

James Lang, a tax attorney in Greenberg Traurig's Tampa, Fla., office, said he has fielded 10 to 15 calls each day on the topic since July and his firm has assembled about 45 lawyers to focus on opportunity-zone investing.

Some developers that happen to be working on projects inside zones already find themselves in prime positions. Florida-based firm Waypoint Residential was planning a 250-unit rental-apartment project in the suburbs of Louisville, Ky., before the area was designated an opportunity zone.

Raising capital turned out to be a breeze, said Scott Lawlor, Waypoint's chief executive. "We were 50% oversubscribed within two weeks."

Developers are aware that opportunity-zone investments will be risky despite the tax benefits. To qualify, real-estate investments must be ground-up projects or major rehabilitations.

The zones could be a major boon for real-estate fundraising, which has been getting tougher. A total of 48 private real-estate funds closed globally in the second quarter for a combined $23 billion, down from $38 billion raised by 75 funds in the first quarter, according to data firm Preqin.

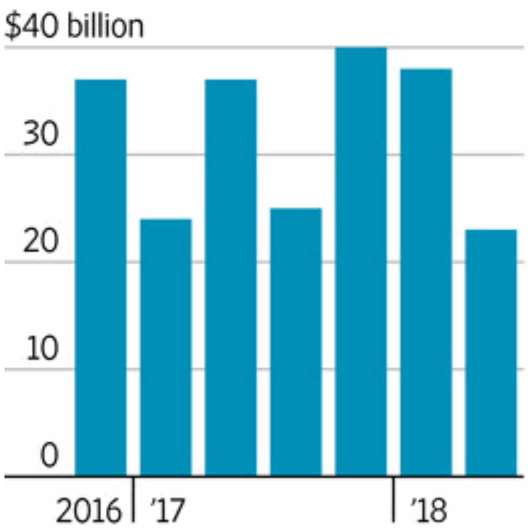
Small-to-midsize firms with experience investing in disadvantaged areas have largely been the first movers in the opportunity-zone business. Firms that announced plans to raise funds include Youngwoo & Associates, of New York, whose projects include redeveloping the historic Bronx Post Office into a retail and office project, and Washington-based Fundrise, which is considering investments in Los Angeles, Oakland Calif., Dallas and Seattle.

Some large banks already involved in economic development have become active in the zones. Goldman Sachs Group Inc.'s urban investment group has already made $70 million of deals in opportunity zones in 2018 and has over $1 billion of possible transactions in the pipeline, according to Margaret Anadu, the group's head.

Ruth Simon contributed to this article.

Primed for a Boost

Fundraising by private-equity real estate funds has slowed recently.



Source: Preqin

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The New York Times

Business Day; Economy
With 8 Years of Job Gains, Unemployment Is Lowest Since 1969

By Ben Casselman
1,573 words
5 October 2018
05:00 AM
NYTimes.com Feed
NYTFEED
English

The unemployment rate fell to a nearly five-decade low in September, punctuating a remarkable rebound in the 10 years since the collapse of Lehman Brothers set off a global financial crisis.

By almost any measure, the American economy is humming. Gross domestic product is on pace for its best year since the housing bubble of the mid-2000s. Consumers and businesses are the most confident they have been in years, if not decades. **Stock market** indexes are near record highs.

The latest milestone came in a Friday report from the Labor Department: The unemployment rate fell to 3.7 percent last month, the lowest since December 1969, when hundreds of thousands of working-age Americans were serving in Vietnam.

"I view this as the strongest labor market in a generation," said Andrew Chamberlain, chief economist at the career site Glassdoor. "These really are the good times."

The turnaround from a decade ago is hard to overstate. In September 2008, American employers cut 443,000 jobs as the financial system collapsed around them. More than seven million more jobs evaporated in the months that followed. Even when the hemorrhaging stopped, shellshocked executives were slow to bring back laid-off workers, sparking fears of a "jobless recovery."

But when the hiring engine finally kicked back into gear, it did so in historic fashion. The 134,000 jobs added in September made it the 96th consecutive month of growth — eight full years, double the previous record. Employers have added close to 20 million jobs during that streak. (September's growth, a modest slowdown from August, would probably have been stronger absent the effects of Hurricane Florence, which struck the Carolinas in the middle of the month.)

Crucially, the recovery is reaching groups that struggled in the early years of the recovery. The unemployment rates for African-Americans and Hispanics are both near all-time lows. Teenagers, less-educated workers and disabled Americans have also made progress in recent months. And anecdotal reports suggest that companies are becoming more willing to hire people with criminal records or to waive drug-testing requirements.

Republicans are hoping the strong economy will help them hold off a potential "blue wave" of Democratic victories in next month's midterm elections. Friday's report was one of the last before Election Day, and President Trump wasted no time before cheering the news on Twitter.

It isn't clear, however, that economic data will have much effect at the polls. Surveys show that views of the economy are split along partisan lines, with Democrats and even many independents expressing less optimism than Republicans.

Indeed, the decade-long economic rebound from the financial crisis has been impressive more for its durability than for its strength. Millions of Americans remain stuck in part-time or temporary work, and many of the middle-class jobs wiped out by the recession have never returned. As a share of the population, employment remains well below its 2000 peak, a gap only partly explained by the aging population.

Most significant, strong hiring has not yet translated into robust raises for many workers. Average hourly earnings rose 2.8 percent in September from a year earlier, down from 2.9 percent in August and well below the growth that economists would usually expect with the unemployment rate this low.

But there are signs that wage growth could at long last be gaining momentum. Before last month's hiccup, the pace of growth had been drifting upward. Industries where labor is especially tight, such as construction and technology, are seeing wages rise faster.

Workers at the bottom of the earnings ladder, who were left behind early in the recovery, are now seeing particularly strong growth: Amazonannounced this week that it would raise the minimum wage for its employees in the United States to $15 an hour.

Amy Glaser, a senior vice president at the staffing firm Adecco, heard the Amazon news on television while preparing for a meeting with a rival e-commerce firm. Ms. Glaser helps companies hire for the holiday season, a task that Amazon had just made even more difficult for them.

“There was definitely a feeling of concern,” she said. “It puts increased pressure on them in a market where they already knew they were going to have to make significant adjustments on wages.”

Higher pay alone may not be enough. The combination of a tight labor market and rapidly growing online sales has made the competition for warehouse workers particularly fierce this year. Ms. Glaser said companies were hiring earlier, easing job requirements and giving workers more control over their schedules, a big shift in an industry that has traditionally expected workers to show up when and where they are needed.

“The demand for workers is higher than ever, and the supply just isn't out there right now,” Ms. Glaser said.

Christine Specht is dealing with just that challenge. Ms. Specht runs Cousins Subs, a Wisconsin sandwich chain that is struggling to find workers as it looks to expand into the Chicago area.

Cousins has raised wages in recent years but still pays well under the $15 an hour that Amazon and other big companies are promising. As the operator of a small chain in a competitive industry, Ms. Specht said, she is reluctant to raise prices in order to pay employees more.

“We can't always run to the menu board every time there's a cost increase in running our business,” Ms. Specht said. “That's kind of a last resort.”

Instead, the company is looking for other ways to attract workers. Cousins has ramped up its training program to help workers advance into management, offered referral bonuses to employees who help recruit their friends and staged “hiring blitz days,” when executives set up shop in a restaurant and interview candidates on the spot. More than anything, they are trying to move quickly.

“You can't sit on applications anymore, because people have options and they will go somewhere else,” Ms. Specht said.

Many economists think the shortage of workers will cause job growth to slow in the months ahead. But others argue that there is still room for the labor pool to expand, as employers become willing to consider candidates they would have overlooked earlier and as higher wages attract people who had been choosing not to work.

“You did see something like that in the late '90s, which is probably the closest analogue,” said Jeremy Schwartz, an economist for Credit Suisse in New York. “In a sufficiently strong labor market, you really were pulling people from the sidelines.”

It is unclear whether that can happen again. In the 1990s, baby boomers were in their prime working years; today, they are retiring at a rate of 10,000 a day. The number of people being hired from outside the labor force is near an all-time high. Yet the participation rate — the share of adults working or actively looking for work — has been essentially flat in recent years.

“You do see prime-working-age individuals coming back into the labor force,” said Michelle Meyer, head of United States economics for Bank of America Merrill Lynch. “But the demographic forces are so fierce that it provides a complete offset.”

Policymakers at the Federal Reserve are watching warily for signs that the shrinking pool of labor is leading the economy to overheat, as competition for workers drives up wages and, ultimately, inflation. That could force the Fed to raise interest rates more quickly than planned, which could cause a recession.

Yields on United States government bonds have risen sharply in recent days, a sign that investors expect inflation — and interest rates — to rise in coming years. Those concerns have also filtered through to the **stock market**, where major indexes fell again on Friday after dropping on Thursday.

But in a speech in Boston earlier this week, Jerome H. Powell, the Fed chairman, said he didn't see the tight labor market translating into faster inflation. Friday's report, which showed the unemployment rate falling without wage growth accelerating, is unlikely to change that view, Ms. Meyer said.

With the economy in such strong shape, attention on Wall Street has turned to what could bring the good times to an end. Fed rate increases are one popular answer. A trade war is another.

