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Plenty of Work; Not Enough Pay

By PETER S. GOODMAN and JONATHAN SOBLE
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LILLESTROM, Norway -- In the three-plus decades since Ola Karlsson began painting houses and offices for a living, he has seen oil wealth transform the Norwegian economy. He has participated in a construction boom that has refashioned Oslo, the capital. He has watched the rent climb at his apartment in the center of the city.

What he has not seen in many years is a pay raise, not even as Norway's unemployment rate has remained below 5 percent, signaling that working hands are in short supply.

''The salary has been at the same level,'' Mr. Karlsson, 49, said as he took a break from painting an office complex in this Oslo suburb. ''I haven't seen my pay go up in five years.''

His lament resonates far beyond Nordic shores. In many major countries, including the United States, Britain and Japan, labor markets are exceedingly tight, with jobless rates a fraction of what they were during the crisis of recent years. Yet workers are still waiting for a benefit that traditionally accompanies lower unemployment: fatter paychecks.

Why wages are not rising faster amounts to a central economic puzzle.

Some economists argue that the world is still grappling with the hangover from the worst downturn since the Great Depression. Once growth gains momentum, employers will be forced to pay more to fill jobs.

But other economists assert that the weak growth in wages is an indicator of a new economic order in which working people are at the mercy of their employers. Unions have lost clout. Companies are relying on temporary and part-time workers while deploying robots and other forms of automation in ways that allow them to produce more without paying extra to human beings. Globalization has intensified competitive pressures, connecting factories in Asia and Latin America to customers in Europe and North America.

''Generally, people have very little leverage to get a good deal from their bosses, individually and collectively,'' says Lawrence Mishel, president of the Economic Policy Institute, a labor-oriented research organization in Washington. ''People who have a decent job are happy just to hold on to what they have.''

The reasons for the stagnation gripping wages vary from country to country, but the trend is broad.

In the United States, the jobless rate fell to 4.2 percent in September, less than half the 10 percent seen during the worst of the Great Recession. Still, for the average American worker, wages had risen by only 2.9 percent over the previous year. That was an improvement compared with recent months, but a decade ago, when the unemployment rate was higher, wages were growing at a rate of better than 4 percent a year.

In Britain, the unemployment rate ticked down to 4.3 percent in August, its lowest level since 1975. Yet wages had grown only 2.1 percent in the past year. That was below the rate of inflation, meaning workers' costs were rising faster than their pay.

In Japan, weak wage growth is both a symptom of an economy dogged by worries, and a force that could keep the future lean, depriving workers of spending power.

In Norway, as in Germany, modest pay raises are a result of coordination between labor unions and employers to keep costs low to bolster industry. That has put pressure on Italy, Spain and other European nations to keep wages low so as not to lose orders.

But the trend also reflects an influx of dubious companies staffed by immigrants who receive wages well below prevailing rates, undermining union power.

That this is happening even in Norway -- whose famed Nordic model places a premium on social harmony -- underscores the global forces that are at work. Jobs that require specialized, advanced skills are growing. So are low-paying, low-skill jobs. Positions in between are under perpetual threat.

''The crisis accelerated the adjustment, the restructuring away from goods producing jobs and more into the service sector,'' says Stefano Scarpetta, director for employment, labor and social affairs at the Organization for Economic Cooperation and Development in Paris. ''Many of those who lost jobs and went back to work landed in jobs that pay less.''

Union Power Eroded

In November 2016, a week after Donald J. Trump was elected president on a pledge to bring jobs back to America, the people of Elyria, Ohio -- a city of 54,000 people about 30 miles west of Cleveland -- learned that another local factory was about to close.

The plant, operated by 3M, made raw materials for sponges. Conditions there were influenced by an increasingly rare feature of American life: a union that represented the workers.

The union claimed the closing was a result of production being moved to Mexico. Management said it was merely cutting output as it grappled with a glut coming from Europe. Either way, 150 people would lose their jobs, Larry Noel among them.

Mr. Noel, 46, had begun working at the plant seven years earlier as a general laborer, earning $18 an hour. He had worked his way up to batch maker, mixing the chemicals that congealed into sponge material, a job that paid $25.47 an hour.

Now, he would have to start over. The unemployment rate in the Cleveland area was then down to 5.6 percent. Yet most of the jobs that would suit Mr. Noel paid less than $13 dollars an hour.

''These companies know,'' he said. ''They know you need a job, and you've got to take it.''

In the end, he found a job that paid only slightly less than his previous position. His new factory was a nonunion shop.

''A lot of us wish it were union,'' he said, ''because we'd have better wages.''

Last year, only 10.7 percent of American workers were represented by a union, down from 20.1 percent in 1983, according to Labor Department data. Many economists see the decline as a key to why employers can pay lower wages.

In 1972, so-called production and nonsupervisory workers -- some 80 percent of the American work force -- brought home average wages equivalent to $738.86 a week in today's dollars, after adjusting for inflation, according to an Economic Policy Institute analysis of federal data. Last year, the average worker brought home $723.67 a week.

In short, 44 years had passed with the typical American worker absorbing a roughly 2 percent pay cut.

The streets of Elyria attested to the consequences of this long decline in earning power.

''There's some bail bondsmen, some insurance companies and me,'' said Don Panik, who opened his gold and silver trading shop in 1982 after he was laid off as an autoworker at a local General Motors plant.

Down the block, a man with a towel slung over bare shoulders panhandled in front of a strip club, underneath a hand-lettered sign that said "Dancers Wanted." A tattoo parlor was open for business, near a boarded-up law office.

One storefront was full of activity -- Adecco, the staffing company. A sign beckoned job applicants: "General Laborers. No Experience Necessary. $10/hour."

Lyndsey Martin had reached the point where the proposition had appeal.

Until three years ago, Ms. Martin worked at Janesville Acoustics, a factory midway between Cleveland and Toledo. The plant made insulation and carpets for cars. She put products into boxes, earning $14 an hour.

That, combined with what her husband, Casey, earned at the plant, was enough to allow them to rent a house in the town of Wakeman, where their front porch looked out on a leafy street.

Then, in summer 2013, word spread that the plant was shutting down, putting 300 people out of work.

Ms. Martin took 18 months off to care for her children. In early 2015, she began to look for work, scouring the web for factory jobs. Most required associate's degrees. The vast majority were temporary.

She took a job at a gas station, ringing up purchases of fuel, soda and fried chicken for $9 an hour, less than two-thirds of what she had previously earned.

"It almost feels degrading," she said.

Her hours fluctuated. Some weeks she worked 35; most weeks, 24.

A competitor to Ms. Martin's former employer has set up a factory directly opposite the plant where she used to work. The company hired 150 people, but not her. She said she had heard the jobs paid three to four dollars less per hour than she used to make.

Ms. Martin recently took a new job at a beer and wine warehouse. It also paid $9 an hour, but with the potential for a $1 raise in 90 days. In a life of downgraded expectations, that registered as progress.

Fear Factor

Conventional economics would suggest that this is an excellent time for Kuniko Sonoyama to command a substantial pay increase.

For the past 10 years, she has worked in Tokyo, inspecting televisions, cameras and other gear for major electronics companies.

After decades of decline and stagnation, the Japanese economy has expanded for six straight quarters. Corporate profits are at record highs. And Japan's population is declining, a result of immigration restrictions and low birthrates. Unemployment is just 2.8 percent, the lowest level in 22 years.

Yet, Ms. Sonoyama, like growing numbers of Japanese workers, is employed through a temporary staffing agency. She has received only one raise -- two years ago, when she took on a difficult assignment.

"I'm always wondering if it's O.K. that I never make more money," Ms. Sonoyama, 36, said. "I'm anxious about the future."

That concern runs the risk of becoming self-fulfilling, for Japan as a whole. Average wages in the country rose by only 0.7 percent last year, after adjusting for the costs of living.

The government has pressed companies to pay higher wages, cognizant that too much economic anxiety translates into a deficit of consumer spending, limiting paychecks for all.

But companies have mostly sat on their increased profits rather than share them with employees. Many are reluctant to take on extra costs out of a fear that the good times will not last.

It is a fear born of experience. Ever since Japan's monumental real estate investment bubble burst in the early 1990s, the country has grappled with a pernicious residue of that era: so-called deflation, or falling prices.

Declining prices have limited businesses' incentive to expand and hire. What hiring companies do increasingly involves employment agencies that on average pay two-thirds of equivalent full-time work.

Today, almost half of Japanese workers under 25 are in part-time or temporary positions, up from 20 percent in 1990. And women, who typically earn 30 percent less than men, have filled a disproportionate number of jobs.

Years of corporate cost-cutting has weakened Japan's unions, which tend to prioritize job security over pay.

The recent uptick in wages, although modest, has raised hopes of increased spending that would embolden businesses to raise pay and to upgrade temporary workers to full-time employees.

Until that happens, workers will probably remain hunkered down, reluctant to spend.

''I have enough to live on now,'' Ms. Sonoyama said, ''but I worry about old age.''

Global Threats

No one is supposed to worry in Norway.

The Nordic model has been meticulously engineered to provide universal living standards that are bountiful by global norms.

Workers enjoy five weeks of paid vacation a year. Everyone receives health care under a government-furnished program. Universities are free. When babies arrive, parents divvy up a year of shared maternity and paternity leave.

