THE WALL STREET JOURNAL.
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Banking & Finance: Bank Stocks Flash Alert, Following Rates Downward

By Corrie Driebusch
557 words
5 September 2017
The Wall Street Journal
J
B10
English

U.S. bank stocks dropped in August as interest rates slipped, and some money managers say lenders have further to fall.

The reason: The yield on the **10**-**year Treasury** note is back down to where it was in mid-November, shortly after the election, but bank shares are above where they were then.

That could be a warning sign, some analysts and investors say, that there is still too much optimism priced into shares of financial companies.

Such stocks have benefited from hopes for looser regulation under the Trump administration and from passing their Federal Reserve stress tests, which won big U.S. banks the ability to buy back stock and distribute dividends. Strong earnings reports have lifted large banks' price-to-book valuations since November as well.

"People are hanging onto bank stocks hoping for a regulatory reprieve," said Justin Wiggs, managing director in equity trading at Stifel Nicolaus. "But from an operating standpoint, there are obviously concerns for banks," he said, referring to falling bond yields.

On Friday, the yield on the **10**-**year Treasury** settled at 2.157% and is down 0.289 percentage point year to date.

The recent declines have narrowed the gap between long- and short-term rates, which doesn't bode well for banks, which earn money on the difference between what they pay on deposits and what they charge to lend money.

The difference between the yield on the two-year Treasury note and the 10-year was at 0.812 percentage point late Friday, below the 1.21-percentage-point differential on Nov. 10, a day after the presidential election, and near its smallest since 2007.

The KBW **Nasdaq** Bank index of large U.S. lenders fell 3.1% in August but closed the month up 14% since Nov. 10.

"I was a little surprised banks aren't down more," Mr. Wiggs said. "We should be a bit more cautious."

Daniel Genter, chief executive officer of RNC Genter Capital Management, an investment-management firm in Los Angeles, said he has been decreasing his position in financial stocks, saying that as the yield curve flattens, banks will likely need stronger deposit growth in order to maintain their profitability levels. "That's going to be a challenge," he said.

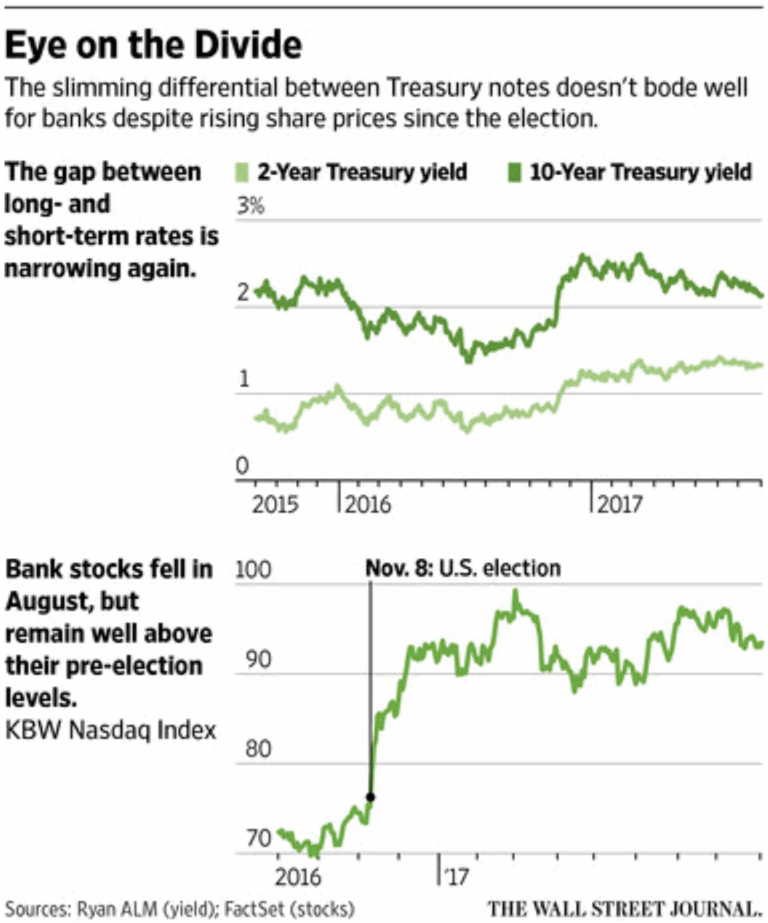
The big question now for banks is the U.S. economy. While the global economy continues to hum along, there are some cracks in the U.S. Household debt reached a record last quarter, inflation remains stubbornly low and gross-domestic-product growth has been choppy.

Those concerns have contributed to the decline in the 10-year yield, which ended July at 2.292% and finished 2016 at 2.446%.

Still, not everyone is so dour about the outlook for bank stocks.

Michael Mattioli, portfolio manager at Manulife Asset Management, said he isn't as **bullish** on bank stocks as he has been in the past and said he has trimmed his bank-stock exposure since the election. Yet he still believes there could be some upside to the group.

"There's a lot more things that can go right for banks than can go wrong," he said, such as a change to lenders' capital requirements or a tax overhaul.



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THE WALL STREET JOURNAL.
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Investing in Funds & ETFs: A Monthly Analysis --- The Myth of Stock-Market Tops

By Mark Hulbert
1,047 words
5 September 2017
The Wall Street Journal
J
R1
English

Many investors are trying to pinpoint the exact day on which the **bull market** eventually reaches its top. My advice to them: Stop.

I say that not because it is difficult to predict when the **stock market** changes direction -- though that is true, too. But there's an additional reason: **Stock-market** tops typically are a gradual rolling-over by the market rather than a sharp trend reversal. Some market averages will hit their peak months before or after others, and individual sectors can behave differently than the market as a whole.

In other words, the top doesn't occur on just one single day, or even in one week or one month. Even if you successfully predict the precise day, or week or month, on which a particular market average hits its top, you can still lose money -- or leave a lot of it on the table -- because other market averages and sectors likely aren't at their peaks.

This is an important insight not just for market historians. With the **stock market** up more than 300% from its March 2009 lows, and with the economy in its ninth year of recovery from the latest recession, many investors worry that a **bear market** is overdue. Rather than anxiously trying to determine the exact day when to shift out of stocks, they should instead view market tops as a gradual process in which equity exposure is slowly and deliberately reduced over time.

Take the 2007 **bull-market** top. The most widely followed market benchmarks, such as the **Dow Jones Industrial Average** and the **S&P 500 index**, hit their highs on Oct. 9 of that year, and that is the date that most market timers record as the "top" of the 2002-07 **bull market**. Yet the Russell 2000 index, a widely used proxy for the small-cap sector, registered its top on July 13, three months prior. The Dow Jones Utility Average topped out even earlier, on May 21. And some sectors began their bear markets even longer before; the SPDR S&P Regional Banking ETF, for example, hit its **bull-market** high in December 2006.

What this means: Pinpointing that Oct. 9 top wouldn't have been very helpful unless you were investing in the **S&P 500**. In the event you were investing in the average small-cap, utility or regional bank, among others, you would have lost money if you had waited until Oct. 9 to sell.

Perhaps the most spectacular example of a divergence at a market top, however, came when the internet bubble burst. Though the **S&P 500** topped out on March 24, 2000, and didn't hit bottom until October 2002, the average small-cap value stock actually rose during that **bear market**, according to data from University of Chicago professor Eugene Fama and Dartmouth professor Ken French. So small-cap value investors left a lot of money on the table by going to cash during the 2000-2002 **bear market**.

Divergences this stark and spread out aren't unusual at market tops, according to David Aronson, a former finance professor at Baruch College and now president of Hood River Associates, a research firm that uses machine learning to enhance **stock-market** trading systems. "The process of topping out can take a really long period of time, evolving over a year or more," he told me in an interview.

Take the end of the **bull market** in the early 1970s, for example. Though the **S&P 500** didn't hit its high until January 1973, major divergences "started to manifest as early as the spring of 1971," nearly two years prior, he says.

In contrast, Mr. Aronson adds, "market bottoms tend to be sharper." The bottom at the end of the 2007-09 **bear market** is a good case in point: Virtually all major averages hit their **bear-market** lows on March 9, 2009. Most individual sectors did so also, and those that didn't mostly hit their bottoms only a few days before or after. As Mr. Aronson argues in a just-published book, "bottoms are easier to identify, in real time, than tops."

Instead of trying to pinpoint the day of a particular market's average top, therefore, you might want to focus on the prospects for the individual stocks or mutual funds that you own. Bragging rights for calling the top of this or that market benchmark mean little if your stocks or funds start declining months before that top.

One helpful focus would be on internal market divergences between different sectors of the market. A healthy market is one in which most stocks are participating. As divergences emerge and become more pronounced, odds increase that the stocks you own may suffer even if the major market averages such as the Dow and S&P continue rising.