Economists and business leaders have warned for months that Mr. Trump's tariffs could threaten the recovery, particularly in manufacturing. There is little sign of that so far, however. That sector added 18,000 jobs in September, and the revised figures erased what was initially reported as a small decline in August. Other measures of the industrial sector likewise show continued growth.

"We really don't have any negative impact from the tariffs yet," said Joseph Brusuelas, chief economist for the consulting firm RSM.

* Housing Market Slows, as Rising Prices Outpace Wages

* As Debt Rises, the Government Will Soon Spend More on Interest Than on the Military

* One Reason for Slow Wage Growth? More Benefits

* Trump's China Fight Puts U.S. Tech in the Cross Hairs

Ford's River Rouge plant in Dearborn, Mich. "I view this as the strongest labor market in a generation," said Andrew Chamberlain, chief economist at the career site Glassdoor. | Brittany Greeson for The New York Times

Document NYTFEED020181005eea50033h

THE WALL STREET JOURNAL.

Heard on the Street
Markets

Why Biotech Deal-Making Has Dried Up; Increased focus on risky disease categories is one reason biotech deal-making has slowed

By Charley Grant
478 words
4 October 2018
06:00 AM
The Wall Street Journal Online
WSJO
English

Biotech companies are some of the riskiest in the market and may be getting riskier. That is one reason for the recent drought in big biotech deals.

So far this year, there have been four U.S. biotech acquisitions of publicly traded companies worth more than $100 million and none since May, according to Jefferies data. There were five last year and eight in 2016. While that is still fairly brisk activity by historical standards, many investors had expected a busier year.

High valuations for companies with no revenue is one good reason for the paucity of deals, but that doesn't fully explain the lull. The S&P Biotechnology Select Sector index is nearly 10% below its record, so high valuations aren't scaring away buyers. The deals that have happened, such as Gilead Sciences's acquisition of cancer specialist Kite Pharma for $11.9 billion last summer, have closed at high prices.

Instead, the rapid pace of scientific innovation in areas such as gene therapy or CAR-T cancer treatments may actually be causing pharmaceutical companies to hold off on deals for now. Many of the likely takeover candidates are focused on these categories; they may be exciting investment opportunities but stand out for their riskiness. That is often because investors in those fields are making judgments based on very small sets of patient data.

"What appears to be a best-in-class drug on a Monday can often be deemed obsolete headed into the weekend, given the pace of development," Jefferies health-care trader Jared Holz wrote in a recent note to clients. In gene therapy, "we do not think we have seen nearly enough data to make a call on the long-term viability of assets," he added.

At the current high valuations, buyers aren't compensated for taking on increased risk. That encourages patience, since risks should drop as more clinical data becomes available.

Another reason for the deal scarcity is that other investors are less worried about risk, allowing the biotechs to raise capital easily. GW Pharmaceuticals, a biotech that is developing a platform of cannabinoid-based drugs, issued $300 million in stock Wednesday. Genetic-disease specialist Bluebird Bio raised $550 million in the **equity market** over the summer. For development-stage companies that aren't generating profits, that kind of cash can fund operations for a long time, which only adds to the incentive to stay independent.

Biotech stocks offer investors some of the best growth potential to be found, but right now it is particularly hard to choose winners and losers. That means investors picking biotech stocks shouldn't count on a buyout anytime soon.

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THE WALL STREET JOURNAL.

Markets

Longtime RenaissanceRe Shareholder Urges a Sale; TimesSquare Capital believes the reinsurer's shares are undervalued but could fetch a significant premium in a sale

By Cara Lombardo
509 words
2 October 2018
04:20 PM
The Wall Street Journal Online
WSJO
English

A longtime shareholder is publicly pressing RenaissanceRe Holdings Ltd., one of the last remaining stand-alone reinsurers, to sell itself amid a flurry of deals in the sector.

Asset manager TimesSquare Capital Management LLC believes RenaissanceRe shares are undervalued but could fetch a significant premium in a sale, and it sent an open letter to the company's management Tuesday urging it to start a process.

The Wall Street Journal first reported earlier Tuesday that TimesSquare, which owns a roughly 2% stake and voiced its concerns privately to the company last month, would call for a sale. It marks TimesSquare's first public instance of taking a known activist role in an investment.

Bermuda-based RenaissanceRe, known as RenRe, said it has "considered fully" TimesSquare's views and is committed to acting in the best interests of all shareholders. Chief Executive Kevin O'Donnell said on a July earnings call that despite "pessimism permeating today's market," he was optimistic about the company's prospects and praised its status as one of the few remaining stand-alone reinsurers, which allows insurers to avoid doing business with direct competitors. Shares of RenRe, which has a market value of about $5.3 billion, rose 4.9% Tuesday.

Reinsurers, many of which are based in Bermuda for tax purposes, serve as insurers for insurance companies, usually against extreme losses. Reinsurers' property catastrophe businesses have suffered as alternative capital like bonds flood the markets, giving insurers new ways to spread risk. Some, including RenRe, have their own alternative capital funds.

As a result, reinsurance prices aren't reacting as strongly as they used to following catastrophes such as hurricanes, resulting in lower earnings and shifting the focus to scale and diversification.

That in turn has prompted a string of sales of reinsurers, some at a premium of more than 40%, and compelled at least one other activist to come forward. Among those deals: American International Group Inc. agreed to buyValidus Holdings Ltd., AXA SA is buying XL Group Ltd. and private-equity firm Apollo Global Management LLCagreed to buyAspen Insurance Holdings Ltd. French reinsurer Scor is facing pressure from Paris-based activist hedge fund CIAM after it rejected a takeover offer last month.

Financial companies, including insurers, have been frequent activist targets over the past year, accounting for 98 of 514 companies with market values of more than $500 million that were publicly subjected to activist demands, according to research-firm Activist Insight.

New York-based TimesSquare manages more than $19 billion in assets and has been invested in RenRe since 2008. TimesSquare has historically shied away from activist investing, which typically involves shareholders pushing management to make strategic or operational changes designed to boost a company's **stock price**.

Write to Cara Lombardo at cara.lombardo@wsj.com

Heard on the Street

* Activists Kick Up a New Storm for Reinsurers

Document WSJO000020181002eea20015p

The New York Times

Foreign Desk; SECTA
Never a Fan of the Old Trade Pact, Mexico's New Leader Embraces Accord

By ELISABETH MALKIN
1,280 words
2 October 2018
The New York Times
NYTF
Late Edition - Final
9
English

MEXICO CITY -- Mexico's incoming president, the leftist Andrés Manuel López Obrador, once railed against free-market policies and harbored deep misgivings about the North American Free Trade Agreement.

But hours after Canada joined an agreement between Mexico and the United States to revamp the 24-year-old trade deal, the president-elect and his aides on Monday hailed the last-minute negotiations that salvaged the trilateral accord.

"To us, the agreement looks to be very good for Mexico," said Jesús Seade, who represented Mr. López Obrador on the Mexican negotiating team.

Both Mr. López Obrador, Mexico's president-elect, and the center-right Enrique Peña Nieto, its president, welcomed news of the agreement, glossing over the fact that it included Mexican concessions -- particularly in the auto industry, a key concern for President Trump.

Instead they pointed to the stability the deal ensured and to the removal of a burden that had been hanging over the country's economy since Mr. Trump's election.

The American president had called Nafta the worst trade deal in history and threatened to renegotiate it or withdraw. As the talks dragged on for months and stalled earlier this year, the risk that the accord could fall apart cast deep uncertainty over Mexico's economic outlook.

"The culmination of this negotiation process promotes certainty in the **financial markets** and investment and job creation in our country," Marcelo Ebrard, who will be Mr. López Obrador's foreign minister, said in a statement Monday morning.

The three leaders have 60 days to sign the deal, whose timing was welcome for both the incoming and the outgoing presidents of Mexico.

For Mr. Peña Nieto, it is a win he can claim as part of his legacy. For Mr. López Obrador, it means the process will close before his Dec. 1 inauguration. That frees him from messy negotiations at the start of his administration and allows him to turn his attention to Mexico's limping economy.

Since Nafta went into effect almost a quarter century ago, it has created a booming export economy driven by foreign investors who built factories across central and northern Mexico to supply the North American market. Last year, Mexico exported almost $410 billion worth of goods, more than 80 percent of that to the United States and Canada.

[Alan Rappeport, a Times reporter, answered questions about the new trade deal between the U.S., Mexico and Canada.]

But at the same time, Nafta displaced millions of small farmers and local manufacturers. Successive governments have failed to come up with development policies to reincorporate them and stimulate the rest of Mexico's economy.

The result is that overall poverty rates have barely budged in Mexico under Nafta and economic growth per capita has lagged behind almost every other country in Latin America -- just 1.2 percent on average from 1996 to 2015, according to Santiago Levy, a Mexican economist who is vice president at the Inter-American Development Bank.

Mr. López Obrador, a former mayor of Mexico City, campaigned on restoring the forgotten sectors of the economy, particularly in Mexico's underdeveloped south. Although he was once a fiery opponent of Mexico's market reforms, he has changed his rhetoric against free trade, arguing instead that Nafta should be improved to benefit Mexicans, rather than overturned.