All of this is affirmed by a deep social consensus and underwritten by stupendous oil wealth.

Yet even in Norway, global forces are exposing growing numbers of workers to new forms of competition that limit pay. Immigrants from Eastern Europe are taking jobs. Temporary positions are increasing.

In theory, Norwegian workers are insulated from such forces. Under Norway's elaborate system of wage negotiation, unions, which represent more than half of the country's work force, negotiate with employers' associations to hash out a general tariff to cover pay across industries. As companies become more productive and profitable, workers capture a proportionate share of the spoils.

Employers are supposed to pay temporary workers at the same scale as their permanent employees. In reality, fledgling companies have captured slices of the construction industry, employing Eastern Europeans at sharply lower wages. Some firms pay temporary workers standard wages but then have them work overtime without extra compensation. Unions complain that enforcement patchy.

''Both the Norwegian employer and the Polish worker would rather have low paid jobs,'' said Jan-Erik Stostad, general secretary of Samak, an association of national unions and social democratic political parties. ''They have a common interest in trying to circumvent the regulations.''

Union leaders, aware that companies must cut expenses or risk losing work, have reluctantly signed off on employers hiring growing numbers of temporary workers who can be dismissed with little cost or fuss.

''Shop stewards are hard pressed in the competition, and they say, 'If we don't use them then the other companies will win the contracts,'' said Peter Vellesen, head of Oslo Bygningsarbeiderforening, a union that represents bricklayers, construction workers and painters. ''If the company loses the competition, he will lose his work.''

Last year, companies from Spain and Italy won many of the contracts to build tunnels south of Oslo, bringing in lower-wage workers from those countries.

Mr. Vellesen's union has been organizing immigrants, and Eastern Europeans now comprise one-third of its roughly 1,700 members. But the trends can be seen in paychecks.

From 2003 to 2012, Norwegian construction workers saw smaller wage increases than the national average in every year except two, according to an analysis of government data by Roger Bjornstad, chief economist at the Norwegian Federation of Trade Unions.

When Mr. Karlsson, the painter, came to Norway from his native Sweden in the mid-1990s, virtually everyone in the trade was a full-time worker. Recently, while painting the offices of a government ministry, he encountered

Albanian workers. He was making about 180 kroner per hour, or about $23, under his union scale. The Albanians told him they were being paid barely a third of that.

"The boss could call them, and 20 guys would be standing outside ready to work," Mr. Karlsson said. "They work extra hours without overtime. They work weekends. They have no vacations. It's hard for a company that's running a legitimate business to compete."

He emphasized that he favored open borders. "I have no problem with Eastern Europeans coming," he said. "But they should have the same rights as the rest of us, so all of us can compete on equal terms."

Even in specialized, higher-paying industries, Norwegian wage increases have slowed, as unions and employers cooperate toward improving the fortunes of their companies.

That is a pronounced contrast from past decades, when Norway tallied up the profits from oil exports while handing out wage raises that reached 6 percent a year.

As the global financial crisis unfolded in 2008, sending a potent shock through Europe, Norway's high wages left businesses in the country facing a competitive disadvantage. That was especially true as mass unemployment tore across Italy, Portugal and Spain, depressing wages across the continent. And especially as German labor unions assented to low pay to maintain the country's export dominance.

Starting in mid-2014, a precipitous descent in global **oil prices** ravaged Norway's energy industry and the country's broader manufacturing trades. That year, Norwegian wages increased by only 1 percent after accounting for inflation, and by only a half percent the next year. In 2016, wages declined in real terms by more than 1 percent.

Peder Hansen did not relish the idea of a smaller pay raise, but neither was he terribly bothered.

Mr. Hansen works at a nickel refinery in Kristiansand, a city tucked into the nooks and crannies along Norway's southern coast. His plant is part of Glencore, the mammoth Anglo-Swiss mining firm. He sits at a computer terminal, controlling machinery.

Much of what the refinery produces is destined for factories in Japan that use the nickel to make cars and electronics. Lately, nickel prices have been weak, limiting revenue. This year, Mr. Hansen's union accepted an increase of about 2.5 percent -- a tad above inflation.

"If they were to increase our wages too much, the company would lose customers," Mr. Hansen says. "It's as simple as that."

He exudes faith that his company's fortunes will be shared with him, because he has lived it. At 24, he earns 630,000 kroner a year, with overtime, or more than $80,000. He owns a two-story house in Kristiansand, and he has two cars, an Audi and an electric Volkswagen. The lives of company executives seem not far removed from his own.

"The C.E.O. of the plant is a humble person," he said. "You can say 'Hi.'"

But for some workers, the plunge in **oil prices** has tested faith in the Norwegian bargain.

In Arendal, a coastal town of wooden houses clustered around a harbor, Bandak, a local employer, succumbed to the crisis. The company made equipment connecting oil pipelines. As orders grew scarce in late 2014, a series of layoffs commenced. Workers ultimately agreed to a 5 percent pay cut to spare their jobs.

"We wanted to keep all of our employees, so we stuck together," said Hanne Mogster, the former human resources director. "There was a lot of trust."

But the company soon descended into bankruptcy. And that was that for the 75 remaining workers.

Per Harald Torjussen, who worked on Bandak's assembly line, managed to find a job at a nearby factory at slightly better pay.

Still, his confidence has been shaken.

"It feels a lot less secure," Mr. Torjussen says. "We may be approaching what it's like in the U.S. and the U.K."

Construction in Oslo, Norway. Fledgling companies have captured slices of the construction industry, employing Eastern Europeans at sharply lower wages. (PHOTOGRAPH BY DAVID B. TORCH FOR THE NEW YORK TIMES) (BU1); Clockwise from top, an abandoned store front in the downtown area of Elyria, Ohio; a car in Elyria, where there has been a long decline in the earning power of local workers; and Lyndsey Martin (right, rear) after returning home from work in Wakeman, Ohio. (PHOTOGRAPHS BY ANDREW SPEAR FOR THE NEW YORK TIMES); University students, below and right, at a job fair in Tokyo. Weak wage growth in Japan is a symptom of an economy dogged by worries, and a force that could keep the future lean, depriving workers of spending power. (PHOTOGRAPHS BY KO SASAKI FOR THE NEW YORK TIMES) (BU6-BU7); Peder Hansen, top, at the Nikkelverk refinery in Kristiansand, Norway. ''If they were to increase our wages too much, the company would lose customers,'' Mr. Hansen said. Ola Karlsson, above, a painter from Sweden, at a construction site in Lillestrom, Norway. ''I haven't seen my pay go up in five years,'' he said. (PHOTOGRAPHS BY DAVID B. TORCH FOR THE NEW YORK TIMES) (BU7)

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Storms Lead Jobs to Fall; First Decline In 7 Years

By PATRICIA COHEN; Clifford Krauss and Ben Casselman contributed reporting.
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Staggering from the impact of hurricanes that walloped Texas, Florida and neighboring states, the economy lost 33,000 jobs in September, the first monthly decline in employment in seven years, the government reported on Friday.

But economists discounted the discouraging report, describing it as a blip in a job market that was fundamentally strong.

Some of the good news released by the Labor Department -- a drop in the jobless rate to 4.2 percent and a year-over-year gain in wage growth of 2.9 percent -- may also have been skewed by weather disruptions.

"The numbers were certainly blown around a lot by the storms," said Carl Tannenbaum, chief economist for Northern Trust. For that reason, he said, the Federal Reserve, which has been scrutinizing the employment report for signs of inflation, will probably look past this report. "As winds calm," he said, "my guess is employment figures will stabilize."

That pattern held true for Bruce Gropper, who runs Right at Home, a home-care franchise in Palm Beach, Fla.

"We put our hiring on hold" because of the weather, Mr. Gropper said, adding that many of the 50 to 75 caregivers who work for him and would typically have been in the field were unable or unavailable to work during a two-week period. "Now, things are back to normal."

It was the same in Texas. "There's a lot of manufacturing jobs in Beaumont, Corpus Christi, Houston, all of which suffered damage," noted Ray Perryman, president of the Perryman Group, an economic research and analysis firm based in Waco, Tex. "Some of these plants were shut down for an extended period of time, and that would have gotten into the September survey."

One upside may be a surge in hiring in subsequent months. Using Hurricane Katrina in August 2005 as a benchmark, Jim O'Sullivan, chief United States economist at High Frequency Economics, said he expected payrolls to bounce back by the end of the year.

"There's no question there were huge hurricane effects," he said. Food and drinking establishments alone lost 105,000 jobs last month, and the Bureau of Labor Statistics reported that the number of people who said they were not working because of bad weather jumped by 1.5 million.

Mr. O'Sullivan and several economists agreed that the labor market was still pushing ahead -- no matter how unevenly -- in what is now the ninth year of an economic expansion. "The other data we've been seeing this week don't show any signs of a weaker trend," Mr. O'Sullivan said. "If you take out Texas and Florida, there's been no increase in jobless claims over the past five weeks."

The **stock market**'s reaction to the news was mildly negative. The **Standard & Poor's 500-stockindex** declined slightly from record levels after eight straight days of gains.