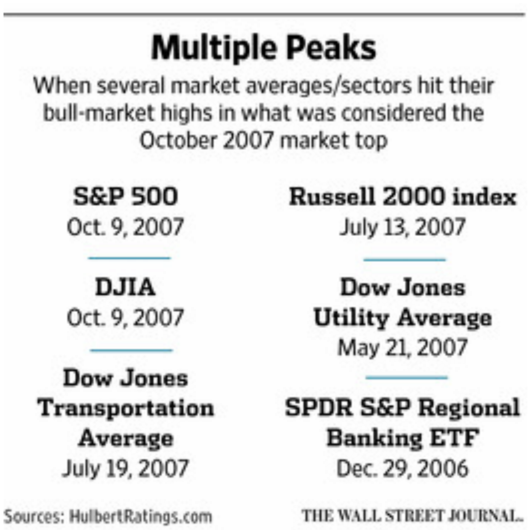
By the same token, you need to be alert to the possibility that your individual stocks will continue to rise even if the major averages begin a major decline.

It's worth noting in this regard that some potentially worrisome divergences have materialized in recent months, according to Hayes Martin, president of Market Extremes, an investment consulting firm that focuses on market turning points. In an email to me, he pointed out that there have been some significant divergences among groups that historically have been reliable "coal-mine canaries," such as small banks, which peaked on March 1, and smaller-cap stocks, which have been "battered" since late July. This suggests to him that we are probably in a long-term topping process.

Mr. Aronson agrees, though he says it's unclear from his work whether the coming top will precede a major **bear market** or something of more intermediate-term significance.

Regardless, these divergences suggest that risk is elevated. We may want to focus more on which stocks or funds we would want to sell to reduce our equity exposure rather than what we'd buy to increase it.

Mr. Hulbert is the founder of the -Hulbert Financial Digest and a -senior columnist for MarketWatch. He can be reached at -reports@wsj.com.



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THE WALL STREET JOURNAL.
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Investing in Funds & ETFs: A Monthly Analysis --- Monthly Monitor: Bond Funds Beat Stock Portfolios In a Jittery Month

By William Power
261 words
5 September 2017
The Wall Street Journal
J
R2
English

For stock investors, August wound up being as frustrating and unsatisfying as the month's preseason NFL games once again were for football fans.

Market averages ticked higher to their latest records during the month, but gains were muted by political tension, energy-sector declines stemming from Hurricane Harvey and the summer lull in trading. In the end, U.S.-stock funds fell slightly.

Instead, many investors turned to the safety of government bonds.

The average diversified U.S.-stock fund had a negative total return of 0.4% for August, trimming the year-to-date average gain to 9.1%, according to Thomson Reuters Lipper data on mutual funds and exchange-traded funds. That cleared the way for even more outperformance by international-stock funds, which continued their 2017 outperformance against their American counterparts -- up 0.4% for the month and now showing a robust 19% total return for the year to date.

Bond-fund investors also had a month to crow, with a 0.7% gain for funds focused on intermediate-maturity, investment-grade debt (the most common type of fixed-income fund).

Demand for bonds often occurs in tandem with utility stocks, because of their sought-after dividends, and that was the case in August, too. Utility-focused funds shone relative to the overall **stock market**, adding 2.3%, to push their year-to-date gain to nearly 15%.

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Heard on the Street
The Clock Is Ticking For the ECB

By Richard Barley
288 words
5 September 2017
The Wall Street Journal
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B11
English

[Financial Analysis and Commentary]

There is only so long a difficult conversation can be avoided.

The European Central Bank has been emphasizing persistence and patience on its monetary policy. But with the path of the ECB's bond-purchase program set only until the end of December, the pressure to lay out plans for 2018 is building.

The stumbling block for the ECB is the euro, which has risen steeply. That is likely to dent the ECB's new inflation forecasts, making communication about policy trickier. Many other developments, however, point toward a eurozone that no longer needs the ECB to hold the accelerator to the floor.

Growth remains robust, and financial conditions have stayed loose despite the stronger euro. Still, the account of the ECB's July meeting showed the sensitivity of markets to the slightest shift in communication. Even silence can move markets, however. ECB President Mario Draghi steered clear of talking about monetary policy at all in his much-awaited speech at Jackson Hole in August, but the euro rose, topping $1.20.

Patience on policy also bears risks. While the euro's rise has drawn a lot of attention, other markets have been calmer. The 10-year German government-**bond yield**, at 0.38%, is well off its highs for the year -- which looks odd in the face of stronger growth. There could yet be a tantrum to come for bonds, and an ECB that appears too cautious now could store up trouble.

The ECB might play for time in September, but that will put the focus on October: The lull in bond markets can't last.

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Moneybeat: Dow Likes Them Apples

By Ben Eisen
370 words
5 September 2017
The Wall Street Journal
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B11
English

The largest U.S. company by market value lent a helping hand to the **stock market** last month.

Shares of Apple Inc. climbed more than 10% in August, making the tech giant the best performer among the **Dow Jones Industrial Average**'s 30 components. Apple added 104.57 points to the price-weighted blue-chip index.

The Dow finished August up just 56.98 points for the month.

When tech stocks sold off in June, Apple stumbled and remained in a funk for much of the summer. But on Aug. 1, the company reported strong earnings, which were lifted by iPad and Mac sales. Apple jumped 4.7% the following session, playing a leading role in propelling the Dow past 22000 for the first time.

Since then, shares have largely kept climbing. The stock rose in 16 out of the 23 trading days in August, hitting a string of record highs that added nearly $79 billion to its market value, according to The Wall Street Journal's Market Data Group.

The tech giant is now valued at nearly $850 billion, by far the most valuable public company in the U.S.

Apple has also propped up the market cap-weighted **S&P 500**, where the stock accounts for more than 4% of the index. The S&P, which was up 0.1% for the month of August, would have been down 0.4% without Apple, according to S&P Dow Jones Indices.

But the stock is poised to hit a crossroads this month. Apple is expected to roll out three iPhones, including a 10th anniversary edition, on Sept. 12. Hopes are high, a key reason Apple's stock is up more than 40% since the start of this year. That means even a successful rollout may already be built into the share price. Investors may be starting to take note.

If Apple gives up August's gains, it could drag on the broader **stock market** during a historically **volatile** month.

On the first trading session of September, the stock was up a mere 0.03%, underperforming the **S&P 500**'s 0.2% rise.

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THE WALL STREET JOURNAL.
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Investing in Funds & ETFs: A Monthly Analysis --- News Challenge: Funds and Investing: Test Your Smarts on...Overseas Stocks

By Victor Reklaitis
821 words
5 September 2017
The Wall Street Journal
J
R2
English

A lot of strategists have beaten the drum for non-U.S. stocks this year, and venturing overseas looks smart so far.

The broad Vanguard Total International Stock ETF (VXUS) was up about 18% in 2017 through August, comfortably ahead of the 10% gain scored by a comparable all-American play, Vanguard Total **Stock Market** ETF (VTI).

Many strategists have been recommending foreign equities largely because of their lower valuations. Even with this year's big gain, VXUS still might look more fetching to bargain hunters than VTI, as the international fund trades at 15 times forward-year earnings versus VTI's multiple of 20.

Regardless of whether your investments bleed red, white and blue or not, how much do you know about overseas stocks? Let's find out:

1. Which of these funds isn't one of this year's 10 biggest winners among foreign, single-country equity ETFs?

A. VanEck Vectors Poland ETF

B. KraneShares CSI China Internet ETF

C. iShares MSCI Brazil Small-Cap ETF

D. Global X MSCI Nigeria ETF

ANSWER: D. The Nigeria fund was up more than 25% in the first eight months of this year, but the top 10 ETFs gained more than 45%, according to research firm XTF.com's data on U.S.-listed, country-specific, nonleveraged funds.

2. True or false: Some 56% of global-fund managers say they are "overweight" eurozone stocks, meaning that they have tilted their portfolios toward them.

ANSWER: TRUE. That fact comes from Bank of America Merrill Lynch's August survey, and the bank says that percentage is above a long-term average.

3. True or false: Indexing pioneer Jack Bogle changed his tune this year after saying for decades that U.S. stocks and bonds are the best investments.

ANSWER: FALSE. Vanguard founder Bogle continues to back staying stateside, saying the American economy is the world's most diversified and most likely to do well in the long run.

4. True or false: South Korea's main equity benchmark turned negative for the year as North Korea's saber-rattling intensified in recent weeks.

ANSWER: FALSE. The Kospi Composite Index has pared its year-to-date gain, but it still was up about 17% at the end of August.

5. Fill in the blank: While the Stoxx Europe 600 Index achieved an all-time closing high in 2015, the main equity benchmarks in Shanghai and Tokyo hit their records in _____ and ____, respectively.

A. 2007 and 1989

B. 2015 and 2013

C. 2011 and 1999

D. None of the above

ANSWER: A. The Shanghai Composite Index and Nikkei Stock Average both have been roughly cut in half since hitting those peaks.

6. Which fund isn't one of this year's 10 biggest losers among foreign, single-country equity ETFs?

A. iShares MSCI Russia Capped ETF

B. Global X MSCI Pakistan ETF

C. iShares MSCI Mexico Capped ETF

D. iShares MSCI Qatar Capped ETF

ANSWER: C. The Mexico fund rose nearly 30% through August.

7. Fill in the blank: The annualized five-year total return for the Vanguard Total International Stock ETF is ________ versus ________ for the comparable U.S.-only play, the Vanguard Total **Stock Market** ETF.

A. 12.1% and 11.5%

B. 7.9% and 14.2%

C. 6.1% and 8.2%

D. None of the above

ANSWER: B. While the international ETF is topping the all-American fund this year, it is a different story over a longer time frame.