Tony Payan, director of the Mexico Center of the Baker Institute at Rice University, said the president-elect's embrace of the trade deal revealed his realistic approach to governing.

''I think that most of us were always aware that there were two personalities to Mr. López Obrador,'' Mr. Payan said. ''One was an ideologue, a populist, thunder-and-lightning politician that was a critic of neoliberalism and the mafia in power.''

''But when you look at his record as mayor,'' Mr. Payan said, ''he was quite pragmatic.''

Mexico's Senate, which fell under the control of Mr. López Obrador's party in this year's elections, must still approve the revamped deal, which is being called the United States-Mexico-Canada Agreement, or U.S.M.C.A. That vote is likely to move smoothly.

''Already there is a sign that he will instruct his political party to vote for this agreement,'' Mr. Payan said of Mexico's president-elect. ''That is the pragmatic López Obrador that understands that Mexico is dependent on the economic relationship with the United States.''

The prudent approach to the new trade deal can help Mr. López Obrador's economic team make the case to investors, who are wary of his populist promises that they will be good economic managers, said Christopher Wilson, the deputy director of the Mexico Institute at the Wilson Center in Washington.

Still, Mr. López Obrador clearly prefers for Mr. Peña Nieto to sign the deal before he leaves office, avoiding the appearance of owning a deal that many of his supporters dislike.

''The next administration wants to turn the page on this,'' said Antonio Ortiz-Mena, a former Mexican trade official who is a senior vice president at Albright Stonebridge Group in Washington.

For the deeply unpopular Mr. Peña Nieto, whose party was so soundly rejected by voters that it has little more than 10 percent of the seats in Congress, signing the accord allows him to leave behind a signature achievement.

''It means that he leaves office having resolved the big threats that came from Trump,'' Mr. Wilson said.

It also provides Mr. Peña Nieto with vindication for what many considered an unforgivable foreign policy decision: inviting Mr. Trump to Mexico in August 2016 during the campaign despite the invectives the Republican candidate hurled at Mexicans during his rallies.

''They made the bet that building a strong personal relationship with Trump and his team would pay off,'' Mr. Wilson said. ''This in some way vindicates that bet.''

Analysts are still parsing the details of the 500-page accord, but Mexico made important concessions. These include a requirement that to qualify for tariff reduction, a car must have 30 percent of the work done on it by workers earning at least $16 an hour beginning in 2020. That's considerably higher than what a typical Mexican autoworker earns. That requirement will gradually move up to 40 percent by 2023.

Mexico also won an exemption on any future tariffs the Trump administration is threatening against auto imports of up to 2.6 million cars -- well above the number that Mexico currently sends to the United States.

''The existing industry is protected,'' said Luis de la Calle, a former Mexican trade negotiator, adding that trade deals with Europe, South America and parts of Asia under the Trans-Pacific Partnership mean that ''Mexico is still an attractive place to invest.''

For its part, the United States dropped a demand for restrictions on Mexican fresh produce exports and agreed to a rolling review of the accord, rather than its earlier insistence that the agreement expire after five years unless the three countries agreed to renew it.

Mexico also managed to preserve parts of a dispute settlement provision that the United States had tried to eliminate, arguing that it amounted to an assurance for investors who were taking jobs to Mexico.

Mr. Payan said the final accord produced an unwieldy set of compromises among the three countries.

''I think Trump thought that Canada and Mexico would be pushovers and they dug in their heels on certain things,'' he said.

Mexico's president-elect, Andrés Manuel López Obrador, glossed over concessions made, pointing to the stability the deal ensured. (PHOTOGRAPH BY HENRY ROMERO/REUTERS)

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THE WALL STREET JOURNAL.

Business

Sonny Perdue Talks Trade and the Farm Outlook; At The Wall Street Journal's Global Food Forum, the Secretary of Agriculture says he is optimistic the U.S. and China will reach an agreement

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Trade disputes with China and other countries are taking a toll on American farmers. Trade-related losses in the U.S. pork industry, for instance, are expected to total more than $2 billion this year, according to Iowa State University economist Dermot Hayes. And U.S. dairy farmers will see their incomes slide $1.5 billion this year due to tariffs from China and Mexico, according to a forecast by Informa Economics.

Those losses come amid a yearslong slump in the U.S. agricultural economy. Overall, farm income is expected to drop 13% this year, according to the U.S. Department of Agriculture.

The trade agreement reached between the U.S. and Canada on Sunday mitigated some concerns, but globally there are still many areas of contention.

Sonny Perdue, the U.S. Secretary of Agriculture, sat down with Gerard Baker, Wall Street Journal editor at large, to discuss U.S. trade strategy and its impact on farmers, as well as the outlook for international agreement on the regulation of new food technology, and the prospects for a turnaround in the agricultural economy.

Edited excerpts of their conversation last week from the Journal's Global Food Forum follow.

Relief on tap

MR. BAKER: Back in August, you announced a program of support to help the farm sector that had been hit by Chinese tariffs. A package of, in total, $12 billion; $4.7 billion immediately. There's a lot of concern from a lot of the farmers who are affected by these tariffs that that isn't nearly enough. Are you going to do more?

MR. PERDUE: If you look at what we said, this was not an effort to make farmers whole. We know there is distress. We know there is economic duress.

We calculated what we believe the tariff damages were. But, again, the expectation was not to make farmers whole. It was to mitigate the damages that they could not have foreseen when they planted this spring.

MR. BAKER: In August you did say that another tranche might be available, perhaps in December. Is that coming?

MR. PERDUE: Our expectation is there will be another tranche there.

We wanted to give our negotiators as much time as we could and motivation and inspiration to get the trade deals done.

MR. BAKER: That first round of measures was announced before the last round of tariffs announced by both China and the U.S. in the last couple of weeks. And now it looks like, unless there's a deal, pretty well all Chinese exports to the U.S. and pretty well all U.S. exports to China are going to be affected. Does that mean that you'll have to go further than this additional tranche of support for U.S. farmers?

MR. PERDUE: We're not going to go further than the $12 billion. But we will look at it on an ongoing dynamic basis with the same type of calculation that we did earlier regarding the tariff damage, and calculate that second tranche. We may divide into two more tranches. But right now we'd love to conclude it in one more.

Deeper concerns

MR. BAKER: The concern that farmers have goes beyond just the specifics of however much they may lose as the result of these tariffs. Many of their businesses, soybeans in particular, have been built around very strong Chinese demand over a very long period .

If we are entering a period of a real prolonged trade war, then the prospect is that China is going to look elsewhere, and the potential structural damage to the U.S. farm sector could be much greater, couldn't it?

MR. PERDUE: That could be. But is the fact that China has become dependent on the U.S. or the U.S. has become dependent on the China market?

Obviously, our goal at USDA is to discover other places. We got a big hungry world out there. And our goal is to find other markets and not be so dependent on one huge customer.

You know, as a business principle, it's not good to have all your eggs in one big basket. And that's what we did with China, because they were easy customers and hungry. And we fed them and fed them and fed them, and they kept buying. And now you run into these kinds of issues.

Farmers also know that China hasn't played by the rules in many ways, with both tariff and nontariff barriers. They've been violating fair, reciprocal trade practices.

MR. BAKER: This is a very intense battle, but negotiations are still going on. Are you optimistic that in the end, the U.S. and China will be able to do a deal that stops well short of essentially up to a 20% tariff on all exports for both countries?

MR. PERDUE: I am still optimistic that both China and the U.S. will recognize it's in both of their best interest [to have] fair, reciprocal trade practices.

Regulating technology

MR. BAKER: The rising importance of technology in farming, particularly bioengineering, opens up all kinds of terrific opportunities. But it presents some challenges, too, and some regulatory challenges, in particular.

We've had these disputes over things like genetically modified organisms. As this biotechnology continues to advance, what kind of a role does the government need to play? What kind of regulatory structure are you looking for?

MR. PERDUE: One of the reasons I'm so **bullish** on innovation is we've got a hungry world out there. We're growing all the time. And it's going to take all of our efforts to get that done. But when it comes to food safety and food innovation, there's a zero tolerance for missing the mark.

So we all have to be very careful that we make sure that innovations are safe and healthy and wholesome.

The new Crispr nontransgenic gene editing is amazing technology. I think what you'll see very shortly are very practical things that the public will want.

We got behind the communication curve on genetically modified. We're looking to have a better communication strategy about this food safety that's coming out.

MR. BAKER: Do you need a broad international regulatory arrangement? We've seen with things like GMOs it's become a contentious issue in trade. Is there a way of getting some international agreement on the use of these things?

MR. PERDUE: Absolutely. There are many, many international standards where we try to negotiate that. I think the European court made a serious mistake when they ruled this nontransgenic gene editing to be genetically modified. It may be years before the Europeans understand the technology advances that we've made. And they can only build that wall so long from a protectionist standpoint. Ultimately, their consumers are going to look at that and want that.

Turnaround ahead?