President Trump called attention this week to the economy's successes, writing on Twitter on Thursday, "**Stock Market** hits an ALL-TIME high! Unemployment lowest in 16 years!" Last week, Mr. Trump said that the Republicans' proposed tax cuts would provide further "rocket fuel for our economy."

Many workers have been waiting to see concrete evidence of economic progress in their paychecks. Although the Census Bureau last month reported a jump in annual incomes across a wide spectrum, households with incomes below the median remain worse off than they were in 2000.

The hefty growth in average wages reported on Friday was probably exaggerated, because many low-wage workers were temporarily displaced by the storms, bumping up the overall average.

At least a portion of the 0.5 percent average hourly wage growth last month, though, is likely to stick. There is plenty of evidence that broad swaths of the labor market are tightening. Target said last month that it would increase its base hourly pay by $1, to $11 -- higher than or equal to the minimum wage in every state.

Amy Glaser, senior vice president of Adecco Staffing, said that employers she worked with were raising wages and reaching into less-common pools of potential employees like retirees, stay-at-home moms and people with disabilities.

Ms. Glaser said she expected wages to rise further, saying some of her clients were thinking about increasing hourly wages as much as 20 to 40 percent during the peak holiday season and early next year. Employers are also pushing to retain the workers they have -- for example, by offering more bonuses for e-commerce and other seasonal workers who stay through the holidays.

Some businesses are trying to generate and educate their work forces by offering more paid internships and apprenticeships. Others are shortening the interview cycle to improve their chances. ''There is a need for speed,'' Ms. Glaser said. ''Whoever gets to a candidate first is well positioned.''

Radial, the second-largest direct-to-consumer e-commerce company behind Amazon, is hiring 27,000 people to work in its 25 warehouses around the country through mid-January. Even as brick-and-mortar retail is suffering significant losses, e-commerce continues to thrive.

''We're hiring 35 percent, or 7,000, more people than we did last year,'' said Stefan Weitz, Radial's executive vice president for technology services. ''It's very competitive. A lot of logistics companies have operations in similar areas because of the proximity to air and ground transport.''

At the upper end of the labor market, the competition for highly skilled workers is intense. Bryan Leach, founder of Ibotta, a Denver company offering a mobile shopping app, said he had hired more than 100 people this year, including engineers, product managers and data scientists, mostly at six-figure salaries.

''We are hiring national search firms to shop for talent in the coasts,'' in addition to seven in-house recruiters, Mr. Leach said. The company has also helped sponsor billboards in San Francisco promoting the benefits of living in Denver and is offering $1,000 apiece to employees who refer friends who are hired.

Despite the scramble for workers, the labor market has stubborn weak spots. Many of the jobs available, like the seasonal positions at Radial, are at the lower end of the pay scale and do not offer long-term stability.

For some workers, such jobs have limited appeal. The labor force participation rate peaked its head above 63 percent in September, but many workers remain on the sidelines.

Revised hiring figures for July and August showed that a total of 38,000 fewer jobs were created in those two months than previously reported, bringing the monthly average gain in 2017 -- excluding September -- to 170,000. August's figures will be revised one more time, while September's will be revised twice over the next two months. State-by-state tallies for September are not yet available.

(Although Hurricane Maria also devastated Puerto Rico in September, the survey of employers that the Bureau of Labor Statistics uses to calculate monthly payroll gains does not include the island.)

The Katrina experience showed that hiring can rebound quickly after a disaster, as damaged communities clean up and rebuild. Employment gains averaged 249,000 in the six months before the storm. After New Orleans found itself underwater, gains averaged 76,000 over the next couple of months before soaring to 341,000 in November 2005.

While the recovery from the latest storms takes shape, businesses and workers are still counting their losses. Brian Petranick, Right at Home's president and chief executive, said Palm Beach was not the only community where franchises were unable to connect workers and clients. He estimated hurricane-related losses to the company would end up at $13 million to $15 million. ''During big storms, we see a loss of hours and services,'' he said. ''That means caregivers are losing the opportunity to work and make money.''

Follow Patricia Cohen on Twitter: @PatcohenNYT

Production technicians assembling a Mack truck at the company's plant in Macungie, Pa. (PHOTOGRAPH BY JESSICA KOURKOUNIS FOR THE NEW YORK TIMES) (B4) CHARTS: The Labor Picture in September (Source: Bureau of Labor Statisics) (B4)

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Telecom and Energy Shares Sink, Ending S.&P. 500's Streak

By THE ASSOCIATED PRESS
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Stocks in the United States faded a bit from their record highs on Friday after telecom and energy stocks sank. The loss for the **Standard & Poor's 500-stockindex** was small, but it was the first in nearly two weeks.

Much of the day's action was centered on the government's jobs report, usually the most anticipated economic data of each month, but it was a muddled one.

Economists cautioned not to read too much into the hiring numbers, which were far weaker than expected, because they were distorted by hurricanes that damaged businesses from Texas to Florida. Investors focused instead on a stronger-than-expected rise in workers' wages, which helped push Treasury yields higher.

The **S.&P. 500** fell 2.74 points, or 0.1 percent, to 2,549.33. The loss meant the end of the longest winning streak for the index in four years. Roughly nine stocks fell for every five that rose on the New York Stock Exchange.

The **Dow Jonesindustrial average** slipped 1.72, or less than 0.1 percent, to 22,773.67. The **Nasdaq** added 4.82, or 0.1 percent, to 6,590.18. All three indexes had closed at records on Thursday.

The government's jobs report showed that employers cut more jobs last month than they added, the first time that has happened in seven years. Hurricanes Harvey and Irma shut down thousands of businesses, and drops in employment at restaurants and bars were a big driver of last month's decline.

Many investors saw September's job losses as an aberration. Other economic data have been more encouraging, including strong reports on the nation's manufacturing and services sectors earlier this week.

Friday's jobs report also contained signs of strength. Average hourly wages jumped 2.9 percent in September from a year earlier, more than expected. Some of that may be because of how many lower-wage jobs were lost following the hurricanes, but the government also revised up its figure for wage growth in August.

''The previous month's revision, that probably has the most information'' of all the data points in the government's jobs report, said Jon Adams, senior investment strategist at BMO Global Asset Management. ''From the Fed's perspective, this doesn't change anything in terms of overall policy, but it makes them a little more worried about inflation.''

Early gains on the yield of the **10-year Treasury** faded later in the day, which traders said may have been because of worries about tensions with North Korea. A Russian lawmaker said that North Korea is preparing to test-fire a long-range missile soon.

By Friday evening, the 10-year yield sat at 2.36 percent.

Telecom stocks in the **S.&P. 500** fell 2 percent, the largest drop among the 11 sectors that make up the index.

Energy stocks were also among the market's weakest after the price of benchmark United States crude sank $1.50, or 3 percent, to $49.29 per barrel. It is the fourth drop for oil in the last five days.

In the currency market, the dollar slipped to 112.65 Japanese yen from 112.82 yen late Thursday. The euro rose to $1.1731 from $1.1704, and the British pound fell to $1.3063 from $1.3115.

Gold rose $1.70 to settle at $1,271.60 per ounce.

CHART: The **S**.**&P**. **500**-**stock index**: Position of the **S**.**&P**. **500 index** at 1-minute intervals on Friday. (Source: Reuters)

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World News: Sudan Sanctions Are Eased by U.S.

By Matina Stevis-Gridneff in Nairobi, Kenya, and Ian Talley in Washington
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The Trump administration said it would ease sanctions against Sudan that have made the African state an international pariah since the 1990s, citing progress in the fight against terror in the region.

The announcement on Friday, criticized by those who say the Sudanese government still commits human-rights abuses, came after Washington secured a commitment from Khartoum to stop buying arms from North Korea, which is embroiled in a **volatile** feud with the Trump administration over Pyongyang's nuclear-weapons program.

Advocates for the move say it gives the U.S. leverage in a country where Washington had long lost diplomatic traction and with a government that had maintained ties to Iran and North Korea as well as to terrorist groups.

The move marks the completion of a process started by former President Barack Obama in January, just before he left office.

The Trump administration delayed making a final call on the issue in July. The administration said more time was needed to assess the progress Khartoum's military government had made in five areas of cooperation laid out between U.S. and Sudanese diplomats, including on counterterrorism, the humanitarian crisis in South Sudan and liberalizing the political process.

The U.S. administration said it would remove economic sanctions that blocked American investment and trade with Sudan, while leaving in place other punitive measures such as the inclusion of Sudan on the state sponsor of terrorism list.

"Sudan has taken some significant steps to address these policy priorities," a U.S. official said. But "this marks one step forward on a long and hard road where much more progress is needed."

Administration officials said Friday that the decision was also based on progress on other fronts, including Khartoum stopping the bombing of Darfur and allowing humanitarian aid into conflict areas.

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The Intelligent Investor: When Seeking Yield, Don't Get Desperate

By Jason Zweig
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B1
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Old bull markets don't produce new ideas. They just produce new ways for investors to hurt themselves with old ideas.

With stocks at record highs and the income on bonds not far from record lows, circumstantial evidence suggests investors are getting restless -- if not desperate.

Chasing "yield," or trying to get higher investment income, is one form of desperation. Last month, $1.6 billion in new money poured into exchange-traded funds holding high-yield corporate bonds, according to FactSet.