8. True or False: French stocks soared on April 24 after markets-friendly candidate Emmanuel Macron won the first round of that country's presidential election, but the CAC 40 benchmark now stands below its April 21 close.

ANSWER: TRUE. The French equity index remains up for the year, with a gain of more than 4% at the end of August, but it has given up ground as analysts highlight the new president's stumbles.

9. Which two FTSE 100 Index components are the U.K. gauge's best performers so far this year?

A. Worldpay Group PLC and Antofagasta PLC

B. International Consolidated Airlines Group SA and Unilever PLC

C. London Stock Exchange Group PLC and Rolls-Royce Holdings PLC

D. None of the above

ANSWER: A. Payments processor Worldpay soared after U.S. rival Vantiv Inc. announced plans to acquire it, while miner Antofagasta has climbed as metals prices rally.

10. True or false: Some 39% of global-fund managers say they're "overweight" emerging-markets stocks, meaning they have tilted their portfolios toward them.

ANSWER: TRUE. Bank of America Merrill Lynch's August survey described that percentage as above a long-term average.

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THE WALL STREET JOURNAL.
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Investing in Funds & ETFs: A Monthly Analysis --- Spotlight / Volatility Funds: How Some VIX-Related Funds Could Go 'Poof'

By Simon Constable
541 words
5 September 2017
The Wall Street Journal
J
R5
English

Some exchange-traded funds related to the CBOE**Volatility** Index, or VIX, could vanish just when traders might want them most.

The VIX, also known as the fear gauge, measures the cost of buying insurance against a drop in the broad market. At issue are funds that seek to profit when short-term VIX futures contracts fall in value. The VIX itself isn't an investible product and the VIX futures don't exactly track the VIX, but they are strongly correlated.

The prospectus for the first fund, VelocityShares Daily Inverse VIX Short-Term ETN (XIV), states that the exchange-traded note could be liquidated "if the intraday indicative value is equal to or less than 20% of the prior day's closing indicative value."

Put another way, if the note's value declines 80% in a single day, "the fund goes 'poof,' " Peter Tchir, managing director of global macro at New York-based Brean Capital, wrote in a recent report. "Although the VIX going from 8 to 14.4 doesn't seem that insane, it would be an 80% move in the index," he writes. (There would need to be an 80% move in short-term VIX futures, too, for the fund to go bust.)

The other fund is ProShares Short VIX Short-Term Futures (SVXY), and it essentially has a similar story.

"[A] single-day or intraday increase in the level of the fund's benchmark approaching 100% could result in the total loss or almost total loss," states the prospectus.

How likely is it that the two funds could get wiped out?

"Such a VIX move is equivalent to a 3% market move," says Mr. Tchir, meaning a 3% drop in the **stock market** could send the VIX up 80%.

That, however, is just when traders might want such funds because big jumps in the VIX are often followed by falls in the VIX.

"Historically, any time the VIX is over 20 it tends to retrace fairly quickly," says Mr. Tchir. That's exactly when the short VIX funds would look attractive.

The VIX currently reads 12.

VelocityShares confirms that its fund "has the potential to be liquidated" if its benchmark moves more than 80% in a single day. However, the company says that over the past two decades, the VIX hasn't moved 80% when the S&P moved 3% in a single day, "and VIX futures certainly haven't even come close, so that analysis seems pretty weak."

ProShares declined a request for comment.

Mr. Tchir admits that such big moves in the VIX are rare and that it is "difficult to equate a change in VIX to what would be required to create such a 'knockout' event." He also says it is difficult to rely on historical information in this case because in the past VIX futures had little activity and there were no VIX-linked funds.

Still, he considers "risk of an 80% single day rise in the index the funds track as being possible on as little as a 3% single day equity move."

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Investing in Funds & ETFs: A Monthly Analysis --- Spotlight / Hussman Strategic: A 'Permabear' Digs In

By Daisy Maxey
361 words
5 September 2017
The Wall Street Journal
J
R8
English

How perma can a permabear be?

Just ask John Hussman, manager of Hussman Strategic Growth Fund (HSGFX); he has been **bearish** on the **S&P 500** during the market advance of recent years.

The market-neutral fund, which seeks to outperform the broad **stock market** over complete market cycles, invests in favorably valued companies of all sizes, but seeks to limit its downside risk using derivatives, such as options on broad market indexes.

Dr. Hussman's hedging strategy cushioned investors in market drops in the first decade of the 2000s, resulting in large inflows to the fund. But it hasn't helped through the long **bull market**. The fund shed nearly 10% this year through August while the average market-neutral fund gained 0.9%, says Morningstar Inc. Over 15 years, the fund has declined nearly 2.1% on average each year, while its average peer has gained 2.3%.

The resulting investor exodus has been dramatic. The fund has contracted to $360.5 million from its peak of $6.7 billion in September 2010. "Having lost money each year since 2011 and charging more than 100 basis points [1 percentage point] to do so tends to cause investors to ask for their money back," says Todd Rosenbluth, director of ETF and mutual-fund research at CFRA.

Dr. Hussman, 53, maintains his protective stance.

"There has been no deterioration in the historical relationship between reliable valuation measures and subsequent 10- to 12-year market returns," says Dr. Hussman via email.

"The central lesson of the half-cycle since 2009 is about the speculative extremes that can be reached over shorter segments of the market cycle. In the face of deranged monetary policies, there's no question that I underestimated those extremes."

Today's low interest rates don't justify current valuations, Dr. Hussman adds.

Dr. Hussman has no plans to shut the fund. "Closing the fund at today's offensive valuations would be like closing a long equity fund at the August 1982 lows," he says.

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THE WALL STREET JOURNAL.
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Investing in Funds & ETFs: A Monthly Analysis --- Initial Public Offerings: Why Index Funds Steer Clear of the IPO Market --- Some experts think that may start to change

By Ari I. Weinberg
1,013 words
5 September 2017
The Wall Street Journal
J
R8
English

Index funds have made their presence felt in a big way in every corner of the **stock market** except one: initial public offerings.

What would it take to change that?

Only a limited number of index funds and exchange-traded funds have moved to quickly include certain shares just after their IPOs -- largely depending on the size and availability of the offering and the size of the company.

By design, however, the freight train of assets that is still moving into index funds tends not to find its way into shares offered in IPOs. This is because, as their name implies, these types of funds are built to track indexes, and indexes themselves generally do not include shares of IPOs on Day 1. Stocks found in indexes must fit established criteria for inclusion based on metrics such as public float, geography, market cap, industry, valuation and dividends.

IPOs, meanwhile, by their nature, involve companies that have no trading histories and that tend to offer investors much less information compared with more-established publicly traded companies.

Index firm MSCI Inc., for example, generally requires at least three or four months of trading before a new stock can be considered for an existing or new index. There are exceptions. Large stocks, based on relative market cap within a specific segment, for example, can be included in an MSCI index as soon as 10 days after an IPO, with an announcement about the pending inclusion made on Day 1 of the stock's initial offering if the company is expected to meet market-cap and trading requirements.

CRSP U.S. Equity Indexes, used by many Vanguard index funds and ETFs, publishes similar criteria for both standard inclusion and for "Fast Track" inclusion of IPO shares, as do S&P Dow Jones Indices and FTSE Russell, among others. Index methodologies usually include an annual or semiannual "reconstitution," wherein eligible stocks are swapped in (or out) based on published criteria. IPOs, including splits and spinoffs, can be special cases for quicker inclusion.

The existence of such index rules, however, hasn't barred all index-fund managers from the new-issue market. For example, some index funds can participate in IPOs or buy a stock before it enters the index, should the manager deem it necessary for tracking. Again, that would really only be the case for large, liquid IPOs, including spinoffs.

Recently, a possible sticking point for more inclusion of IPOs in index funds emerged. In the IPO of Snapchat parent Snap Inc., the shares had no voting rights. While a handful of public companies have dual-class shares that award supervoting to insiders -- such as Alphabet, Facebook and several family-controlled media companies -- Snap's IPO was the first to offer no voting shares to the public.

After consultation with clients, index firms S&P Dow Jones Indices and FTSE Russell said this summer that they would limit inclusion of companies with dual-class shares in their indexes. MSCI's consultation closed on August 31. In January, a coalition of major investors, including index-fund giants BlackRock and State Street Global Advisors, called for a ban on dual-class stock.

So far, major players directly involved in the IPO market, including startups, investment professionals and regulators, aren't pushing for IPO shares to be included in index funds from Day 1, in part because there is less IPO activity in general these days.

In addition, startups have many other attractive options for attracting investment these days. Some argue that for company founders and early investors, the benefits of being a public company have receded in comparison with the massive increase of the private capital markets, including venture capital, private equity, sovereign wealth and family offices.

Some market professionals believe the limited presence of IPOs in ETFs could change. For instance, more index funds could decide to buy IPOs sooner than their current rules allow, or index providers could systematize a process for both broad-based and sector index funds to participate at the onset of a new issue.