MR. BAKER: We've written a lot in The Wall Street Journal in the last year or so about what only could be described as depression in the farm economy. I think net farm income is down about 50% since 2013. Crop prices, obviously hit dramatically. You've seen all major crop prices down 20% in the last year or so. The number of farmers, the number of people employed in farming—you can see sectors of the economy of the country that have been really pretty devastated by this.

Is there a way to address that? Is this something that we're just going to have to get used to, that a really seriously depressed farm economy is a fact of life for us for the next few years?

MR. PERDUE: Farming has always been cyclical. There were great farm years from 2008 to 2013. We had great prices, good crops.

There's a mantra in the commodity business, "The cure for low prices are low prices, and the cure for high prices are high prices." So the market corrects itself.

You never like to go backwards, and we've gone backwards over the last few years. But it will turn around. Farmers are great businesspeople, taking market signals about what they should grow. You'll see less soybeans grown next year because of these disruptions. Farmers are good guys about knowing what to do next.

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The Future of Food (A Special Report) --- Sonny Perdue Talks Trade and the Farm Outlook: The Secretary of Agriculture says he is optimistic that the U.S. and China will reach an agreement

By Gerard Baker
1,430 words
3 October 2018
The Wall Street Journal
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English

Trade disputes with China and other countries are taking a toll on American farmers. Trade-related losses in the U.S. pork industry, for instance, are expected to total more than $2 billion this year, according to Iowa State University economist Dermot Hayes. And U.S. dairy farmers will see their incomes slide $1.5 billion this year due to tariffs from China and Mexico, according to a forecast by Informa Economics.

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THE WALL STREET JOURNAL.

Economy

U.S. Protectionist Stance Spooks Germany's Economy; Uncertainty over Trump's tariffs and trade threats contribute to cooling of country's export-driven growth

By Nina Adam
864 words
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Corrections & Amplifications

In late May, the Commerce Department said gross domestic product rose at a 2.2% seasonally and inflation-adjusted annual rate in the first quarter. An earlier version of this article incorrectly said the U.S. economy in the first quarter expanded at a rate of 2.3%, which was the unrevised number reported in late April. (Oct. 1, 2018)

FRANKFURT—President Donald Trump's trade threats aren't only hurting feelings in Germany. They are beginning to weigh on the country's economy.

The European Union's largest economy, whose export-oriented vigor has kept the continent afloat for more than a decade, is cooling more rapidly than expected in what economists see as the early fallout from protectionist moves by the U.S.

The slowdown comes just as Europe has been gradually emerging from the economic hangover caused by the continent's debt crisis in 2010.

After years of robust growth fueled by foreign demand for premium cars and engineering goods, Germany saw its annualized growth rate roughly fall by half in the first quarter of 2018. Exports have fallen in three of the first four months of the year, manufacturing orders are down and sentiment indicators are in free fall.

The weakness can't be blamed on the U.S. president's "America First" policies alone. A cold winter and a bad flu epidemic appear to have slackened growth earlier this year. But the bad news has been so persistent since then that economists are now looking for other explanations.

"It's clear that concerns over protectionism and the more assertive foreign-policy stance of the U.S. have begun to have real economic implications," said Oliver Rakau, a Frankfurt-based economist with Oxford Economics.

Because Germany is so dependent on international trade, economists argue, the protectionist war cries coming from the White House are having a chilling effect even in the absence of a fully fledged trade war, damping both sentiment and actual economic activity.

Germany's economics ministry on Wednesday warned the trade dispute was causing some businesses to take a "wait-and-see position" concerning investments.

Last weekend, Mr. Trump reiterated threats of punitive levies on imported cars, Germany's flagship industry, and threatened to shut the entire U.S. market to other industrial nations if he didn't secure better terms of trade with them.

An earlier decision by the Trump administration to slap tariffs on steel and aluminum imports has infuriated European Union officials, who filed a World Trade Organization challenge against the U.S. measures and announced rebalancing duties on American exports expected to kick in early next month.

"An escalation of the trade conflict would hit us," said Wolf-Henning Scheider, CEO of ZF Friedrichshafen AG, a leading automotive supplier. "The global automotive industry is a highly complex network of flows of goods, and such discussions are poison to our business."

Germany is the third-largest exporter in the world, after China and the U.S. In 2017, the country exported €111.5 billion ($131 billion) worth of goods to the U.S., of which €28.6 billion were cars and car parts, according to the German statistics office.

"No other country in the world would suffer higher absolute losses from U.S. car tariffs than Germany," said Gabriel Felbermayr, a director at the Ifo Institute, a supply-side economics think tank in Munich.

Germany's annualized growth rate eased to 1.2% in the first quarter from 2.5% in the last three months of 2017, undermined by a drop in exports. In comparison, the U.S. economy expanded by 2.2% in the first quarter.

Recent data suggests more bad news ahead for Germany. The country's manufacturing orders—an indicator of future production—declined for the fourth consecutive month in April, while manufacturing output dropped 1.7% that month compared with March, according to the statistics office.

"The economic slowdown that we are observing now should become more pronounced," said Clemens Fuest, the Ifo Institute's president.

Mr. Trump's trade rants are also making German consumers uneasy, according to the head of the Forsa polling institute, Manfred Güllner. About 43% of Germans expect the country's economic conditions to deteriorate in the coming years, compared with just 26% in January, according to Forsa.

To be sure, economists say the German economy isn't on the verge of a crash. The construction sector is still booming and a healthy backlog of manufacturing orders will keep companies busy for another couple of months. Furthermore, the government is expected to ramp up spending in the second half of the year, which will help mitigate the effects of weaker trade.

While forecasters have turned more **bullish** on the U.S. economy largely thanks to Mr. Trump's sweeping tax cuts, they are increasingly nervous about Germany's outlook.

Economists at Barclays last week revised their second-quarter growth forecasts to a 1.7% annualized rate from 2.5%, while economists at Commerzbank see the economy expanding by about 1.2% in the second quarter.

"There are still plenty of orders in the books, and that will keep companies going for a while," said Ralph Wiechers, chief economist at the VDMA engineering federation. "But economic growth has lost its dynamism."

Markus Klausen contributed to this article.

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Markets

Tencent Music Files for U.S. IPO; Chinese music-streaming service could be one of the biggest tech IPOs to date

By Maureen Farrell and Anne Steele
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2 October 2018
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Tencent Music Entertainment Group on Tuesday filed to go public in the U.S., kicking off what will likely be one of the biggest technology IPOs to date.

China's largest music-streaming company, part of internet giant Tencent Holdings Ltd., operates several popular apps including QQ Music and an online karaoke platform. It is benefiting from a broad boom in streaming that has reshaped the music industry, and its shares will hit the market during one of the hottest years for initial public offerings in recent memory.

The company recently boasted more than 800 million total unique monthly active users. It was created in mid-2016 after Tencent Holdings bought a controlling stake in China Music Corp. and combined it with Tencent's existing streaming business.

Tencent Music revealed sharp growth in its Tuesday filing, with revenue more than doubling in 2017 to $1.66 billion. About 70% of revenue came from its social entertainment services, including online karaoke, live streaming and sales of merchandise. It posted a profit of $199 million in 2017, up from roughly $2 million a year earlier.

The Wall Street Journal reported earlier this year that Tencent Music was preparing an IPO and was expected to list in the U.S.

It hasn't chosen a listing exchange yet, people familiar with the matter said; it mentioned both the New York Stock Exchange and the Nasdaq Global Market in its filing.

A Tencent Music listing would be one of the largest IPOs of the year and is expected to raise billions in proceeds, people familiar with the matter have said. It could value the business in excess of $25 billion, which would make it one of the biggest tech IPOs to date, according to Dealogic. In late 2017, it was valued at roughly $12.5 billion when it swapped stakes with peer Spotify Technology SA. Still, valuations can fluctuate until a company prices its shares.

Tencent Music will be the second streaming giant to go public this year, following Spotify to market after the latter completed a direct listing in April. But the companies' listening bases differ sharply: As of the end of June, Tencent Music boasted 644 million online-music mobile MAUs, 23.3 million of whom pay. That is many more listeners than Spotify, but far fewer who pay. Spotify had 180 million MAUs and 83 million paying subscribers as of the same date. Paying subscribers are typically much more important to streamers' bottom lines than free users, whose value derives from showing them ads or converting them to paid subscriptions.

Tencent Music's IPO plans come while its parent company's shares have slid more than 20% in Hong Kong this year as it has grappled with increased government scrutiny. Days ago, the company announced a restructuring effort.

Tencent Music would land in a hot IPO market in the U.S., where investors are hungry for sharp revenue growth. Through the third quarter, shares of companies that had listed publicly in the U.S. this year rose an average of 27% from their offering prices, while U.S.-listed tech IPOs were up 50%, according to Dealogic. More than 180 companies raised over $50 billion in IPOs in the U.S. in the first three quarters, putting 2018 on track to be the busiest year for new issuance by both measures since 2014.

Meanwhile, the music industry has been transformed by streaming: Global revenue from recorded music grew 8.1% in 2017, according to the International Federation of the Phonographic Industry—its third consecutive year of growth after 15 years of declines amid plummeting physical and digital sales. The growth is almost entirely thanks to surging revenue from streaming, which jumped 41% last year and is now the single largest sales source for the industry.