Martin Fridson, chief investment officer at Lehmann Livian Fridson Advisors, points out that by Sept. 30 a standard measure of the income available on such bonds, based on an index from Bank of America Merrill Lynch, had shrunk by 3.42 percentage points since the end of 2015. Over the period, the equivalent yield on 10-year U.S. Treasurys has declined by only 0.06 point.

The extra yield that investors should receive to compensate them for the added risk of such bonds, says Mr. Fridson, "has vanished."

Another aspect of the problem: The longer markets go on producing decent performance at little apparent risk, the more investors come to believe that high returns must be a kind of entitlement.

A recent survey of 750 individual investors by Natixis Global Asset Management found that they "need" returns of 8.9%, after inflation, to reach their financial goals. In the same survey last year, investors said they needed a mere 8.5%. Since 1926, the return on U.S. stocks after inflation has averaged about 7% annually, according to Morningstar.

Such hankering for unrealistic returns can prompt investors to take imprudent risks. Just about any get-rich-quick story can look tempting.

Look at how companies in a variety of industries are associating themselves with the hottest speculation around: bitcoin and other digital currencies that circulate on computer networks, rather than being issued by central banks.

This past week, an obscure **Nasdaq**-listed company called Bioptix, which had been licensing fertility hormones for cows, horses and pigs, announced that it was getting into the cryptocurrency business and changing its name to Riot Blockchain. The stock nearly doubled over its levels a week earlier.

In a press release, Riot Blockchain said it intends "to become a leading authority and supporter" of digital-currency technology while retaining its other lines of business. Other companies are clambering onto the bitcoin bandwagon.

This reminds market veterans of the dozens of companies that changed their names to include "Internet" or ".com" in 1998 and 1999. They outperformed comparable firms by an average of 53 percentage points in the five days surrounding the announcement of a name change, a study found in 2001.

However, such behavior crested in almost perfect sync with the technology-stock mania itself; when the bubble burst from 2000-02, many of the companies that had changed their names were among those that lost the most money.

Consider, too, Strategic Student & Senior Housing Trust Inc., a firm in Ladera Ranch, Calif., looking to raise $1.1 billion to buy properties that serve college students and the elderly around the U.S.

Strategic's prospectus for the offering, filed with the Securities and Exchange Commission on Sept. 26, says the firm will seek to "provide regular cash distributions to our investors" and to sell out, merge with another company, or go public within three to five years.

In the meantime, public investors are being asked to pay as much as $10.33 for shares that the company has been selling to a select group of private investors for $8.50. Commissions and fees can exceed 10%, depending on the class of shares.

Strategic, which commenced operations only on June 28, is a "blind pool," meaning that the firm hasn't yet determined what it will invest the proceeds of the offering in. Investors thus can't ascertain the quality of the assets their money will buy. Strategic's prospectus also says: "There is currently no public market for our shares and there may never be one."

Companies in registration to sell securities to the public typically don't comment; a spokeswoman said Strategic couldn't respond to questions.

However, if investors are willing to buy blindly without knowing when or whether they will be able to sell, that would seem to be another symptom of an overheating market.

At times like these, reaching for yield and taking bigger risks might pay off for a few speculators in the short run.

Investors, however, should hoard their cash and remember that, in the long run, it doesn't pay to chase returns greater than the markets can realistically provide.

Document J000000020171007eda70000r

THE WALL STREET JOURNAL.
U.S. EDITION

Stocks Extend Record Run, Investors Wonder How It Ends

By Daniel Kruger and Akane Otani
912 words
6 October 2017
The Wall Street Journal
J
A1
English

Stocks continue their steady march higher, notching milestones not seen in more than 20 years, yet many investors see few obstacles to the seemingly endless run.

The **S&P 500** closed at its sixth consecutive record Thursday, its longest streak of highs since 1997. A gauge of expected swings in the index fell to an all-time low. Investors don't see many worries ahead: The economy keeps growing at a slow but steady pace, corporate earnings remain healthy and investors are betting a tax overhaul will further boost profits.

That isn't what many analysts and investors expected coming into this year, when they thought bond yields would rise as the economy heated up and stocks would stall as valuations remained stretched.

Instead, bond yields are lower than where they ended last year -- the benchmark 10-year U.S. Treasury note stood at 2.352% Thursday, down from 2.446% at the end of 2016 -- and inflation remains stubbornly short of the Federal Reserve's 2% target. Stocks have kept climbing. The **Dow Jones Industrial Average** and **Nasdaq Composite** also closed at fresh highs Thursday.

"It's kind of like the 1996 moment where Alan Greenspan himself called stocks irrationally exuberant" and the rally continued for three more years, said Jason Pride, director of investment strategy at Glenmede, with some $37 billion in assets under management. Stocks are expensive now, but they "are not at extremes," he said.

The **S&P 500**'s current record streak is the longest since the eight highs ending June 17, 1997, during the dot-com boom.

The markets have been so calm that some analysts and investors have expressed concerns that money managers are growing complacent. The CBOE**Volatility** Index, known as Wall Street's "fear gauge," fell 4.6% Thursday to 9.19, surpassing its record closing low of 9.31 set in December 1993.

Stock-market gains have been broad, spanning regions and sectors. Japan's Nikkei Stock Average closed at its highest level since August 2015 on Thursday. The Stoxx Europe 600 rose for nine straight trading days through Tuesday, its longest winning streak in more than two years.

Several U.S. companies have posted outsize gains this year. In the Dow industrials, Boeing Co. has risen 66%, while Caterpillar Inc. and Visa Inc. each have added 36%. Stock advances have also been widespread, with all 11 major sectors of the **S&P 500** in positive territory for the month so far.

October brings back painful memories of the financial crisis and the crash of 1987 for many investors and analysts. And the long economic expansion and eight-year **bull market** have some saying this rally can't go on forever.

There are signs of skepticism, with some investors pulling money out of U.S. stocks even as they hit records.

Mutual funds and exchange-traded funds tracking U.S. equities posted outflows in the second quarter, according to fund tracker EPFR Global, their first quarterly outflows since the third quarter of 2016. Stock-trading volumes on major U.S. exchanges have hovered below average levels for the year in recent weeks -- reflecting investors' lack of conviction in the rally, some analysts say.

Yet few see signs of an imminent downturn. "The market's seeing smooth sailing ahead for the economy right now," said David Klaskin, chief investment officer of Oak Ridge Investments, which has $3.4 billion in assets under management. Stocks are expensive, but with central banks remaining accommodative, that's helping indexes trudge on, he said. Mr. Klaskin has been cautious of fast-growing companies that are among the best performers this year; he acknowledges those bets haven't paid off.

U.S. consumer prices remain sluggish, but other patches of the economy have perked up. U.S. economic output grew at a 3.1% annual rate in the second quarter, slightly stronger than previously thought. September auto sales rose at their fastest pace of the year. A gauge of manufacturing activity reached a 13-year high last month, while service-sector activity rose to its highest level since 2005.

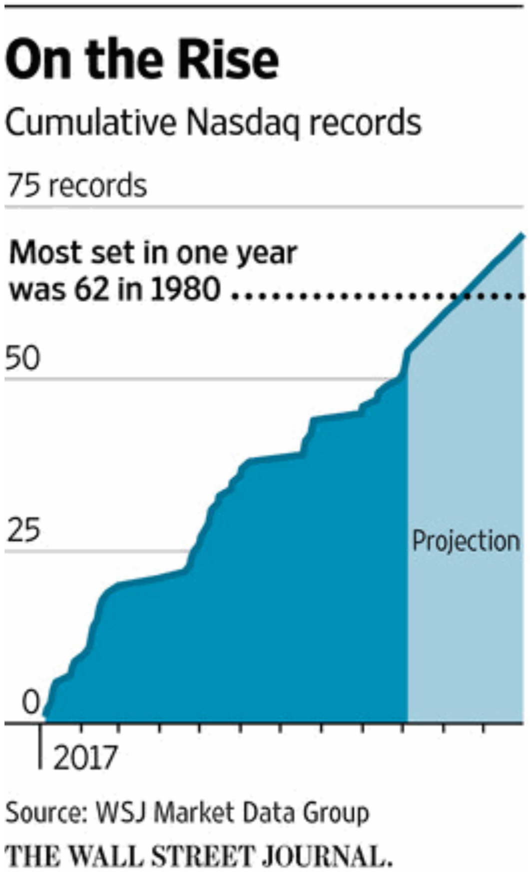
Because Hurricanes Harvey and Irma likely slowed hiring last month, economists are projecting just 80,000 jobs added in September -- less than half this year's monthly average growth of 176,000 -- when the Labor Department releases its monthly employment report Friday. But the labor market has been strong, with unemployment hovering near a 16-year low in recent months.

"The rally has been akin to a relay race," said Brian Jacobsen, multi-asset strategist at Wells Fargo Asset Management, which has $450 billion under management. "Every time there's been a slowdown, the baton has been passed to another part of the economy."

Mr. Jacobsen is optimistic about the potential for corporate tax changes; he expects shares of financial companies, small-capitalization stocks and makers of discretionary and staple consumer products to perform well.