ETFs designed to invest in IPOs have had a mixed record. These rules-based funds aren't as strict on index inclusion for new issues as the institutional index firms -- MSCI, FTSE Russell, S&P Dow Jones and CRSP -- which are mindful of the trillions of dollars of investor money that tracks their indexes or uses them as benchmarks. Including an IPO on the first day of a listing, or very soon after, could push a torrent of money to a stock that doesn't have the liquidity or capacity to support it.

The $14.4 million Renaissance IPO ETF (IPO), which can hold IPO shares as soon as five trading days after listing and until their 500th trading day, has experienced $19.2 million in outflows since its late 2013 launch. The performance demonstrates the challenge of investing in IPOs. It has underperformed the Mid-Cap Growth category on a three-year annualized basis (a return of 4.7% compared with 6.9%), but is up 26.8% this year compared with 13.7% for the category, says Morningstar. It has a 0.60% expense ratio.

The $860 million First Trust US Equity Opportunities ETF (FPX) tracks the IPOX 100 index of the largest new offerings over their first 1,000 trading days. According to Morningstar, the 11-year-old fund has outperformed Large-Cap Growth over the past 10 years annualized, 11.1% compared with 7.9%, but has underperformed in 2017, 14.1% compared with 18.2%.

Both managers also offer IPO ETFs for non-U.S. securities. First Trust International IPO ETF (FPXI) has just $20.6 million in assets and Renaissance International IPO ETF (IPOS) has $2.3 million.

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The New York Times

EDITORIAL
Editorial Desk; SECTSR
The Trump Tax Plan's False Promises

801 words
3 September 2017
The New York Times
NYTF
Late Edition - Final
8
English

As they return to Washington this week from their August recess, House Republicans on the Ways and Means Committee have their work cut out for them. Their job is to draft a major tax-cut bill for Congress to pass, ideally by year-end, to avoid closing out 2017 without a single big legislative win. The policy objective is to steeply cut tax rates for businesses and wealthy individuals. The political aim, and the point of President Trump's speech last Wednesday, is to persuade the men and women in the Trump working-class base that a tax cut for the wealthy would be good for them, too.

It would not be, and to pretend otherwise, as Mr. Trump did, is to substitute propaganda for discourse. Mr. Trump's claim that tax cuts will propel economic growth and lift wages ignores the consensus view of economists, which is that multitrillion-dollar tax cuts, as envisioned by Mr. Trump, are not a stable or reliable way to do either.

The president's claim also defies history. Wages have long stagnated, despite tax cuts in the 1980s and 2000s, while profits, shareholder returns and executive pay have soared. Profits, whether lifted by favorable economic conditions, by tax cuts or by both, have not translated into employee raises and have instead been used for other purposes. One is to buy back stock, which lifts share prices and, by extension, executive compensation. Following a huge one-off corporate tax cut in 2004, big piles of corporate cash were also used to pay dividends to shareholders, settle legal issues and finance severance packages for layoffs.

Of all the ways that corporations have spent their profits recently, business investment has generally been low on the list. Higher wages have been even lower, if they make the list at all. It would be foolish to expect anything different if a new set of tax cuts increased corporations' already healthy profits. Any advantages for middle-class Americans would amount to crumbs from the banquet table.

Then, too, there is the budget issue. Mr. Trump has proposed cutting the top corporate rate from 35 percent to 15 percent, a point he emphasized on Wednesday despite warnings from his economic advisers that a cut that sizable would cause the deficit to explode. Separately, he and his advisers have also proposed ending taxation on the foreign profits of American corporations, even though such profits are often actually earned in the United States and simply relabeled as foreign through the use of complex accounting maneuvers.

Proposed tax breaks for working people, in contrast, include relatively modest reductions in tax rates, a more generous standard deduction and tax relief for child care expenses. A recent analysis of Mr. Trump's proposals by the nonpartisan Urban-Brookings Tax Policy Center generously assumed that policy makers would end popular write-offs, including the deduction for state taxes, to offset the cost of the cuts. Even then, the analysis showed that the proposed Trump tax cuts would lift after-tax income for the top 1 percent of taxpayers by at least 11.5 percent (or an average annual tax cut of $175,000), compared with a barely perceptible 1.3 percent for taxpayers in the middle (or $760 in average tax savings).

Over all, the cuts, paired with loophole closers, would cost at least $3.4 trillion in revenue in the first 10 years and $5.9 trillion over the following decade. The question is how House Republicans will deal with those potential deficits. Many of them have built their reputations as fiscal hawks. Even if they were inclined to set aside their professed aversion to deficits to pass a big tax cut, their scope for deficit financing has now been narrowed by the floods in Houston, which will force them to borrow and spend for relief and recovery efforts. That is a responsible thing to do in an emergency. Borrowing to cut taxes -- akin to taking cash advances on a credit card -- is not responsible, in good times or bad.

The fixation on tax cuts is regrettable, because corporate tax reform is a worthy goal. Done right, it would lower the top corporate tax rate to 25 percent or so, bringing it more in line with the rates of other developed nations. It would also raise revenue by eliminating special-interest loopholes and enacting a small per-trade tax on financial transactions to account for the growth of **financial markets** in the nation's economy. As yet, there is no sign that Republicans are prepared to take that sensible path.

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THE WALL STREET JOURNAL.
U.S. EDITION

Harvey's Aftermath: Storm Aid May Ease Vote on Debt Limit

By Kate Davidson and Kristina Peterson
536 words
2 September 2017
The Wall Street Journal
J
A4
English

WASHINGTON -- Widespread support on Capitol Hill for Hurricane Harvey relief aid -- with an initial package expected to total $5.9 billion -- could help ease passage of high-stakes fiscal legislation facing Congress this month, lawmakers and analysts said.

As Texas and Louisiana began to regroup after the storm's record rainfalls, both Democrats and Republicans said they hoped for a speedy passage of emergency-relief funding to help storm victims rebuild.

"We have people who are in trouble, and they need help," said Rep. Tom Rooney (R., Fla.), referring to storm victims. "We're the government. That's our job."

The White House was expected to request $5.9 billion on Friday for the first installment of Harvey relief aid, according to a House Republican aide. Lawmakers return to Washington next week following their August recess.

Congress is facing a deadline at the end of the month to increase the debt limit and pass a funding extension to keep the government running.

Some GOP lawmakers have balked at raising the debt ceiling in the past. GOP leaders are likely to pair the first installment of Harvey aid with legislation to raise the debt ceiling, easing its passage and then take up a stopgap government-spending measure later in the month, a House Republican lawmaker said Friday.

Treasury Secretary Steven Mnuchin has urged lawmakers to raise the debt ceiling by Sept. 29 to ensure that the government has enough cash to continue paying its bills in full and on time. The Treasury has employed cash-conservation measures since March, when a new limit was set at nearly $20 trillion.

Mr. Mnuchin, in an interview with The Wall Street Journal on Thursday, said he continues to hold discussions with congressional leaders in both parties about raising the debt ceiling.

Mr. Mnuchin emphasized the "significant difference" between a government shutdown -- which he previously said may be appropriate -- and a debt-limit breach.

"Congress has every right to control government funding, and if they don't approve additional funding the government would shut down," he said Thursday. "That's very, very different from a default on government debt or not paying the government's bills."

Failure to increase the debt limit could cause the government to miss payments to bondholders and result in a default on government debt, an unprecedented event that could trigger chaos in the **financial markets**.

President Donald Trump, a Republican, has said he might shut down the government if Congress doesn't allocate money toward building a wall on the U.S.-Mexico border, which is opposed by Democrats and some Republicans.

Analysts said this week that they viewed a disaster-relief bill moving through Congress as lowering both the chances of the government shutting down and there being an impasse over the debt ceiling.

"Allowing a partial government shutdown when federal-relief efforts are under way would pose greater political risks than under normal circumstances, raising the probability that lawmakers will find a way to resolve disagreements," Goldman Sachs economist Alec Phillips said in a note to clients this week.

Document J000000020170902ed920001h

The New York Times

Business/Financial Desk; SECTB
Markets Rise Despite Weak Jobs Report

By THE ASSOCIATED PRESS
430 words
2 September 2017
The New York Times
NYTF
Late Edition - Final
3
English

United States markets rose on Friday as investors viewed a relatively weak jobs report for August as likely to help keep interest rates low. Shares of banks, energy companies and automakers led the way.

The Labor Department said employers added 156,000 jobs in August. That was a bit less than analysts expected, but investors were pleased that the economy kept growing at a steady pace while inflation remained weak.

They bet that will keep the Federal Reserve from raising interest rates too quickly.

Shares of car companies rose as they reported their August sales, on expectations that hundreds of thousands of cars would have to be replaced after being damaged by rains and flooding this week along the Gulf Coast. Bank stocks rose as **bond prices** dropped, which sent yields and interest rates higher.

The **Standard & Poor's 500**-**stockindex** rose 4.90 points, or 0.2 percent, to 2,475.55. The **Dow Jonesindustrial average** gained 39.46 points, or 0.2 percent, to 21,987.56. The blue-chip index had its first change in more than two years on Friday, as the longtime Dow component DuPont combined with its former rival Dow Chemical to form DowDuPont.

The **Nasdaq composite** added 6.67 points, or 0.1 percent, to 6,435.33. It was the best week this year for the **Nasdaq** as shares of technology and health care companies surged.