China, where music revenue grew 35% in 2017—driven by a 27% rise in streaming revenue—was the 10th-largest music market last year, according to IFPI, thanks to consumer adoption of legitimate paid streaming platforms and a cultural shift with respect to copyright protection driven by government regulation and efforts of record companies and other rights holders.

In its filing, Tencent Music outlines a **bullish** case for its continuing rapid user growth, saying that China's per-capita spending on recorded music is expected to more than quadruple between 2017 and 2023. Its management and underwriters are expected to spell out that case in greater detail during its roadshow to sell its shares to investors later this month, people familiar with the offering said.

Like many technology companies that have made debuts in recent years, Tencent Music will operate with a dual-class structure, which will allow Tencent Holdings and other existing shareholders to "have complete control of the outcome of matters put to a vote of shareholders," the company said in the filing. Executives at newly public companies with dual-class shares have said investors asked few questions about the structure.

Write to Maureen Farrell at maureen.farrell@wsj.com and Anne Steele at Anne.Steele@wsj.com

Heard on the Street

* Tencent Music Won't Have Investors Dancing in the Streets

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U.S. News: Fed Considers Relaxing Rules for Banks

By Ryan Tracy
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3 October 2018
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WASHINGTON -- The Federal Reserve is developing new rules that would change how it defines a big bank and potentially lower regulatory costs for a broader number of financial institutions.

As part of a series of rule changes under consideration, the Fed is preparing to revise asset size and other thresholds in its capital and liquidity rules, according to people familiar with the matter.

The changes could ease regulatory costs for some large U.S. banks, including Capital One Financial Corp., PNC Financial Services Group Inc. and U.S. Bancorp. It is less clear whether the changes would help gigantic businesses the Fed considers "systemically important" to the global financial system, such as Citigroup Inc. and Goldman Sachs Group Inc.

The proposed moves are part of the Trump administration's broader push to revisit bank rules it believes are overreaching. Critics of the changes say they dial back regulations intended to prevent a repeat of the 2008 financial crisis.

Likely candidates for the rule changes include the liquidity-coverage ratio, which requires banks to hold assets they can easily convert to cash in a pinch, and "advanced approaches" rules, one of several capital regulations that limit banks' borrowing.

Fed Vice Chairman for Supervision Randal Quarles, a Trump-appointed official who testified before the Senate Banking Committee on Tuesday, has previously said those rules are worth revisiting.

"It is clear that there is more that can and should be done to align the nature of our regulations with the nature of the firms being regulated," Mr. Quarles said in testimony prepared for the hearing.

The potential changes were discussed at a recent meeting between top officials at the Fed and the two other primary U.S. bank regulators, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp., one of the people familiar with the matter said -- a sign the Fed is beginning to turn Mr. Quarles's ideas into formal proposals.

But it wasn't clear when the Fed would formally propose the changes. The regulator has a crowded agenda and some of the changes also may require approval by other financial regulators.

Other parts of the administration's move to revamp bank regulations include a proposed rewrite in May of the Volcker rule's trading restrictions and an April proposal to alter a big-bank capital rule known as the leverage ratio.

Sen. Sherrod Brown of Ohio, the senior Democrat on the banking committee, criticized moves to ease rules put in place after the financial crisis.

"The collective amnesia in the administration and Congress is astounding. I ask the panel to start thinking more about middle-class families, and less about Wall Street profits," Mr. Brown said.

This summer, Congress passed bipartisan legislation amending the 2010 Dodd-Frank financial regulatory law to say that the Fed "shall . . . differentiate among companies on an individual basis" when applying its most stringent bank rules, even if a bank is very large. Dodd-Frank had said "may" instead of "shall." The change gives the Fed an impetus to grant banks regulatory relief.

The new law separately allows the Fed to exempt banks with fewer than $250 billion in assets from some tough rules, including annual "stress tests" -- a change from the previous cutoff level of $50 billion. It tells the Fed to take into account banks' size as well as other "risk-related" factors.

In several of its rules, the Fed defines a big bank as one that holds more than $250 billion in total assets or more than $10 billion in foreign exposures on its balance sheet. Mr. Quarles has pointed out these thresholds were developed more than 10 years ago.

One regulation that relies on those thresholds is the liquidity coverage ratio, which was adopted after the 2008 crisis.

It requires banks to hold enough cash or easy-to-sell assets to cover a month's worth of liabilities. The idea is to prevent a repeat of 2008, when even strong banks faced collapse because they were too reliant on **volatile**, short-term funding.

The liquidity rule applies equally to all banks that trip either the threshold of $250 billion in assets or $10 billion in foreign exposures.

Hoarding Liquidity

Banks have been lending a historically low share of their deposits, though the overall value of loans has increased.

Source: Federal Deposit Insurance Corp.

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Markets

Cryptocurrencies, Trading Scams Draw Increased Federal Enforcement; Derivatives regulator CFTC posts rise in fines in fiscal 2018; SEC to release figures later this year

By Gabriel T. Rubin
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WASHINGTON—Enforcement actions and fines by the federal derivatives-market regulator ticked up in the last fiscal year, buoyed by cryptocurrency cases, spoofing schemes and settlements dating back to the financial crisis.

The Commodity Futures Trading Commission reported taking significantly more enforcement actions in fiscal 2018, which ended Sept. 30 and is the first full fiscal year under Trump-appointed leadership.

The agency also levied approximately $900 million in civil monetary penalties, higher than the yearly amount in five of the eight years of the Obama administration. The increase follows a year-over-year decline in fiscal 2017, which some Democrats and consumer groups criticized.

"They've tried to clarify some of their emphases—we know that cryptocurrency fraud is an issue, manipulation, insider trading is an issue, and they're very focused on spoofing," said Gary DeWaal, special counsel at Katten Muchin Rosenman LLP and a former CFTC enforcement lawyer.

The increase is likely to contrast with the Securities and Exchange Commission's fiscal-year numbers, which officials have played down ahead of their release. The SEC is the federal government's other markets regulator. The two agencies police different parts of the **financial markets**, with some overlap on derivatives and other products.

CFTC Chairman J. Christopher Giancarlo trumpeted the commission's enforcement numbers in a speech this week in Minneapolis. After offering a disclaimer that "you can't get a complete picture of an enforcement program through quantitative metrics alone," he argued that "by any measure, enforcement during this last year has been among the most vigorous in the history of the CFTC." SEC officials have issued similar caveats about the limits of statistics in fully capturing the agency's enforcement record.

In the past fiscal year, the CFTC filed five times as many cases related to spoofing, a form of market manipulation that distorts prices, as any previous year. It also won a court case establishing the precedent that cryptocurrencies are commodities, allowing the regulator to police those markets as it does other commodity markets.

The CFTC also reached settlements ranging from $30 million to $90 million related to interest-rate benchmark manipulation with banks such as JPMorgan Chase & Co., Deutsche Bank, Bank of America and others.

Mr. Giancarlo said the commission had imposed fines of more than $10 million in 10 cases in 2018, compared with an average of three cases a year resulting in such large fines during the Obama administration.

Mr. Giancarlo compared the 2018 figures to years between 2009 and 2016, rather than 2017, a transition year between presidential administrations as well as agency leadership.

Since annual figures tally cases that are filed or concluded that year, they often reflect the work of law-enforcement agencies over a much longer period. For example, while some of the CFTC's cases referenced wrongdoing that occurred in 2017 and 2018, the commission also reached several multimillion-dollar settlements over benchmark manipulation dating back to the financial crisis.

The SEC will release its figures for the 2018 fiscal year later in the year. Total fines ordered through SEC enforcement activity fell 7.2% in 2017 to about $3.8 billion, the lowest total since 2013, according to SEC figures.

In a September speech, SEC enforcement co-director Stephanie Avakian didn't say how the 2018 totals will differ from prior years. But she suggested they could fall again, partly due to Supreme Court decisions that have curbed the SEC's ability to recoup funds for burned investors. Ms. Avakian said in the speech that "any assessment that suggests our effectiveness should be measured solely based on the number of cases we bring over any particular period of time is misguided."

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THE WALL STREET JOURNAL.

Markets

Italy Jitters Boost Gold; Investors migrate to safer assets amid concerns about political instability in Italy

By David Hodari and Amrith Ramkumar
364 words
2 October 2018
03:09 PM
The Wall Street Journal Online
WSJO
English

Gold prices surged alongside other safe-haven assets on Tuesday as worries about Italian political instability rippled through **financial markets**.

Front-month gold for October delivery rose 1.3% to $1,202.40 a troy ounce on the Comex division of the New York Mercantile Exchange. Prices have fallen 8% this year, hurt by a stronger dollar and worries that higher interest rates will lower investor demand for the haven metal. Gold struggles to compete with yield-bearing assets when rates rise.

But on Tuesday, analysts said anxiety about Italy's antiestablishment government supported safer assets across the board, with gold rallying alongside the dollar and Treasurys.

Claudio Borghi, a lawmaker for the coalition League party, said in a radio interview that Italy "would resolve the vast majority of its [economic] problems" if the country had its own currency.

The comments followed a government announcement last week of a budget plan that investors fear has put it on a collision course with the European Union.