Steven Chiavarone, assistant vice president and portfolio manager at Federated Investors, which has $360.4 billion in assets under management, said the firm recently increased its position in small-cap stocks because it thinks smaller companies stand to benefit more from a tax overhaul. "Policy is unfolding in a positive way relative to what we think were overly muted expectations in the market," he said.

Amrith Ramkumar contributed to this article.


On the Rise
Cumulative Nasdaq records
75 records
Most set in one year was 62 in 1980
50
25
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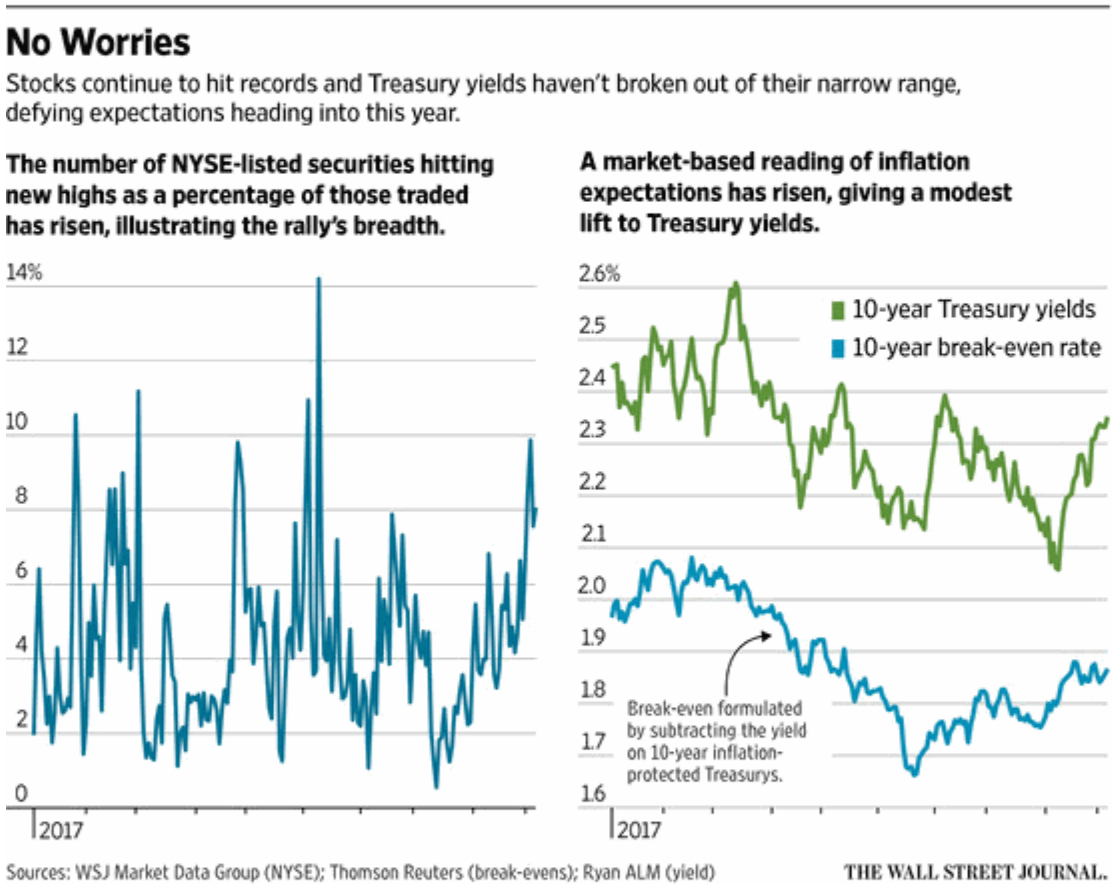
Projection
2017
Source: WSJ Market Data Group
THE WALL STREET JOURNAL.



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THE WALL STREET JOURNAL.
U.S. EDITION

Gold Loses Luster as Global Angst Eases

By Amrith Ramkumar
605 words
6 October 2017
The Wall Street Journal
J
B12
English

Gold -- once among this year's best-performing commodities -- has tumbled to nearly two-month lows, hurt by waning investor anxiety and expectations for a steady pace of interest-rate increases.

The destabilizing events that gold bugs were betting on earlier this year haven't materialized. The Trump administration reached a deal last month to keep the government funded and its borrowing limit suspended until mid-December. Last week, the administration released a tax plan that many hope will boost economic growth.

While leaders of the U.S. and North Korea continue to trade barbs, many investors say tensions need to escalate and roil markets before gold prices get another push upward.

"The geopolitical risks are impactful, but they haven't yet impacted the real economic environment," said Rob Haworth, senior investment strategist at U.S. Bank Wealth Management. Investors tend to favor gold during turbulent times, betting that the metal will hold its value more effectively than other assets.

Prices of the precious metal climbed for seven of the nine weeks through early September, hitting their highest in more than a year.

But investor anxiety has since dissipated, causing the metal to fall in six of the past eight sessions and be on track for a fourth week of losses.

On Thursday, gold for October delivery fell 0.3%, to $1,269.90 a troy ounce, down 5.7% from its 52-week high hit on Sept. 8. September was gold's worst month of the year, with the precious metal declining 2.6%.

A key development for the gold market has been signs from the Federal Reserve that it will maintain its pace of interest-rate increases.

The central bank reiterated plans to raise rates four times by the end of 2018.

Some investors had doubted a third increase this year amid sluggish inflation data, which had been supportive for gold prices because the metal struggles to compete with yield-bearing assets like Treasurys when borrowing costs rise.

Markets are now pricing in an 88% chance that rates rise again this year, up from 37% a month ago, according to CME Group Inc. data.

Adding to gold's troubles, the Fed's commitment to gradually raise rates has also boosted the dollar, making gold more expensive for foreign buyers as it is a dollar-denominated commodity.

The WSJ Dollar Index, which tracks the U.S. currency against 16 others, is on track for its fourth straight week of gains since hitting multiyear lows in early September. The index closed up 0.4% on Thursday.

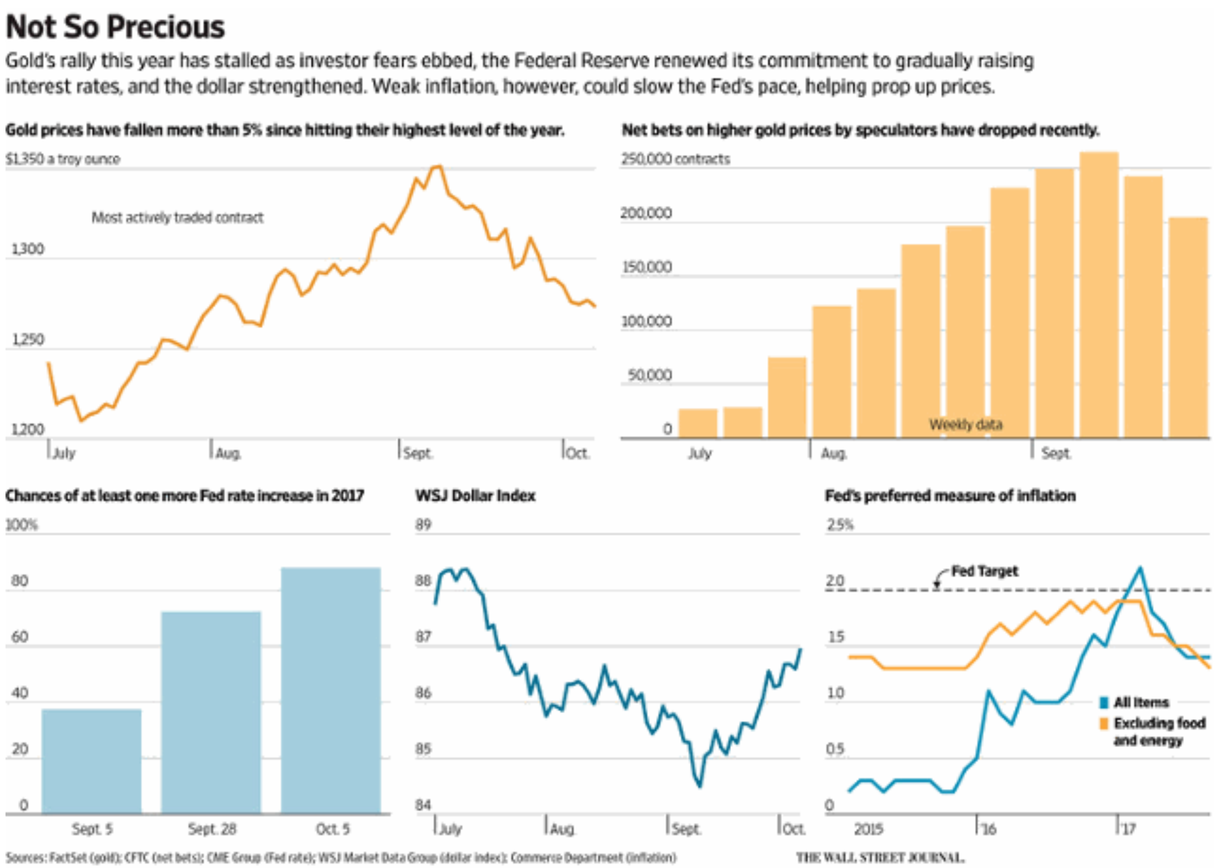
Meanwhile, hedge funds and other speculative investors have cut **bullish** positions. Net bets on higher gold prices have fallen in consecutive weeks after previously rising for nine straight weeks to their highest level of the year, data from the Commodity Futures Trading Commission show.