Long-term government **bond prices** moved lower. The yield on the **10**-**year Treasury** note rose to 2.17 percent from 2.12 percent, but the yield on the two-year note remained at 1.33 percent. Still, the increase in bond yields and interest rates gave banks a lift. JPMorgan Chase shares rose 81 cents, or 0.9 percent, to $91.70.

General Motors said its sales improved in August, and its stock gained 82 cents, or 2.2 percent, to $37.36. Ford picked up 32 cents, or 2.9 percent, to $11.35. Fiat Chrysler stock gained 73 cents, or 7.2 percent, to $61.68.

Benchmark United States crude added 6 cents to $47.29 a barrel in New York. Brent crude, which is used to price international oils, fell 11 cents to $52.75 a barrel in London. Wholesale gasoline prices, which have surged this week, declined 3 cents to $1.75 a gallon.

CHART: The Dow Minute by Minute: Position of the **Dow Jones industrial average** at 1-minute intervals on Friday. (Source: Reuters)

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THE WALL STREET JOURNAL.
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Equities: Streak of Outflows From Stocks Ends

By Akane Otani
414 words
2 September 2017
The Wall Street Journal
J
B9
English

Investors finally stepped back into the U.S. **stock market** again this past week.

After pulling $30 billion out of equity funds over a 10-week span this summer, investors put $300 million back into the funds for the seven days ended Wednesday, according to Bank of America Merrill Lynch data.

Stocks have ticked higher in recent days as a fresh batch of economic data showing the U.S. consumer on strong footing helped investors look past renewed tensions between North Korea and the U.S.

Before the latest week, mutual funds and exchange-traded funds that invest in U.S. equities had posted their longest streak of withdrawals in 13 years -- the latest indication to some analysts that investors were increasingly wary of the long U.S. stock rally.

There are plenty of reasons not to love the stock rally at the moment, investors say. Stocks are trading at higher-than-average valuations; economic data has shown lagging measures for inflation, wage growth and U.S. auto sales; and turbulence in Washington has cast doubt on the Trump administration's ability to push through policies such as tax cuts and fiscal stimulus. While hopes for pro-business policies had helped U.S. stock indexes jump past their international peers after Election Day, lately many investors have expressed a preference for stocks elsewhere that are trading at lower valuations. Japanese equity funds attracted inflows for the seventh consecutive week in the seven days ended Wednesday, data show.

Concerns about the durability of the U.S. stock rally has also kept many investors cautious heading into the end of the summer, while reigniting demand for so-called haven assets such as gold, government bonds and their stock proxies.

The **S&P 500** managed to eke out a monthly gain, but only just: The broad index finished August up 1.35 points, or less than 0.1%. Meanwhile, assets that investors consider safer stores of value rallied. Shares of utilities companies, which many investors think of as bondlike because of their relatively hefty dividends, rose 2.7% in August. Gold jumped 3.9% to $1,316.20 a troy ounce, finishing off the month at its highest level since September.

Next, with Congress returning from recess, investors will have to contend with a number of risks, including debates over lifting the debt ceiling and passing a spending bill.

Document J000000020170902ed920001j

The New York Times

National Desk; SECTA
Gas Prices Rise As Oil Refiners Race to Recover

By CLIFFORD KRAUSS
1,371 words
1 September 2017
The New York Times
NYTF
Late Edition - Final
1
English

HOUSTON -- Ports along the Gulf of Mexico are closed to fuel barges. Part of the biggest pipeline between Texas and New York has stopped flowing. Refineries and gas stations are flooded. Drilling rigs in the biggest shale field in Texas are running low on diesel supplies.

As a result, the fallout from Hurricane Harvey's devastation is now spanning the country, forcing gasoline price increases and possible consumer shortages of fuel.

Nationally, the average price of a gallon of regular gasoline on Thursday morning jumped 5 cents from the day before, to $2.45, the highest price of the year, according to the AAA motor club. And contracts for September wholesale deliveries rose 25.5 cents a gallon, signaling the worst is yet to come. Experts said prices at the pump could easily rise an additional 30 cents a gallon.

"This is going to be a substantial ouch for consumers," said Tom Kloza, global head of energy analysis for **Oil Price** Information Service. "Satan could not have drawn up a more horrible geographic scenario for knocking out Texas refining."

Because the storm hit all the major oil centers on the Texas coast -- Corpus Christi, Houston, Beaumont and Port Arthur -- a third of the nation's refining capacity could be constrained for weeks, he said.

That accounts for the disruption to the giant Colonial Pipeline, which delivers 100 million gallons of gasoline, home heating oil, jet fuel and diesel daily along a path from Houston to New York Harbor. Its operations in Texas have been shut, and the problem is not damage but supply: More than half of the 26 refineries that feed the pipeline between Houston and Lake Charles, La., have closed or curbed their operations.

Mr. Kloza said this was easily the biggest blow to the American energy patch since Hurricane Katrina hit Louisiana in 2005. Back then, gasoline prices soared 40 cents in one day and long lines reminiscent of the oil shocks of the 1970s appeared at gasoline stations.

Every extra penny at the pump costs American consumers a total of $4 million daily, and the price spike after Harvey could last a month or more. Lower-income Americans who spend a large part of their income on gasoline fueling older, less efficient vehicles will be hit hardest.

Fortunately for consumers, domestic inventories of gasoline and other fuels were near maximum capacity before the storm hit, keeping prices down somewhat, because of the frenzy of production in recent years. But the prices are increasing at a most inopportune time, just before the Labor Day weekend, one of the heaviest driving periods of the year.

Even regions far from Texas are scrambling, and even competing, to compensate for lost refinery output.

The Northeast is borrowing gasoline from Florida inventories, even though the state has been virtually cut off from Gulf Coast supplies. The price for regular gas in Florida rose to an average of $2.41 on Thursday from $2.35 in one day. Fuel prices are going up in the Midwest because of expectations that much of its gasoline and diesel will be moved to the Eastern Seaboard. Illinois, for instance, had a one-day jump of 5 cents a gallon.

Much of the East Coast will have to turn to fuel shipped by railroads from refiners in the country's midsection and by tanker from other American coastal refiners and European and possibly Middle Eastern refiners for the next four to eight weeks.

Railroad shipments are more expensive and hazardous than pipeline shipments.

The situation may be eased by an announcement by the Energy Department that it will release 500,000 barrels of crude oil from the Strategic Petroleum Reserve on loan to the Phillips 66 refinery in Lake Charles. The department said it was the first emergency release since 2012, when tough Western sanctions were put on Iranian oil exports to push Tehran to the nuclear bargaining table.

Still, the effects are likely to ripple across the globe. Mexico and other Latin American markets that have come to depend on American gasoline and crude oil will have to turn to Europe and elsewhere, putting them in competition with American markets for the same supplies and probably compounding the impact of higher prices.

The amount of refined petroleum products affected by the storm has risen daily, to 3.3 million barrels on Thursday from two million on Tuesday, according to a report by IHS Markit, an analytics and consultancy firm.

Five of Houston's nine refineries are shut down, though no serious permanent damage has been reported. Floodwaters continue to rise in areas, potentially jeopardizing the city's other refineries, already operating below normal levels.

Serious flooding may also be a problem in Beaumont and Port Arthur, where Exxon Mobil, Saudi Aramco-Motiva, Total and Valero have large refineries.

The operator of the Colonial Pipeline has said operations from Texas will resume as soon as refining safely does, but probably no earlier than Sunday. The pipeline, which normally carries more than 15 percent of the fuel consumed nationwide, continues to operate east of Lake Charles, taking petroleum products north.

Even when the refineries start again, problems will remain at the port of Houston. The Coast Guard, already overburdened, needs to remove debris to protect docking vessels, and flooded railways and roads may keep dockworkers from unloading vessels and putting cargo on trains and ships.

The storm's impact has been felt in oil and gas production as well as refining. Output from offshore platforms is down nearly 20 percent. Oil companies are beginning to return to the platforms to inspect possible damage from the storm, a process that could take weeks, before near full production can resume.

Meanwhile, flooding in the Eagle Ford shale field in southern Texas has cut production by an estimated 300,000 barrels a day. That is only about 3 percent of national production, but more important may be permanent damage to the shale wells. That is an engineering and geological uncertainty since the long horizontal wells, blasted through hard rock, are relatively new and have never been seriously tested by flooding.

The most important shale field in the country, the Permian Basin in West Texas, was not directly hit by the storm. But with refineries closed along the coast, pipelines out of the Permian have been shut off, and production is already declining. Fuel supplies necessary to keep the drilling rigs going may also fall short because of the refinery shutdowns.

''We're going to see a curtailment of production levels because the refineries can't take the product,'' said Steve J. McCoy, a senior executive at Latshaw Drilling, an Oklahoma company active in the Permian. ''We're kind of worried about the availability of diesel out here, and that, too, could have an impact.''

That may spur new production in other shale fields, like the Bakken field of North Dakota, where costs of production are usually higher than in West Texas.

Ed Hirs, an energy finance professor at the University of Houston, predicted that ''this interruption may help Bakken producers as they ship more crude to the Pennsylvania and New Jersey refiners, and it will throw a temporary lifeline to the refiners in Pennsylvania and New Jersey.''

The flooding has also knocked out trucking routes to gasoline stations, and many stations in Texas and Louisiana are out of fuel or flooded.