Should the European Commission reject the draft budget, "this could ignite a new crisis of confidence in the eurozone, similar to those caused by Greece in 2010 and above all by Spain and Italy in 2012, when the continued existence of the euro was seriously questioned," Commerzbank analysts said in a note to clients.

Some analysts still expect gold to struggle moving forward with the Federal Reserve expected to continue gradually raising interest rates and economic growth in the U.S. steady. Still, some said investors covering short positions could provide further short-term boosts to the beaten-down market.

Among base metals Tuesday, front-month copper for October delivery rose 0.8% to $2.7950 a pound, after falling in four of the previous six sessions. Prices are still down 15% from their June four-year highs but have rebounded lately with investors anticipating that the U.S. and China will resolve their monthslong tariff fight.

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THE WALL STREET JOURNAL.

Economy

U.S. Trade Deficit Widened in August; Strong domestic economy has helped boost Americans' purchases of foreign-made goods and services

By Harriet Torry and Eric Morath
563 words
5 October 2018
10:00 AM
The Wall Street Journal Online
WSJO
English

WASHINGTON—The U.S. trade deficit widened in August, as a strong domestic economy boosted Americans' purchases of foreign automobiles, industrial supplies and petroleum.

The foreign-trade gap in goods and services expanded 6.4% from the prior month to a seasonally adjusted $53.24 billion in August, the Commerce Department said Friday.

That was slightly narrower than the $53.4 billion trade deficit economists surveyed by The Wall Street Journal had expected. A wider overall trade deficit in August was broadly expected, after data on goods released last week showed the deficit climbed for the third month in a row.

Friday's report suggests weaker export growth will be a drag on U.S. gross domestic product in the third quarter, although a boost in inventories after destocking in the second quarter could help offset that, analysts said.

"The net result: Real GDP growth still looks on track for at least a 3.0% annual rate," in the third quarter, economist Jim O'Sullivan of High Frequency Economics, Ltd. said in a note to clients.

Low unemployment and last year's tax cuts have helped boost Americans' appetite for foreign-made goods and services, while weaker economies overseas are hampering demand for U.S. products.

Imports increased 0.6% in August, Friday's report said. Exports, meanwhile, fell 0.8% to $209.43 billion from July's $211.10 billion. The $1.2 billion decrease in food exports was driven by a $1 billion decline in soybean exports, which were hit with retaliatory tariffs by China this summer.

Figures on international trade can be **volatile** from month to month. Year to date, the U.S. goods and services deficit has increased 8.6%. Low unemployment and robust economic growth so far this year have increased demand for imports as consumers and businesses spend and invest.

The WSJ Dollar Index, which measures the greenback against a basket of currencies, has risen about 5.1% year to date. A stronger dollar tends to make foreign imports cheaper and U.S. goods and services less competitive than those of other countries.

A widening trade gap, reflecting a decline in exports and a rise in imports, is expected to tug down measures of U.S. output in the third quarter, a reversal from the second quarter.

"The deficit will then rise further in [the fourth quarter], because domestic demand growth is comfortably outstripping the rate of growth of supply," Pantheon Macroeconomics economist Ian Shepherdson said in a note to clients Friday.

The U.S. economy has run trade deficits for decades, during both economic expansions and recessions, which economists say reflects the fact that Americans consume more than they produce relative to the rest of the world. The U.S. imports more goods than it exports, and runs a modest trade surplus for services.

Write to Harriet Torry at harriet.torry@wsj.com and Eric Morath at eric.morath@wsj.com

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THE WALL STREET JOURNAL.

Heard on the Street
Markets
U.S.-China Tech Tension Will Claim More Victims; Lenovo is the latest company to see its shares tumble as distrust between the world's two largest economies deepens

By Jacky Wong
507 words
5 October 2018
06:10 AM
The Wall Street Journal Online
WSJO
English

Casualties are mounting as conflict between the world's two largest economies ratchets up—especially in the tech sector. If they haven't done so already, investors need to start trying to price in the risks.

The latest victim is China's largest PC maker, Lenovo, whose shares tanked as much as 23% on Friday after Bloomberg Businessweek published a story claiming China has been compromising the supply chains of U.S. tech companies, using tiny chips secretly embedded in hardware.

Lenovo wasn't mentioned in the story. But the fear gripping investors is that it will be a big loser if attitudes now harden further in Washington, D.C., where concern about China's alleged practices of cybertheft and forced technology transfer is already sky-high. Lenovo has become the world's second-largest computer maker partly thanks to hitherto smooth relations in the U.S., having acquired IBM's PC and server businesses as well as Motorola from Google. It now generates a third of its revenue in the Americas and only a quarter in China.

The immediate market reaction could prove overdone. No one is accusing Lenovo of wrongdoing or threatening sanctions against it or any other Chinese tech firms. Even so, such companies will continue to be in the crossfire as the U.S. and China increasingly act as adversaries, instead of partners. Another homegrown Chinese champion, telecom-equipment and smartphone maker ZTE Corp., had a near-death experience earlier this year when the U.S. banned local suppliers from selling parts to the Chinese company after it violated sanctions on Iran and North Korea.

U.S. companies have been suffering too. Chip maker Qualcomm—a supplier to Lenovo and ZTE—was forced to drop its $44 billion bid for NXP Semiconductors after China's antitrust regulator sat on the deal's approval for months.

Longer-term, companies may have to rethink how they operate. For years, China has played a key role in global tech supply chains, principally as a place where products are assembled. Dismantling those chains won't happen overnight, but companies may now have to think twice about where they set up new factories or which suppliers they use. U.S. tech giants like Apple, which builds most of its phones in China and generates nearly a fifth of its sales there, could be vulnerable to the growing mutual mistrust between the two countries.

Translating all this into stock valuations is fiendishly difficult. Near-term, tech sector share prices will become more **volatile**: Lenovo itself recovered slightly on Friday, though still ended down 15%. Investors, though, need to start thinking about applying a trade-fight-related discount to tech stocks with strong U.S. and China links. This problem isn't going away any time soon.

Write to Jacky Wong at JACKY.WONG@wsj.com

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THE WALL STREET JOURNAL.

Business

Mark Cuban Prodded Tesla's Elon Musk to Settle SEC Charges; A phone call from the billionaire helped break an impasse between the car company CEO and securities regulators on charges he misled stockholders in a tweet

By Susan Pulliam, Dave Michaels and Tim Higgins
1,026 words
4 October 2018
02:44 PM
The Wall Street Journal Online
WSJO
English

A 15-minute phone call from billionaire Mark Cuban helped break an impasse between Tesla Inc. Chief Executive Officer Elon Musk and federal securities regulators on charges that he misled investors in an August tweet saying Tesla would go private at $420 a share.

Late last Thursday night—after Mr. Musk initially walked away from an agreement to settle the civil Securities and Exchange Commission charges—one of his lawyers asked Mr. Cuban, owner of the Dallas Mavericks, to prod Mr. Musk to reconsider, people familiar with the call say.

Mr. Cuban, who won a five-year battle with the SEC after it charged him with insider trading a decade ago, told Mr. Musk in the call that he would face a long court fight that would take him away from managing his companies. Based on his own experience, Mr. Cuban told Mr. Musk of the difficulties he had endured during multiyear litigation with the SEC, a person close to the situation said.

Mr. Cuban called at the behest of Chris Clark, one of Mr. Musk's lawyers who represented Mr. Cuban in his dispute with the SEC. He advised Mr. Musk on the phone that a settlement wouldn't be as damaging as a court fight with the agency.

"I explained where the SEC used questionable practices in my case, and how he could expect the same," Mr. Cuban said in an email Wednesday night. "I asked him if he could name five people who had settled with the SEC, knowing he wouldn't be able to name any."

The SEC has declined over the years to publicly respond to Mr. Cuban's attacks on the agency.

The call from Mr. Cuban played a major role in changing Mr. Musk's attitude and helped persuade him to agree to settle the SEC case, the people familiar with the matter said.

Tesla didn't have an immediate comment while Mr. Musk didn't respond to requests for comment.

The insider-trading charges against Mr. Cuban were dropped after a Texas federal jury ruled in his favor in 2013. The SEC had sued Mr. Cuban in November 2008. The SEC said the verdict wouldn't "deter us from bringing and trying cases where we believe defendants have violated the federal securities laws."

In the past, Mr. Cuban has been vocal in criticizing the SEC. In public statements he has blasted the agency's tactics, accusing it of "prosecutorial misconduct" and saying the charges against him were politically driven.

The call was a turning point in a dramatic 48-hour roller coaster ride for Tesla investors regarding the SEC charges. At 8 a.m. last Thursday, the SEC was set to announce a settlement with Mr. Musk over the Aug. 7 tweet when one of Mr. Musk's lawyers, Steven Farina, called the SEC to say Mr. Musk had changed his mind, people close to the situation said. Mr. Farina declined to comment.

It's far from the first time that an executive has given advice to a peer in a jam. In 1994, Berkshire Hathaway Inc.'s Warren Buffett famously called the newly installed chairman of Kidder Peabody Group Inc. to provide advice about running a troubled securities firm. Mr. Buffett previously had been appointed interim chairman of Salomon Inc. in a bond-trading scandal.