"The market became overbought," said Bill O'Neill, co-founder of LOGIC Advisors. Mr. O'Neill said he advised clients to get out of gold positions two weeks ago for the short term.

Still, some investors and analysts think prices could bounce back. They say tensions between the U.S. and North Korea remain a risk factor for global markets.

Others point to inflation, which remains well below the Fed's 2% target, meaning that central bankers could hesitate before sticking to a path of additional rate increases, buoying gold once again.

Gold is still up 10% in 2017, compared with 14% for the **S&P 500**. The precious metal hasn't outperformed the index since 2011.



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THE WALL STREET JOURNAL.
U.S. EDITION

For Finra, Portfolio Just Can't Keep Up

By Dave Michaels
869 words
6 October 2017
The Wall Street Journal
J
B1
English

WASHINGTON -- The Financial Industry Regulatory Authority is more than just a Wall Street regulator.

Rare among regulators and little known to many industry participants, Finra is also an investor and one whose subpar returns are compounding its members' financial challenges, say some of the brokerages that pay its fees.

From its inception in 2004 through the end of 2016, Finra's $1.6 billion investment portfolio has brought in $440 million less than what a balanced mix of global stocks and U.S. bonds would have yielded, according to Wall Street Journal calculations. Some brokerages are starting to question how it uses the stockpile.

"It would be prudent for them to take a second look at where that money is going," said Wendy Lanton, chief compliance officer for Lantern Investments Inc. of Melville, N.Y., a firm that employs 44 brokers.

Despite Finra's decision to initially pursue strategies associated with large endowments, such as investing in hedge funds, the portfolio has lagged far behind the market. It has returned 3.4% annually, versus 6% for the half-stock, half-bond portfolio, according to the Journal's analysis of figures disclosed in Finra's annual reports.

The returns have real ramifications for the brokerage industry. In years when Finra's fee revenue exceeds forecasts and investment gains are strong, the regulator can rebate fees paid by firms it regulates. It hasn't done that since 2014.

Instead, since implementing its portfolio Finra has raised some fees it charges its 3,800-member brokerage firms to support its $1 billion budget, partly because its revenue has come under pressure as smaller firms fail or merge. Finra membership is down from 4,600 in 2010.

After losing $576 million in the 2008 downturn, triple its worst-case estimates, Finra piled much of its portfolio into bonds, missing much of the subsequent **stock-market** rally.

"It's pretty drastic underperformance that would typically result in a change of who their consultants or underlying managers are," said Brad Alford, founder of Alpha Capital Management, an Atlanta firm that helps clients identify investment advisers. "They are underperforming a fairly conservative benchmark."

Over the past 10 years, Finra's portfolio netted an average annualized return of 1.9%, according to Journal calculations. That compares with a 5.7% return for endowments with assets over $1 billion, according to the National Association of College and University Business Officers. Finra discloses returns on a calendar year basis, while colleges and universities report performance over a fiscal year that runs from July to June.

Finra officials say they seek greater diversification than a simple basket of stocks and bonds. "We pursued a much more conservative approach than a 50-50 benchmark," said Nancy Condon, a Finra spokeswoman. "Judging risk in hindsight in this manner is meaningless." The portfolio tries to achieve "lower-risk returns that preserve principal."

Officials also disputed the Journal's estimated $440 million shortfall because the calculation doesn't use the precise dates of cash flows into and out of the portfolio. That information isn't provided in Finra's annual reports, and the regulator declined to supply it.

Finra tripled the share of its portfolio parked in bonds and cash in 2009, and yanked money from hedge funds and stocks, a decision that hurt its performance as riskier assets rebounded that year. The organization since then has kept about 12% in cash, according to Finra officials.

The regulator's returns since 2009 have met a custom benchmark that Finra executives use to judge whether their outside money managers beat lower-cost alternatives, Ms. Condon said. But Finra's annual reports don't disclose the benchmark's performance or report how it is calculated.

Since 2009, Finra's portfolio has notched an annualized return of 5.3%, compared with 7.6% for a 50/50 balanced portfolio, according to the Journal's analysis.

Finra further adjusted its asset allocation last year, pulling $35 million from HighVista Strategies LLC, a private fund manager founded by former Harvard University professor Andre Perold that practices endowment-style investing. The move will reduce fees that Finra pays to HighVista and will boost portfolio liquidity, according to Finra's 2016 annual report. Finra officials say they are pleased with the performance of HighVista, which didn't return calls seeking comment.

Nasdaq Sale Led

To Large Payout

Finra's actively managed portfolio dates to a windfall that it reaped over several years starting in 2001 after its predecessor, the National Association of Securities Dealers, sold its interest in the **Nasdaq Stock Market**.

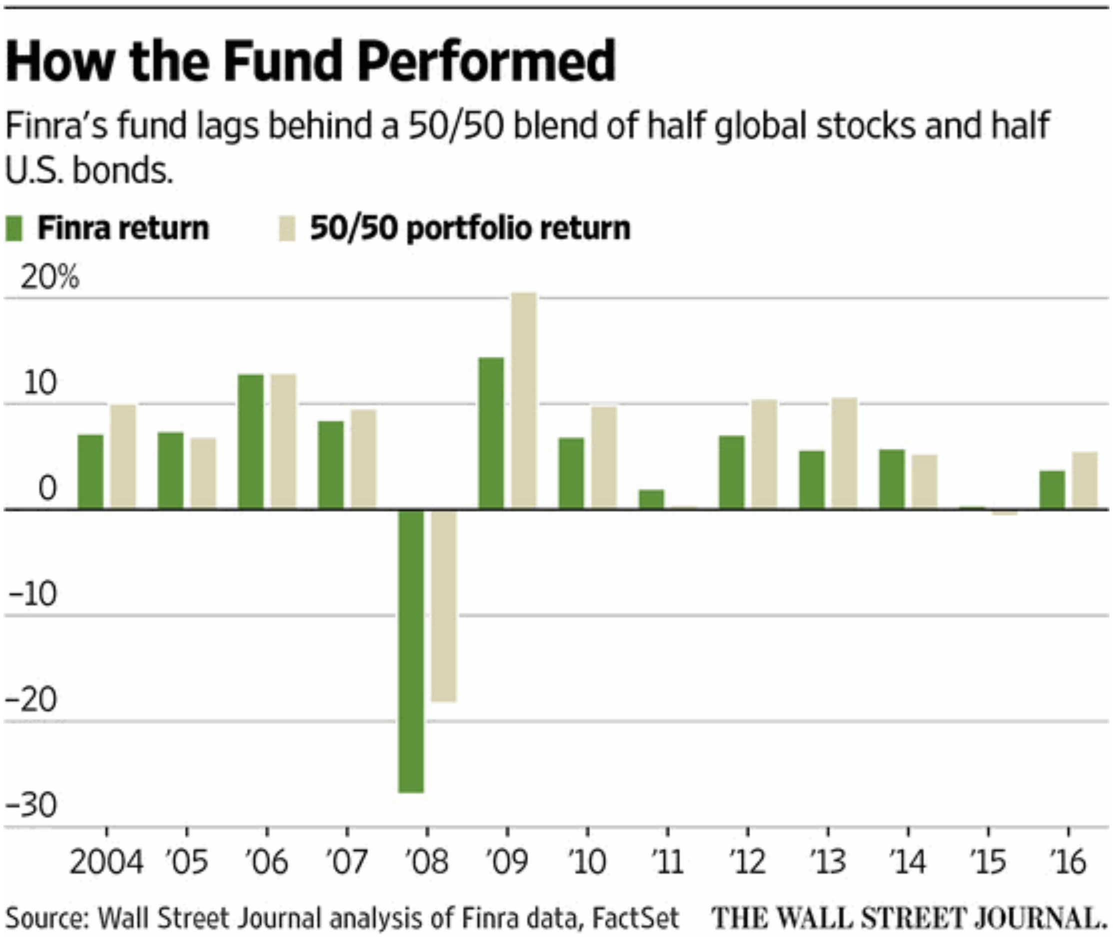
The portfolio is unusual for regulators, which normally invest cash in short-term securities.

Finra decided in November 2003 to mimic the investment strategies of university endowments, such as those at Harvard and Yale. It didn't widely publicize the decision, which was opposed by some smaller brokerages that wanted Finra to distribute the **Nasdaq** payout to member firms.

At first, that meant embracing alternative strategies such as investing in hedge funds.

Finra officials say they spend about 3% of the portfolio each year to pay operating costs.

-- Dave Michaels



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THE WALL STREET JOURNAL.
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Heard on the Street
This Market 'Bubble' Isn't Everything It Appears to Be

By Richard Barley
439 words
6 October 2017
The Wall Street Journal
J
B12
English

[Financial Analysis and Commentary]

Have **financial markets** lost the plot? Bubbles are supposedly everywhere, most notably in bonds. But one prominent case of financial froth has an explanation all its own. In an unprecedented development, a key European junk-bond index yields less than 10-year U.S. Treasurys, the global benchmark for risk.