Some relief is coming from nuclear power. Two reactors outside Houston are running at full capacity and suffered no serious damage. That is helping to keep the lights on for thousands of residential and business customers.

Coast Guard members turn away as Aqueous Film Forming Foam blows off of spilled oil at a storage facility. The foam prevents exposed petroleum from igniting. (PHOTOGRAPH BY PETTY OFFICER 2ND CLASS PAUL KRUG/HANDOUT/EUROPEAN PRESS AGENCY) (A14) MAP: Where Gas Prices Are Rising: The national average for regular gasoline was $2.45 on Thursday, up 10 cents from a week ago. The states with the greatest increases were largely in the Southeast and the southern Plains. (Source: AAA) (MAP BY KARL RUSSELL/THE NEW YORK TIMES) (A14)

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THE WALL STREET JOURNAL.
U.S. EDITION

Streetwise: The Weak U.S. Dollar Provides an Illusion

By James Mackintosh
827 words
1 September 2017
The Wall Street Journal
J
B1
English

Corrections & Amplifications

Stock of Philip Morris International Inc. recorded a 27% gain this year through Wednesday. The Streetwise column Friday about the dollar's effect on stocks incorrectly said Philip Morris stock gained 133%.

(WSJ September 2, 2017)

(END)

Investors in Brexit Britain have lived with contradictory signals from the **stock market** and sterling since the referendum on leaving the European Union: A weak pound means stronger share prices, and vice versa.

This year, the U.S. has had a taste of something similar. The **S&P 500** is up 10%, bringing happy feelings to those who peek at their 401(k) plans. At the same time, the dollar has slid 8.4% against other major currencies.

U.S. investors might be tempted to shrug, at least those who aren't planning a foreign holiday, and think about the dollar only in terms of its relatively minor economic impact.

That would be the wrong approach, as their cousins in London quickly learned. The dollar has been of vital importance to stock prices this year, and provides a better explanation for the **S&P 500**'s rise than other positive factors such as low interest rates, economic growth or the recovery in earnings.

The simplest measure is to look at the **S&P 500** from a foreign point of view. In yen terms, the **stock index** is up 3.7% this year through Wednesday, against 5.9% for the Topix index of Japanese stocks.

Investors in Europe should be even more disappointed with the U.S.: In euro terms, the **S&P 500** is down 2.8%, against a 5.7% gain for the Euro Stoxx index.

This matters even from the perspective of a dollar-based investor. Picking stocks in the U.S. this year has been to a large extent about finding those with lots of income in other currencies. The more a company earned abroad, the better its shares were likely to perform.

Shares of U.S. companies with more than half of their revenue from outside the country rose by an average of 13%, identical to the gain on MSCI's dollar-denominated index of developed markets excluding the U.S. **S&P 500** stocks with less than half of their income from abroad gained only 5.9%, according to an analysis of FactSet data.

The pattern is even clearer when companies in the **S&P 500** are sliced into five segments, from those most exposed to foreign revenues to those least exposed.

The most-international fifth of stocks have gained 15% on average this year through Wednesday, while the least-international are up just 2%. This isn't the effect of the FANGs -- Facebook, Amazon.com, Netflix and Google, now Alphabet -- either: Only Facebook Inc. was in the most-globalized group.

A closer look at the companies in each group shows just how powerful the dollar effect has been. Tobacco company Philip Morris International Inc. is completely foreign-focused -- with no U.S. sales at all -- and recorded a 133% gain this year through Wednesday.

The S&P 500's most-foreign quintile's strong returns come despite big share-price drops at multinational energy groups such as Exxon Mobil Corp.

The most-domestic quintile includes more than 100 companies with no foreign sales. Its performance has been dire, even though domestically oriented utilities have had a good year thanks to their standing as alternatives to bonds. Twenty of 28 big utilities beat the S&P 500.

This should leave U.S. investors pondering two big questions: Will the dollar remain so important to company performance, and if it does, is the greenback going further down or will it recover?

History suggests the dollar is unlikely to be so important to the overall level of the index in future. In the past, changes in the dollar have had only a weak relationship to moves in the S&P 500 because there are normally so many other things going on with the economy, sentiment and policy. The low levels of economic and market volatility recently are extremely unusual, while Washington has remained gridlocked despite the Republican sweep in last year's election.

Still, history suggests the dollar will continue to matter hugely to individual company performance. Domestic stocks tend to outperform when the dollar strengthens, making foreign profits worth less in dollar terms, and underperform when the dollar weakens.

Calling the direction of a currency is always a gamble. Yet, there is some evidence to go on for the dollar. This year's drop has already been very large for such a short period, with only 10 larger drops on a trade-weighted basis since 1973. The move was exacerbated by the amount of optimism that was built in to the greenback after the election, too; speculators have shifted from being crowded into bets on a stronger dollar to being crowded into bets on the euro rising.

Any trade can always become more crowded, but we can at least say that the path of least resistance for the dollar is no longer down.

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THE WALL STREET JOURNAL.
U.S. EDITION

Banking & Finance: Nasdaq Aims to Ease Rules for Some IPOs --- Exchange wants to lure more blank-check firms as NYSE gains ground on these listings

By Alexander Osipovich
819 words
1 September 2017
The Wall Street Journal
J
B10
English

Nasdaq Inc. wants to make it easier for blank-check companies to go public, as such firms account for an increasing portion of the IPO market.

In a blank-check listing, a company with no assets has an initial public offering to raise cash for acquisitions. The approach has become a popular way for well-known executives to launch firms, especially in the energy sector.

But it also means investors are buying shares in companies with no track record, based on the credentials of their management team. Exchanges have adopted measures to protect investors from such IPOs, but some critics worry that the companies are risky, due to their lack of an operating history.

Nasdaq rival the New York Stock Exchange has recently made inroads into such listings. There have been 22 blank-check IPOs in the U.S. this year, raising $6.9 billion, according to data provider Dealogic. That accounts for a record 22% of the money raised in IPOs this year and puts 2017 on track to be the busiest year for such offerings since 2007.

Nasdaq's proposal, which was posted in full on its website on Tuesday, would tweak the rules for listings of blank-check companies, also known as special-purpose acquisition companies, or SPACs. It needs to be approved by the Securities and Exchange Commission.

If the plan gets the green light, Nasdaq will gain an additional edge in competing with the NYSE for blank-check IPOs, said Douglas Ellenoff, a partner at Ellenoff Grossman & Schole LLP, who has worked on more than 100 SPAC listings.

"It will give Nasdaq a very good tactical advantage," he said.

SPACs were popular in the days before the financial crisis but fell out of favor in its wake.

Some big SPACs were unable to make acquisitions by the customary time period, then typically two years, forcing them to fold and give cash back to investors.

Decades ago, blank-check companies weren't listed on U.S. exchanges and were tainted by their association with penny-stock frauds. That started to change in 2005, when SPACs started being listed on the American Stock Exchange, now part of the NYSE, which is a unit of Intercontinental Exchange Inc.

"These kinds of companies should never have been allowed to go public," said Roberta Karmel, a former SEC commissioner who is now a professor at Brooklyn Law School.

Among the measures the NYSE and Nasdaq have adopted to protect investors are requirements that SPACs keep at least 90% of the funds raised in the IPO in an independently overseen trust account.

Nasdaq currently requires SPACs to have at least 300 "round-lot" shareholders, or investors who own at least 100 shares, to list on the exchange. But the proposal would cut that threshold to 150 round-lot shareholders.

Blank-check companies often have a relatively small number of institutional investors, and it isn't easy for them to stay above the 300 round-lot holder threshold, said Mr. Ellenoff.

Nasdaq put forward a similar proposal in 2014, but it was rejected by the SEC. An SEC spokeswoman declined to comment.

The exchange released the new filing after it addressed the SEC's questions about the original proposal, a Nasdaq spokeswoman said. That included doing additional analysis to show that the rule change wouldn't endanger investors, according to the filing.

Nasdaq's analysis found that the price of SPAC shares tends to be stable, because the company is essentially a pile of cash up until it starts making acquisitions.

That means the minimum-holder requirement, which is designed to reduce price volatility by ensuring each company has a broad investor base, isn't as useful for SPACs as it is for normal companies, Nasdaq said.

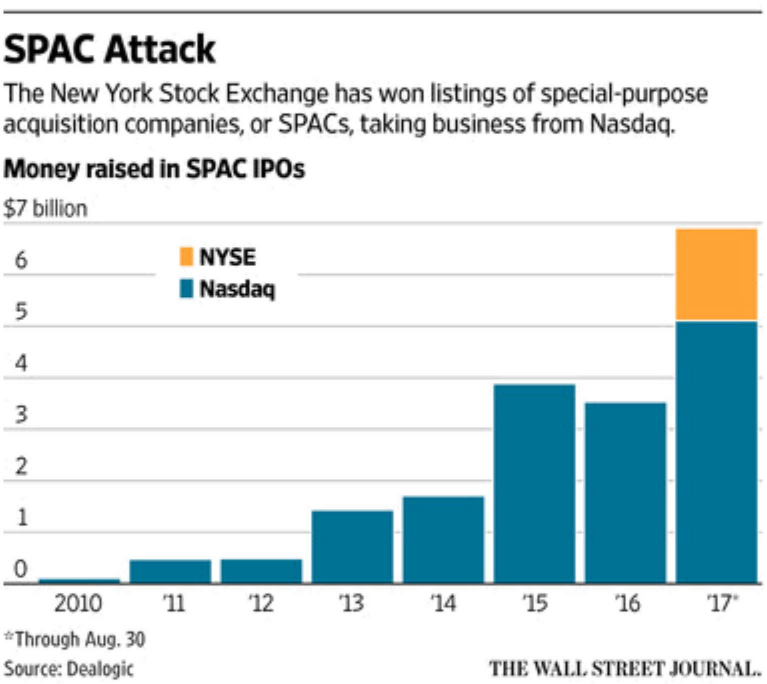
Nasdaq has won 18 of this year's blank-check IPOs, including the biggest -- the $1 billion debut in March of Silver Run Acquisition Corp. II, led by former Anadarko Petroleum Corp. Chief Executive James Hackett.