In the Musk matter, the SEC lawyers on the case, who had previously received approval for the settlement from the agency's five commissioners, pulled together a new complaint and won approval on the action from the commission, which happened to be meeting that day on unrelated matters.

The SEC filed the lawsuit in a New York federal court after the **stock market** closed last Thursday, accusing Mr. Musk of knowingly making false and misleading statements to investors.

Early Friday morning, after the call from Mr. Cuban, the talks were back on. Mr. Musk's lawyers emailed the SEC's enforcement directors to say they wanted to talk again about the deal he had just abandoned, people close to the situation said.

The new agreement called for Mr. Musk to give up his role as Tesla chairman for three, rather than two, years, and to pay a personal $20 million fine, rather than the $10 million fine under the prior settlement. In addition, Tesla itself agreed to pay a $20 million fine.

The settlement must be approved by a judge in the U.S. District Court for the Southern District of New York. On Thursday, U.S. District Judge Alison Nathan asked attorneys for Mr. Musk and the SEC to file a joint letter by Oct. 11 "explaining why the court should approved the proposed consent judgment." Such settlements are routinely approved by the courts, and the judge said it was her regular practice to request a justification letter.

The SEC had pushed the case with extraordinary speed. The regulator interviewed Mr. Musk on Aug. 29, then called his lawyers with a settlement demand on Sept. 10, the person said.

In between that time, Mr. Musk's lawyers met with the SEC to try to persuade the agency not to bring a case. The meeting came just hours after Mr. Musk appeared to take a puff from a marijuana cigarette on a live interview broadcast on YouTube.

The SEC's lawyers routinely said they needed to resolve the case by the end of September, which is when the federal fiscal year closes, according to people familiar with the probe.

Write to Susan Pulliam at susan.pulliam@wsj.com, Dave Michaels at dave.michaels@wsj.com and Tim Higgins at Tim.Higgins@WSJ.com

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The New York Times

U.S.; Politics
Wall Street is Booming Under Trump. But Many of Its Donors Are Embracing Democrats.

By Shane Goldmacher
1,922 words
7 October 2018
02:22 PM
NYTimes.com Feed
NYTFEED
English

When Charles Myers, the chairman of a financial advisory firm, hosted four relatively unknown Democratic congressional candidates at his Midtown Manhattan home last month, he netted more money than he can remember collecting from an event that wasn't headlined by a presidential candidate.

"More than ever in my 26-year career on Wall Street, donors are willing to look way beyond concerns of overregulation from Democrats," said Mr. Myers, a longtime Democratic fund-raiser. They just want to elect "Democrats to serve as a check" on President Trump.

The **stock market** may be booming. Unemployment is hitting record lows. Republicans pushed through $1.5 trillion in tax cuts.

But despite all that, for the first time in a decade, the broader financial community is on pace to give more money to Democratic congressional candidates and incumbents than their Republican counterparts, according to data from the Center for Responsive Politics, a nonpartisan group that tracks campaign donations.

Some of the same grass-roots energy coursing through the Democratic Party — House candidates from Kentucky to Montana to New York are reporting record sums of small donations — has spilled into the corporate boardrooms of American finance, even amid increasingly hostile rhetoric from Democrats in Washington and on the campaign trail toward Wall Street.

"When one party controls all the levers, it is a lot easier for the opposing party to motivate donors," said Marc Short, the former Trump White House director of legislative affairs, who has deep relationships in the donor world. "It's both money and activism. But obviously much of the money comes from Wall Street."

In interviews with two-dozen Wall Street executives, fund-raisers, donors and those who raise money from them, Democrats described an extraordinary level of investment and excitement from the finance sector. And many Republicans fretted about a softening of donor enthusiasm — Mr. Short warned of "complacency" — in what has long been one of the party's most critical and reliable sources of campaign cash.

The numbers are stark.

Four years ago, in the last congressional midterm, Republican incumbents and candidates outraised Democratic counterparts by more than $50 million in direct donations from the broader finance, insurance and real estate industries, according to the Center for Responsive Politics. And in 2016 and 2012, Republicans outraised Democrats from that group by nearly $50 million and $100 million respectively, the data show. This year, Democrats held a narrow $5 million advantage through the middle of the year.

That figure will shift, possibly substantially, when candidates reveal their latest fund-raising hauls later this month. But Democrats have already surpassed their 2012 and 2014 totals, and most Republicans with ties to Wall Street described a grim political outlook, even as the confirmation of Brett M. Kavanaugh to the Supreme Court brought renewed energy nationally to the G.O.P.

"You've got a midterm election coming up that looks right now fairly bleak for the Republicans," said Stephen Moore, the conservative economist who founded the Club for Growth and maintains close ties to Wall Street donors.

“Wall Street is — and corporate America is — pretty famous for hedging their bets,” Mr. Moore said. “They just want to follow winners. They just want to make sure they have access to the people who win. This is no exception.”

Some Republicans, including Mr. Moore, cited residual anger from the tax-cut bill, which eliminated a key deduction for state and local taxes in blue states such as New York, New Jersey and Connecticut, where most of Wall Street’s big earners live. Others pointed to Mr. Trump’s personality and his social and cultural agenda that has proved divisive, especially among college-educated voters.

“A lot of Mitt Romney donors are doing nothing,” said one New York financial executive and Republican fund-raiser, who, like many, spoke on condition of anonymity to maintain relationships with contributors. “A lot of these guys just completely disappeared.”

Many midlevel donors seem to be simply sitting out this cycle, according to Republican officials; some big contributors have been slower or more reluctant to give ahead of expected losses.

From donors in just the securities and investment sector, Democratic congressional incumbents and candidates have so far received $39.3 million in 2018, compared to $28 million for Republicans. That is a reversal from 2014, when Democrats raised $28 million and Republicans $41.5 million. In 2018, 15 of the top 20 congressional recipients of securities and investment industry cash are Democrats; in 2014, 15 of the top 20 were Republicans.

The totals do not include independent super PAC giving, and the next round of disclosures, which will run through the end of September, will be released later this month.

Despite the balance sheet shifting to the left, Wall Street remains a wellspring of financial support for Republicans. Political action committee money from Wall Street, which makes up about a third of total giving so far, still tilts Republican. And Steve Schwarzman, the chief executive of the private equity Blackstone Group and an adviser to Mr. Trump, for instance, has already donated $7.25 million to super PACs benefiting House and Senate Republicans.

In September, Jared Kushner, the president’s son-in-law and a senior White House adviser, spoke to a gathering of top Republican Party donors in Manhattan that included some of the billionaire titans of Wall Street. Among them: Joe Ricketts, the founder of TD Ameritrade; Daniel S. Loeb, the hedge fund manager of Third Point LLC; Charles R. Schwab, the founder of Charles Schwab Corporation; and Paul Singer, the hedge fund magnate who runs Elliott Management Corporation.

And this month, Speaker Paul Ryan is scheduled to brief a small group of top New York-area donors at the office of Maurice R. Greenberg, the former chief executive of American International Group, according to an invitation obtained by The New York Times.

But some of the industry’s prominent Republican donors have flipped parties entirely, most notably Seth Klarman, a hedge fund manager and former top Republican contributor, who is now pledging to give as much as $20 million to help Democrats in 2018.

Finn Wentworth, the founder of a real-estate investment firm and the former chief operating officer of the holding company that owns the New York Yankees, was a fund-raiser for the Republican National Committee as recently as 2016. But he said he has found Mr. Trump’s “lack of empathy for others” to be “distressing” and said he has raised hundreds of thousands for Mikie Sherrill, a Democratic House candidate and Navy veteran in northern New Jersey, who has excited many donors.

Mr. Wentworth questioned the deductions provision of the tax bill, among other policies pursued by a Republican-controlled Washington. “It was almost like the New York metropolitan area — we had a target on our back,” he said.

This year, Democrats in New York and on Wall Street have organized a new effort, called the House Victory Project, where “partners” are asked to contribute more than $100,000 to be divided among key battleground House races; three people familiar with the effort said the group has raised more than $10 million. Congressional candidates blessed by the effort are in line to receive as much as $500,000 each.

Giving to once-obscure House candidates is suddenly in vogue, with Democratic donors saying it has never-seen-before cachet in finance circles.

“What I have never seen in my lifetime is the level of energy for all these local races,” said Orin Kramer, a veteran Democratic fund-raiser and founder of a hedge fund. “I’ve never seen such an appetite for candidates who people have never heard of.”

“It’s not a matter of degree,” added Mr. Kramer, who has contributed to the House Victory Project and hosted events of his own. “It’s a phenomenon that hasn’t existed before.”

Democrats have cut into the G.O.P. financial edge even as Republicans are still receiving 60 percent of the political action committee cash from the broader financial sector, roughly the same share as past cycles. That means that the industry’s formal lobbying and political arms are still donating to Republicans, while employees and executives are increasingly giving to Democrats.

This year, the American Bankers Association is buying television ads for lawmakers for the first time in its history, supporting eight Republicans and four Democrats. Rob Nichols, the association’s president, called the campaign “rigorously bipartisan,” though all eight Republicans are in contested races, while only one of the Democrats, Senator Jon Tester of Montana, is.