The comparison between the yield on the Bank of America Merrill Lynch Euro High-Yield index, at 2.29% Wednesday, and the Treasury yield, at 2.32%, is a tricky one: It tries to match corporate yields in one currency with government yields in another.

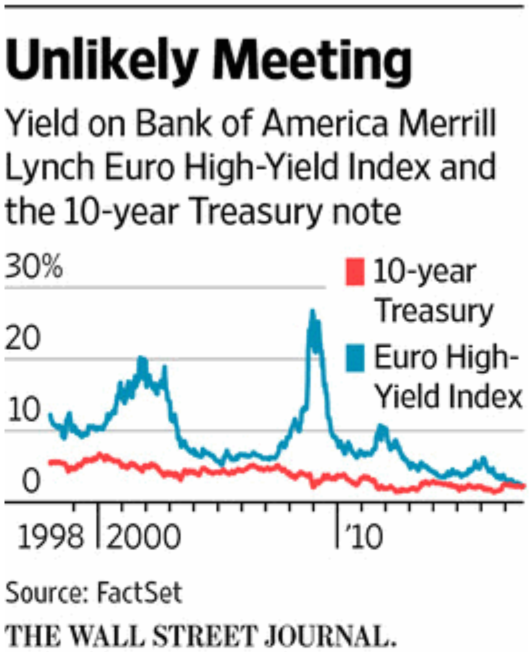
Rather than note that these two numbers have converged, the more relevant comparison is the nearly 1.9-percentage-point gap between 10-year German and U.S. yields, remarkable on its own, but attributable to the European Central Bank keeping rates negative and the U.S. Federal Reserve moving to tighten policy. That helps explain the low level of yields on many euro-denominated bonds.

A more apples-to-apples comparison would be between yield spreads over government bonds for the U.S. and European high-yield markets. The gap between the two is relatively large, with the U.S. index at 3.5 percentage points over Treasurys, versus the European index at 2.6 points over German government bonds.

The European market is dominated by companies with ratings in the highest noninvestment-grade category. Nearly three-quarters of the euro index is rated double-B, versus 47% for the U.S. index. And for the same risk, the two markets trade in line: Double-B-rated debt on both sides of the Atlantic trades at an almost identical spread level around 2.1 percentage points above their respective government-bond yields.

Moreover, some big European high-yield bond issuers are on the cusp of investment grade by some measures. Telecom Italia is part of the high-yield index but qualifies for European Central Bank purchases because it has an investment-grade rating from Fitch. Upgrades could cause companies to leave the high-yield universe. Miner Anglo American made the journey in August. That trend, coupled with more issuance from lower-rated borrowers, will change the picture over time and likely reset yields higher in the European market.

A "high-yield" market that sports a yield anywhere near 2% looks misnamed. The ECB's extreme monetary policy is clearly the major force at play. But the comparison with Treasurys is an optical illusion. Bubble chasers should look elsewhere.



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The New York Times

Foreign Desk; SECTA
Trump to Force Congress to Act On Iran Accord

By MARK LANDLER and DAVID E. SANGER; Jonathan Martin contributed reporting.
1,333 words
6 October 2017
The New York Times
NYTF
Late Edition - Final
1
English

WASHINGTON -- President Trump is expected to overrule his top national security advisers and decline to certify the Iran nuclear agreement, according to people who have been briefed on the matter, a decision that would reopen a **volatile** political debate on Iran but is likely to leave in place the landmark deal negotiated by the Obama administration.

By declining to certify Iran's compliance, Mr. Trump would essentially kick it to Congress to decide whether to reimpose punitive economic sanctions. Even among Republicans, there appears to be little appetite to do that, at least for now.

Still, Mr. Trump's expected move would allow him to tell supporters that he had disavowed the accord, while bowing to the reality that the United States would isolate itself from its allies if it sabotaged a deal with which Iran is viewed as complying. Mr. Trump repeatedly ridiculed the accord during the 2016 presidential campaign, vowing to rip it up.

White House officials cautioned that the president had not yet formally decided to "decertify" the agreement. But he faces an Oct. 15 deadline, and he has made little secret of his intentions, most recently when he declared at the United Nations two weeks ago that the agreement was "embarrassing to the United States."

Mr. Trump will present his decision on the deal as part of a broader American strategy to crack down on Iran for its ballistic missile program and destabilizing actions throughout the Middle East. Administration officials said he had signed off on the overall approach and hoped he would present it before the deadline.

The strategy is an effort by the Trump administration to make the nuclear agreement only part of a multidimensional approach to pressure Iran on many fronts, including its missile program, its support for militant groups like Hezbollah and its intervention in the Syrian civil war on behalf of the Assad government.

But the administration has yet to articulate that broader strategy. As a result, the nuclear deal remains the fulcrum of the relationship with Iran -- and a political football in Washington.

Congress will have to decide whether to reimpose sanctions, which could sink the deal, or use the prospect of that to force Iran -- and the other parties to the deal -- back to the negotiating table to make changes in the agreement.

That is the approach favored by Senator Tom Cotton, Republican of Arkansas, who has emerged as a leading hard-liner on Iran and is working closely with the White House to devise its strategy. On Thursday, Mr. Cotton met with Mr. Trump to discuss Iran and other issues.

"Congress and the president, working together, should lay out how the deal must change and, if it doesn't, the consequences Iran will face," Mr. Cotton said in a speech on Tuesday at the Council on Foreign Relations. Reimposing sanctions, he said, would be a "backward-looking step."

Mr. Cotton said the United States and its allies should demand three changes to the deal: an elimination of "sunset clauses," under which restrictions on Iran's nuclear activities are phased out in less than 14 years; a strengthening of international inspections of Iran's nuclear facilities; and a curbing the country's ballistic and cruise-missile programs.

Democrats argue that Mr. Trump should certify the agreement, warning that the administration's ability to press Iran on other activities it objects to would be compromised -- rather than enhanced -- if the United States threw the future of the agreement into question.

Britain, France and Germany, all signatories to the agreement, are watching Mr. Trump's deliberations with deepening concern. Diplomats from the three countries, as well as from the European Union, met with dozens of senators this week to warn them that if the United States withdrew, Europe would not follow.

''For us, this is a high priority in our national security,'' said Peter Wittig, Germany's ambassador to Washington. ''We will stand by the Iran deal, and we want you not to walk away, but to comply with it. We share some of the grievances you have about Iran, and we can talk about it -- and we should talk about it -- but only on the basis of sticking to the deal.''

The deal is also contentious inside the administration. Secretary of State Rex W. Tillerson and Defense Secretary Jim Mattis have both urged Mr. Trump not to back out of it, in part because that would free Iran to begin producing uranium and reprocessing plutonium immediately, not after 13 years, as is stipulated in the agreement.

But Mr. Trump, after twice certifying the deal, has warned his aides that he would not do so again. As a result, the administration is looking for ways to claim Iran is in violation of the ''spirit'' of the accord, even if it has complied with inspection criteria. The International Atomic Energy Agency has said that Iran was in compliance; when it has found minor violations, they have been quickly fixed.

The president could also decline to certify it by claiming that the deal is simply not in the national security interests of the United States.

While the White House said that Mr. Trump had not formally signed a decision memo on the certification issue, he tipped his hand in mid-September with a less heralded, but in many ways more important, decision. At that time, facing another congressionally imposed deadline, he agreed to renew an exemption on sanctions on Iran.

Mr. Trump said nothing about that decision, which he came to reluctantly in a series of National Security Council meetings.

Declining to recertify Iran's compliance would amount to a compromise. Because it is simply a notification from the White House to Congress, it has no legal effect by itself. Mr. Trump could tell his supporters that he broke with President Barack Obama on the deal, without actually violating its terms.

''It appears to be part of a 'have your cake and eat it too' strategy by the administration,'' said Philip H. Gordon, who coordinated Middle East policy in the National Security Council during the Obama administration.

The risk, Mr. Gordon said, is that ''while the administration may hope Congress refrains from passing new sanctions that cause the nuclear deal to collapse, no one can guarantee that outcome.'' He noted that every Republican member of Congress voted against the deal.

The larger question is whether Mr. Trump's ''decertification'' would gradually strangle the bigger goals of the nuclear negotiation: To integrate Iran with Western economies while assuring it cannot build a nuclear weapon for more than a decade.

If the Trump administration's actions makes European banks fearful of lending billions to Iran to build new refineries, or expand other economic links with the West, it may fuel opposition to the deal inside Iran.

For its part, Iran has warned it would refuse to renegotiate the deal, or even talk about extending its length or conditions, unless the United States was also ready to make concessions on parts of the deal that have left it unhappy. While Mr. Trump argues that the United States paid too much up front in the deal to Iran, the Iranians reply that they were the ones who gave up most of their nuclear material before the arrangement went into effect.

''Are you prepared to return to us 10 tons of enriched uranium?'' Iran's foreign minister, Mohammad Javad Zarif, asked in an interview in New York in late September, referring to the stockpile of nuclear material -- about 98 percent of the country's nuclear fuel holdings -- that Iran shipped out of the country in the opening moments of the accord.