In all, blank-check IPOs on Nasdaq have raised $5.1 billion this year, while the four such IPOs on the NYSE have raised $1.8 billion, Dealogic data show.

Until May, the NYSE hadn't listed a blank-check company in nearly a decade. That changed after the Big Board eased its rules for SPACs.

The NYSE's tweaks included relaxing corporate governance requirements around shareholder approval of acquisitions by SPACs and lowering the minimum size of a blank-check IPO to $80 million, from $200 million previously.

In July, the SEC approved another rule change by the NYSE in which it cut the minimum number of round-lot holders in SPACs to 300 from 400, putting it on par with Nasdaq.



Document J000000020170901ed910000e

THE WALL STREET JOURNAL.
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A Month That Gave Markets a Shake --- Politics and Harvey helped spur the return of volatility, demand for havens in August

By Akane Otani
529 words
1 September 2017
The Wall Street Journal
J
B12
English

A topsy-turvy August has reached its end. The **Nasdaq Composite** rallied Thursday, extending a record streak that was earlier in jeopardy as lower-risk investments such as gold and Treasury bonds appreciated. **Volatility** re-emerged in the **stock market** and the energy sector's slump deepened as the Gulf Coast oil industry took a heavy blow from Hurricane Harvey. Here's some of the highlights:

The **S&P 500** posted more steep moves than usual, ending the day up or down at least 1% on three occasions in August. Low trading volumes likely exacerbated stock moves, analysts say, since many investors and traders leave for vacation in August. Another reason for the moves: political rifts. Stocks swung last month after President Donald Trump faced fallout over his response to protests in Charlottesville, Va., tensions spiked between the U.S. and North Korea and speculation arose about staffing changes in the White House.

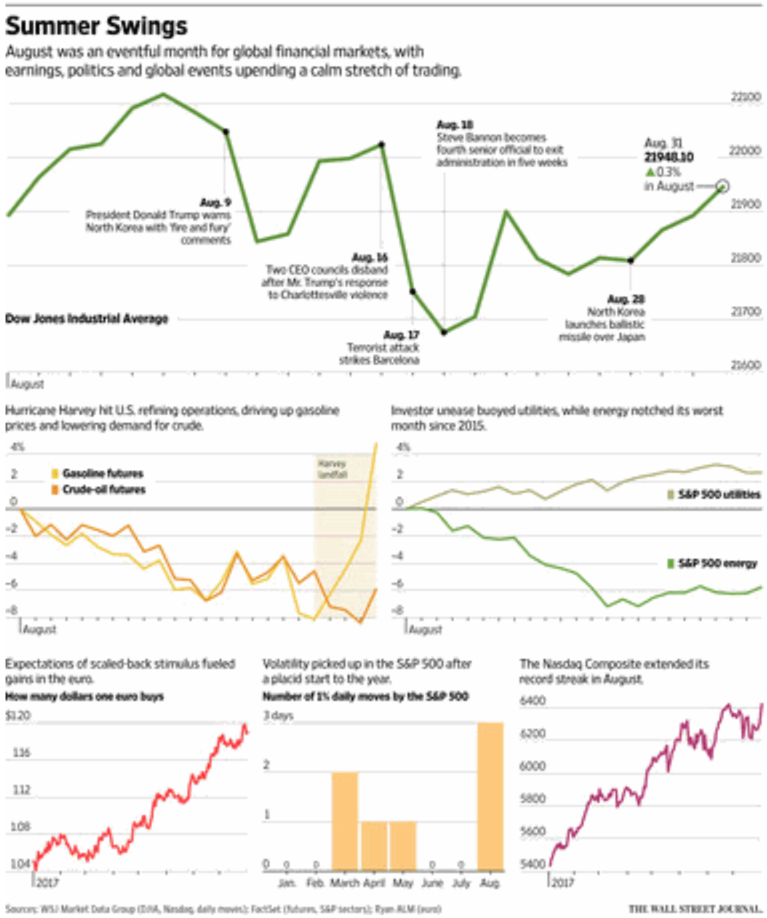
Government bonds and their stock proxies rallied in August as the **S&P 500** stalled. Utilities shares in the **S&P 500**, which many consider bondlike because of their hefty dividends, were the best-performing sector in the broad index for the month. Meanwhile, shares of energy companies extended their declines for the year, falling beside **oil prices** after Harvey disrupted operations at U.S. refineries and hit demand for crude.

The euro continued to rally, hitting its highest level against the dollar since just before the European Central Bank announced its stimulus program in January 2015. Driving the euro's gains: growing expectations that the ECB will begin tapering its monthly 60 billion euros ($71.3 billion) of bond buying as it runs out of assets to purchase. The euro is up 13% against the dollar this year.

Harvey dumped more than 50 inches of rain onto Texas, flooding cities and displacing thousands of residents from their homes. It is also estimated to have knocked out a third of Gulf Coast refining capacity -- sending gasoline prices higher as analysts warned of potential shortages while hitting demand for crude.

The **Nasdaq Composite**, up more than the **S&P 500** and **Dow Jones Industrial Average** this year as investors poured money into technology stocks, set a record on the last day of the month. If the index had failed to hit a new high Thursday, it would have marked the first time this year that the **Nasdaq** failed to post a new high in a month.

Shares of biotech companies jumped, with much of their gains coming in the last week of August after a string of corporate news. Gilead Sciences Inc. agreed to buy Kite Pharma Inc. for about $11 billion, while the Food and Drug Administration approved a first-of-its kind cancer therapy developed by Swiss pharmaceutical firm Novartis AG -- developments that traders said helped lend fresh momentum to the rally in biotechnology stocks. The **Nasdaq** Biotechnology Index climbed for a fourth consecutive session Thursday, putting it up 26% for the year.



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THE WALL STREET JOURNAL.
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Pump Prices Surge on Fall In Gas Supply --- Gas prices reach two-year high after Harvey forces refinery shutdowns, pipeline slows output

By Alison Sider
884 words
1 September 2017
The Wall Street Journal
J
A1
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Gasoline prices surged to a two-year high at the pump Thursday after the owner of the largest pipeline in the U.S. reported that shipments are being sharply curtailed, spreading the economic pain from Hurricane Harvey throughout the nation.

Retail prices for gasoline approached $2.49 a gallon by Thursday evening, according to the **Oil Price** Information Service, up about 14 cents from a week ago.

Prices in some cities have climbed much more than that and could keep rising toward an average of $2.60 to $2.75 a gallon in the next 10 days, said Tom Kloza, global head of energy analysis at the price-data tracker.

Since Harvey made landfall on Friday, the storm has knocked out more than 20% of U.S. refining capacity, analysts said.

"In a matter of days the final gasoline supplies are going to get to Atlanta, then South Carolina, then North Carolina, then up the line," said Patrick DeHaan, senior petroleum analyst at GasBuddy, a price-tracking firm, warning that panic buying would only exacerbate the situation.

As remnants of Harvey moved out and recovery efforts started up, floodwaters destabilized a chemical plant outside Houston, causing two explosions at the Arkema SA facility in Crosby early Thursday morning. Containers of warming liquid organic peroxide burst, creating large plumes of smoke that officials described as noxious. Eight more truckloads of the chemical are dangerously unstable, the officials said.

The storm has affected 100,000 homes and sent more than 30,000 people to emergency shelters around the state. At least 35 deaths have been attributed to the storm, a tally that is likely to climb.

Meanwhile, gasoline futures climbed on Thursday after Alpharetta, Ga.-based Colonial Pipeline Co. said that it isn't getting enough fuel to operate its pipeline between Houston and Lake Charles, La., limiting the amount it can transport onward.

Gasoline for September delivery on the New York Mercantile Exchange jumped 14%,to $2.1399 a gallon. The increase on Thursday, which was buoyed in part by the expiration of the September contract, capped eight days of gains that have pushed prices to two-year highs.

Colonial is still getting some fuel from plants in Lake Charles and eastward, but deliveries will be "intermittent and dependent on terminal and refinery supply" until at least Sunday, when it hopes to restart the Houston-to-Lake Charles section, the company said.

"The speed at which our system is running is lower but the system is running and supply is making it to the market, just at a slower pace," said Buster Brown, Colonial's director of scheduling and shipper relations.