Of course, in the age of super PACs, billionaire donors can still have an outsized impact with a single check. And Mr. Trump can conceivably make up any missing donors on Wall Street with financial support elsewhere, just as he drove different voters to the polls in 2016 as some traditional Republicans stayed home.

The single biggest donor of the cycle is former New York City Mayor Michael R. Bloomberg, who made his multi-billion-dollar fortune selling computer terminals to Wall Street. He has pledged $100 million for the Democrats. The largest Republican contributor is the casino magnate Sheldon Adelson. He and his wife have contributed $55 million to Republican super PACs.

To rally Wall Street support, Republican leaders have been sounding the alarm not just about the broader threat of a Nancy Pelosi-led House, but specifically about who is in line to chair the powerful Financial Services Committee: Representative Maxine Waters of California, a liberal firebrand whom Mr. Trump has also taken to attacking by name.

“Finance people — when they find out that Maxine Waters is going to be in charge of finance — they panic,” said John Catsimatidis, a billionaire Trump donor in New York, who was one of the few said he said he saw no softening among G.O.P. donor interest on Wall Street.

Last month, when Mr. Ryan briefed members of the United States Chamber of Commerce about the stakes of the election and the regulations that Democratic control could unleash, he name-checked potential Democratic committee chairs, including Ms. Waters, according to two attendees.

For Democrats, Mr. Trump himself has proved a unifying message when seeking out financial industry contributors.

“You would expect, with the economy doing as well as it is today, that there would be a desire to keep the status quo,” said Thomas R. Nides, a former adviser to Hillary Clinton now working on Wall Street. But he said, “I don’t think people care. They’re worried about the direction of the country.”

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For the first time in a decade, the broader financial community is on pace to give more money to Democratic candidates and congressional incumbents than their Republican counterparts. | Drew Angerer/Getty Images | Seth Klarman, a hedge fund manager and former top Republican contributor, is now pledging to give as much as $20 million to help Democrats in 2018. | Scott Olson/Getty Images | Mikie Sherrill, a Democratic House candidate and Navy veteran in northern New Jersey, has enthralled many donors. | Eduardo Munoz/Reuters | The American Bankers Association is buying political ads for the first time in its history, supporting eight Republicans and four Democrats including Senator Jon Tester of Montana. | Erin Schaff for The New York Times

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THE WALL STREET JOURNAL.

World
Saudis' Economic Dreams Falter as Western Executives Quit Conference; JP Morgan's Dimon among a host of executives pulling out of Riyadh's premier business conference

By Rory Jones in Dubai and Benoit Faucon in London
1,351 words
15 October 2018
07:48 AM
The Wall Street Journal Online
WSJO
English

Saudi Arabia's dream of becoming an investment hub in the desert is unraveling.

JPMorgan Chase & Co. Chief Executive James Dimon on Sunday became the latest prominent executive to back out of the kingdom's premier business conference amid questions about the disappearance of journalist Jamal Khashoggi. Mr. Dimon had been a featured speaker, and his bank has longstanding ties to Saudi Arabia and is advising it on deals.

Mr. Dimon's decision was swiftly joined by two other Wall Street titans: Laurence Fink, chief executive of the world's largest asset manager, BlackRock Inc.; and Stephen Schwarzman, CEO of private-equity giant Blackstone Group, according to people familiar with the matter.

The three men spoke over the weekend and speculated that the Saudis might cancel the conference, according to a person familiar with the matter. They announced their decisions after it became clear that the event wouldn't be canceled, the person said.

They add to a growing list of Western executives and advisers who pulled out of Riyadh's conference following allegations that the Saudi government ordered Mr. Khashoggi's killing. Ford Motor Co. Chairman Bill Ford and Uber Technologies Inc. Chief Executive Dara Khosrowshahi, whose company is partly owned by Saudi Arabia, won't attend the conference.

A spokesman for the conference on Friday called the cancellations disappointing but said the Saudis were still looking forward to holding the conference.

Saudi Arabian stocks tumbled Sunday as investors' confidence was shaken in the 33-year-old Crown Prince Mohammed bin Salman's ability to deliver on pledges to attract foreign investment amid signs Mr. Khashoggi's case could spook businesses and risked serious damage to Saudi relations with the U.S. and other countries.

President Trump promised "severe punishment" if the allegations about Mr. Khashoggi prove true.

The Saudi government says it had nothing to do with Mr. Khashoggi's disappearance and is working with the Turkish government to investigate what happened to him.

The Riyadh-based Saudi Stock Exchange's benchmark Tadawul All Share Index closed 3.5% lower, after falling nearly 7% at one point in the session.

Last week, as the case's repercussions came into focus, foreign investors were net sellers of $160 million worth of shares on the Tadawul, according to the exchanges data. That compared with net buying of roughly the same amount in the previous week, the data showed.

Before Mr. Khashoggi's disappearance, Prince Mohammed's most ambitious plan, the initial public offering of the state oil company, had stalled. Saudi talks with companies including Alphabet Inc.'s Google, Warner Bros. and Richard Branson's space firms haven't resulted in deals.

More broadly, Saudi finance ministry officials say the government has created a level playing field for businesses, supplanting an environment where deals depended on political and royal connections. The kingdom is expecting tens of billions of dollars in foreign cash flow from passive investors now that its **stock market** has gained approval from multiple indexes.

"By any measure, progress over the past year has been positive. New investments have been agreed at home and abroad in a number of sectors, including entertainment, technology, infrastructure, renewable energy and tourism," said a spokesman for the Saudi sovereign-wealth fund.

To be sure, some Western executives are waiting before disrupting their ties with Saudi Arabia. Some are waiting for a signal from Treasury Secretary Steven Mnuchin, who so far remains committed to attending the conference in Riyadh and maintaining Saudi ties, U.S. officials said.

Credit Suisse Group AG CEO Tidjane Thiam was planning as of Sunday to attend the Riyadh investment conference that begins Oct. 23, according to people familiar with the matter. Goldman Sachs plans to send two top executives, Dina Powell and Sheila Patel, other people familiar with the matter said.

A Western banking executive said bankers feared losing business in Saudi Arabia if they don't attend the conference.

In April 2016, Prince Mohammed announced a plan to revamp his kingdom's society and economy dubbed Vision 2030. The ruler allowed women to drive for the first time, opened the first new cinema in over 30 years, began construction on a futuristic new city called Neom and promised a more moderate form of Islam.

The young leader has promised aggressive policies to further investment, improve the workforce and create the legal and regulatory climate to diversify and develop his country's oil-dependent economy.

However, Saudi Arabia has had trouble sealing the types of business deals that the prince wants.

Some of his actions have worried the business community. He has blockaded Qatar, rounded up Saudi businessmen at the Ritz-Carlton Hotel and severed diplomatic ties with Canada over a tweet.

Mr. Branson, the British entrepreneur, last week said he would give up two directorships related to Saudi tourism projects over Mr. Khashoggi's disappearance and also would suspend talks with Saudi Arabia's sovereign-wealth fund about its proposed $1 billion investment in his Virgin Orbit and Virgin Galactic space ventures.

Saudi government talks with Alphabet Inc.'s Google and Amazon Inc. to build data centers also haven't progressed to an agreement. The projects would have helped bolster the development of the technology sector in Saudi Arabia, a goal Prince Mohammed has championed. Amazon and Google didn't respond to requests for comment.

Softbank Group Corp. and Saudi Arabia are scaling down and rethinking a solar-generation and manufacturing plan they announced in March as the world's biggest-ever renewable project, worth $200 billion. SoftBank and Saudi Arabia both say the plan will go forward eventually.

After the first cinema opened to great publicity this summer, only one more has opened, and not every agreement under discussion with U.S.-based AMC Entertainment Holding Inc. has been finalized, people familiar with the negotiations said. In April, Saudi Arabia and AMC promised up to 40 theaters over the next five years; only one is operating, in Riyadh's nearly empty financial district. A person close to the cinema talks said the theater plan was still on track as originally conceived.

Saudi Arabia has been more successful deploying its own money around the world, though even there its track record is mixed.

A Saudi commitment to private-equity firm Blackstone Group LP of up to $20 billion for a U.S. infrastructure fund—lauded by President Donald Trump—has gotten off to a slow start. Blackstone raised an initial $5 billion, half of which is set to come from the Saudis' Public Investment Fund. The infrastructure fund has yet to announce its first deal.

Blackstone didn't immediately respond to a request for comment.

In total, the Saudis' Public Investment Fund has invested or committed roughly $100 billion to investments overseas in firms such as Tesla Inc. and Uber. As the biggest contributor to SoftBank's $100 billion Vision Fund, Saudi Arabia is among the largest global investors in the technology industry. The Saudis have expressed hope that those investments will encourage companies to set up in Saudi Arabia.

A person close to the SoftBank Vision Fund said advisers are watching closely not just for evidence of a crime in Mr. Khashoggi's case, but also for any reactions from portfolio companies. A question for the Vision Fund is whether deals get derailed because of Saudi Arabia's close affiliation with the fund, the person said.

Jenny Strasburg and Summer Said in London and Emily Glazer in Los Angeles and Liz Hoffman in New York contributed to this article.

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