Swaths of the U.S. are heavily dependent on the 5,500-mile Colonial pipeline for gasoline, and any interruption can cause prices to spike and send retailers scrambling for supplies. Colonial carries more than 100 million gallons of gasoline, diesel and jet fuel a day in pipelines running from Houston to New Jersey.

Last year, disruptions that shut the pipeline for several days at a time caused prices to jump, and some gas stations in the Southeast ran out of fuel.

Cities from Texas to Maryland will see "significantly reduced or unavailable supply," said analysts at Mansfield Oil Co., a fuel wholesaler based in Gainesville, Ga.

Colonial is not the only major fuel pipeline to shut down. The Explorer Pipeline system, which transports fuel from Houston to Tulsa, Okla., and then to Chicago, isn't running because there's not enough being produced in Houston to fill the pipes, said Dolin Argo, vice president of operations and business development.

Mr. Argo said the company hopes to restart this weekend but that timing depends on when refineries get up and running.

Texas drivers are starting to worry about getting enough gas.

Amy Pequeno, who lives in Plano, a Dallas suburb, said she drove to three different stations to find them all closed. When she found an open station, the line stretched for blocks.

"People are driving crazy trying to get in; they cut you off," she said. "I'm empty. I can't even take the kids to school in the morning if this doesn't get settled."

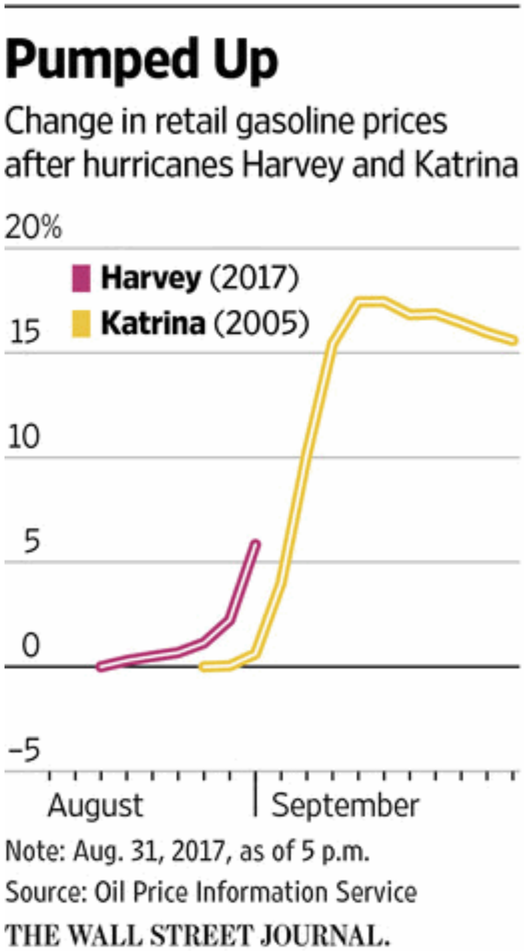
It's unclear when most refiners will be able to resume operations. By and large, they have not reported the type of major flood damage that kept fuel plants down for months following Hurricane Katrina in 2005. Three plants near Corpus Christi said earlier this week that they were taking steps to start up.

More may be able to restart when ports reopen, allowing refineries to get more oil. Port Houston said it would reopen Friday, while the Port of Galveston said it would resume normal operations also on Friday.

Worries about shortages are prompting unusual movements of fuel.

Vessels are being loaded with gasoline in New York Harbor heading for Savannah, Ga., and Jacksonville and Tampa in Florida, said Donald Morton, senior vice president of Herbert J. Sims & Co., who runs an energy trading desk. Typically, fuel isn't shipped from New York to the South.

Lynn Cook contributed to this article.



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The New York Times

Business/Financial Desk; SECTB
Consumer Spending Report Gives Shares a Broad Lift

By THE ASSOCIATED PRESS
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Stocks rose again in the United States on Thursday, with investors pleased by a report that showed that spending by American consumers, along with wages and salaries, grew in July. Health care and technology companies led the way, and the **Nasdaq composite** index closed at a record high.

The Commerce Department said consumer spending had grown at its fastest pace in three months. Companies that sell products including cosmetics, toys and shoes advanced as investors bet that Americans would shop more.

Consumer spending rose 0.3 percent in July, the best showing in three months, the Commerce Department said, as wages and salaries increased.

''The economy is gaining traction, and inflation at this stage is still modest,'' said Quincy Krosby, chief market strategist at Prudential Financial. That has been good for stocks, as low inflation and low interest rates make stocks more appealing and securities like bonds less appealing.

Ms. Krosby added that other news, including a manufacturing survey from China, had ''helped underpin the notion that it is a global recovery in the economy.''

The **Standard & Poor's 500-stockindex** climbed 14.06 points, or 0.6 percent, to 2,471.65, its highest close in three weeks. That allowed the index to finish August with a tiny gain. The **Dow Jonesindustrial average** added 55.67 points, or 0.3 percent, to 21,948.10. The **Nasdaq composite** gained 60.36 points, or 1 percent, to 6,428.66, above the record high it set in late July. The Russell 2000 index of smaller-company stocks picked up 13.95 points, or 1 percent, to 1,405.28.

The drugmaker Biogen gained $12.81, or 4.2 percent, to a two-year high of $316.56, and Gilead Sciences rose to its highest price in more than a year as it moved up $2.48, or 3.1 percent, to $83.71.

Technology companies, which are trading at record highs over all, rose for a fourth consecutive day. Alphabet, Google's parent company, gained $11.61, or 1.2 percent, to $955.24, and Microsoft picked up 76 cents, or 1 percent, to $74.77.

Among retailers, Amazon gained $13.01, or 1.3 percent, to $980.60. The jewelry seller Tiffany added $3.75, or 4.3 percent, to $91.40. The tool maker Stanley Black & Decker picked up $4.22, or 3 percent, to $144.

After three days of losses linked to the effects of the storm that struck Texas as Hurricane Harvey, benchmark United States crude jumped $1.27, or 2.8 percent, to $47.23 a barrel in New York as the rains on the Gulf Coast began to abate. Brent crude, used to price international oils, added $1.52, or 3 percent, to $52.38 a barrel in London.

Campbell Soup skidded to a two-year low after the company forecast a smaller-than-expected annual profit after reporting a weak fourth quarter that included disappointing sales of snack food. Its stock lost $4.05, or 8.1 percent, to $46.20. Campbell's competitor Mondelez dropped 97 cents, or 2.3 percent, to $40.66, and Kraft Heinz gave up $1.18, or 1.4 percent, to $80.75. All of those companies' stocks have tumbled this year.

The discount retailer Dollar General reported a bigger profit and better sales than Wall Street had expected, but it said discounts had hurt its profit margins. The stock had rallied since early July, but on Thursday it lost $4.17, or 5.4 percent, to $72.56.

Bond prices moved higher. The yield on the **10**-**year Treasury** note fell to 2.12 percent from 2.14 percent.

Gold rose $8.10 to $1,322.20 an ounce. Copper added 1 cent to $3.10 a pound.

The dollar dipped to 109.97 yen from 110.36 yen. The euro rose to $1.1904 from $1.1888.

The German DAX index rose 0.4 percent, and the French CAC 40 gained 0.6 percent. The British FTSE 100 advanced 0.9 percent. In Tokyo, the Nikkei 225 gained 0.7 percent. The Hang Seng in Hong Kong shed 0.4 percent, and the Kospi in Seoul lost 0.4 percent.

CHARTS: The Dow Minute by Minute: Position of the **Dow Jones industrial average** at 1-minute intervals on Thursday. (Source: Reuters); Freddie Mac Yields: Average for some Federal Home Loan Mortgage Corp. securities. (Source: F.H.L.M.C.)

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September Is Rotten Month for U.S. Stocks

By Chris Dieterich
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It's that time of year again.

The month of September is historically the weakest of the year for the U.S. **stock market**. Investors shouldn't sell based solely on the calendar, of course, but this seasonal quirk is another reason to be wary heading into what could be a busy month for traders.

The **S&P 500** has averaged a monthly decline of 0.5% in September since 1950, according to the Stock Trader's Almanac, by far the worst month. June and August come in a distant second and third, averaging essentially flat long-term monthly performance.

Why are Septembers so bad? Market watchers don't have a convincing explanation. But this year, there are at least three major market-jolting events awaiting investors.

Tech traders will be watching closely when Apple Inc. unveils its latest products at its new headquarters on Sept. 12. Shares of the largest U.S. company by market capitalization are widely owned and consumers' reaction to the new offerings could determine the near-term trajectory of the whole tech sector. Tech remains this year's best-performing group but momentum has stalled over the past month.

Of note, Septembers haven't been kind to Apple investors. The stock has averaged a decline of 4.2% in Septembers since Apple went public in 1980, according to Schaeffer's Investment Research. Apple is the ninth-worst-performing **S&P 500** component in September over the past decade.

But there is hope: Long-term market momentum has recently made a big difference for stock performance in Septembers, a positive for the current market. The **S&P 500** ended Wednesday about four percentage points above its 200-day moving average, a pivot point that traders say can indicate long-term trading trends.

Ryan Detrick at LPL Financial observed that nine out of the past 14 Septembers that began with the **S&P 500** above its 200-day moving average resulted in gains for the benchmark.

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