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President Trump and the first lady, Melania Trump, on Wednesday at the White House. (PHOTOGRAPH BY TOM BRENNER/THE NEW YORK TIMES) (A9)

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THE WALL STREET JOURNAL.
U.S. EDITION

Banking & Finance: Senate Approves Bank Regulator To Fed's Board

By Ryan Tracy
435 words
6 October 2017
The Wall Street Journal
J
B10
English

WASHINGTON -- The Senate on Thursday approved Randal Quarles for a key banking oversight post on the Federal Reserve Board, marking President Donald Trump's first imprint on the central bank and his first full-time appointment of a banking regulator.

The vote to confirm Mr. Quarles to the Fed board was 65-32, with 14 Democrats supporting the nomination along with all Republicans and one independent. A former Treasury Department official, investor and banking lawyer, Mr. Quarles is expected to oversee the Fed's work on a broad review of banking-sector rules.

He will be the Fed's first vice chairman in charge of bank oversight. The Senate separately approved that designation by a voice vote Thursday, approving him for a role created by the 2010 Dodd-Frank financial law that had never been filled.

Mr. Quarles, who will also sit on the Fed's monetary policy committee, has been skeptical of the government's intervention in **financial markets** and has criticized the Fed for unpredictable policy making.

He said at a hearing in July that "with the benefit of experience and reflection, some refinements will undoubtedly be in order" to the regulatory regime adopted after the 2008 financial crisis.

He joins the central bank as officials already are reviewing some regulations, and in the vice chairman role he will have significant influence over that work.

Mr. Quarles won't be able to set the Fed's agenda on his own. For at least several months, he will have to work with Obama-era appointees, including Fed Chairwoman Janet Yellen.

Ms. Yellen supported the 2010 Dodd-Frank financial-overhaul law and many rules adopted as a result of it. She has recently signaled openness to discussing regulatory rollbacks.

She surprised many Dodd-Frank defenders when on Friday she joined Trump appointees in releasing American International Group Inc. from federal oversight.

Many liberals opposed Mr. Quarles, citing his decades of work on Wall Street as a lawyer and investor. "The number one thing we need from a vice chair for supervision is independence from Wall Street, a demonstrated willingness to stand up to the wishes of the big banks," Sen. Elizabeth Warren (D., Mass.) said on the Senate floor opposing his nomination. "There is not a speck of independence in Mr. Quarles' track record."

Senate Banking Committee Chairman Mike Crapo (R., Idaho) spoke in support of Mr. Quarles, praising his "extensive government and private sector experience dealing with both domestic and international **financial markets**."

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THE WALL STREET JOURNAL.
U.S. EDITION

Heard on the Street
Don't Get Too Wound Up Over Friday's Employment Data

By Justin Lahart
437 words
5 October 2017
The Wall Street Journal
J
B14
English

[Financial Analysis and Commentary]

The way the **stock market** reacts to Friday's jobs report may say more about the **stock market** than it does about jobs.

The Labor Department's employment report usually counts as the most important economic news of the month, but hurricanes Harvey and Irma probably made a mess of September's figures.

The median estimate among economists polled by The Wall Street Journal puts last month's payroll gain at 80,000 jobs versus 159,000 in August.

There is plenty of disagreement, with individual estimates ranging from a loss of 45,000 jobs to a gain of 140,000. Compare that with August, when the range was a much narrower 144,000 to 200,000.

There are too many moving parts in how storms can affect the jobs report -- their severity, when they hit, where they hit and whom they hit -- to have much confidence in any forecast.

Average hourly earnings figures also could be affected.

Right now, they are a major area of interest because if wages start heating up, it would be a sign that low unemployment is creating inflationary pressure.

But events like hurricanes can push wage figures higher.

That is because lower-wage workers are more likely to not get paid when they miss work because of a storm, while many higher-paid salary workers still draw a paycheck, pushing the average higher.

Less affected will be the unemployment rate, which economists estimate will hold at 4.4%.

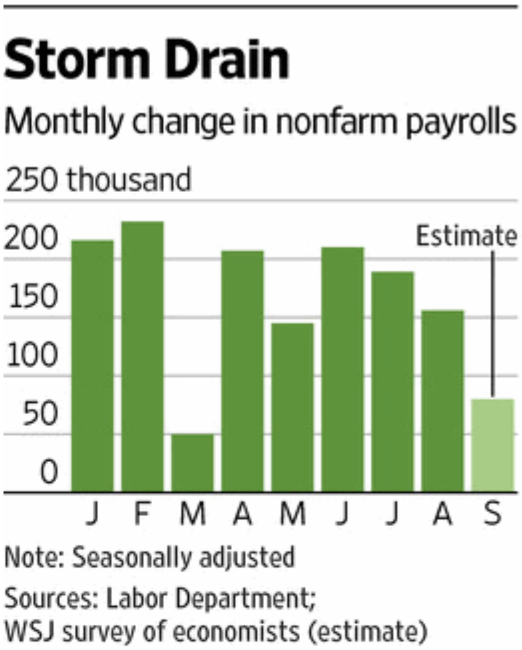
Unlike the job and wage figures, which are based on a survey of employers, the unemployment rate comes from a survey of households and doesn't reflect whether people got paid or not but what they say about their employment.

The household survey is smaller than the employer survey, however, and therefore less precise, so investors have to be careful not to put too much faith in what it says about any single month.

The right way for the **stock market** to react to the jobs report on Friday would probably be to ignore it, but chances are that many investors won't be able to resist. Rather, they will attempt an interpretation of the jobs figures, end up with one that reflects their current beliefs and then act accordingly.

In what has lately been a glass-half-full environment, that probably sets stocks up for more gains.

If they fall instead, take it as a sign the latest run of market optimism is starting to fatigue.



Document J000000020171005eda500019

The New York Times

STOCKS & BONDS
Business/Financial Desk; SECTB
Markets Finish Higher After a Seesaw Day

By THE ASSOCIATED PRESS
604 words
5 October 2017
The New York Times
NYTF
Late Edition - Final
2
English

Stocks in the United States inched a bit further into record territory on Wednesday after teeter-tottering through the day. The **Standard & Poor's 500-stockindex** rose by just a sliver, but it was enough for a seventh straight gain.

The **S.&P. 500** climbed 3.16 points, or 0.1 percent, to 2,537.74 after flipping between slight losses and gains through the day. The seven-day win streak is the index's longest since May.

The **Dow Jonesindustrial average** rose 19.97 points, or 0.1 percent, to 22,661.64, and the **Nasdaq composite** index picked up 2.91, or less than 0.1 percent, to 6,534.63. All three indexes added to records set a day earlier.

A report from the payroll processor ADP said that hiring by private employers weakened sharply last month, a setback for a job market that had been strengthening. But economists and investors were expecting a low number because of the damage done by Hurricanes Harvey and Irma.

The government will release its more comprehensive jobs report on Friday, and economists are also forecasting a weaker number than a month earlier.

Other reports painted a more encouraging picture. One showed that the nation's services companies expanded last month at their fastest rate in more than a decade. The report, from the Institute for Supply Management, followed one on Monday that showed manufacturing in the United States is also growing strongly.

Mylan surged to the biggest gain in the **S.&P. 500** after federal regulators approved its generic version of Teva's Copaxone drug for multiple sclerosis. Mylan jumped $5.27, or 16.2 percent, to $37.80.

Utility stocks were also strong, and such stocks in the **S.&P. 500** jumped 1.1 percent.

On the losing end was Office Depot, which plunged after it announced a $1 billion purchase of an information technology services and products provider, while cutting its forecast for operating profit this year. Its stock fell 81 cents, or 17.6 percent, to $3.78.

In the bond market, Treasury yields held relatively steady even as speculation rose about who will head the Federal Reserve after Chairwoman Janet L. Yellen's term ends in February. President Trump has said previously that he may consider Ms. Yellen for another term, but other names have been floated in news reports including Kevin Warsh, a former Fed board member.

The yield on the **10-year Treasury** edged down to 2.32 percent from 2.33 percent late Tuesday, while the two-year yield dipped to 1.47 percent from 1.48 percent.

Benchmark United States crude fell 44 cents to settle at $49.98 per barrel. Brent crude, the standard for international **oil prices**, fell 20 cents to $55.80 per barrel.

Natural gas rose 5 cents to settle at $2.94 per 1,000 cubic feet, heating oil rose 2 cents to $1.77 a gallon, and wholesale gasoline rose 2 cents to $1.58 per gallon.

Gold rose $2.20 to settle at $1,276.80, silver fell 3 cents to $16.62 per ounce, and copper was close to flat at $2.96 per pound.

The dollar rose to 112.98 Japanese yen from 112.90 yen late Tuesday. The euro rose to $1.1764 from $1.1752, and the British pound inched up to $1.3250 from $1.3247.

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

Document NYTF000020171005eda50005u

THE WALL STREET JOURNAL.
U.S. EDITION

The Action Behind Stock Market's Calm --- Previously out-of-favor U.S. shares surge and Treasurys turn down as central banks pivot

By Chris Dieterich
743 words
5 October 2017
The Wall Street Journal
J
B14
English

Sure, the **stock market** seems quiet.

But a look beyond the **S&P 500**'s snoozy ascent shows major price reversals in recent weeks as investors re-evaluate the prospects for tighter monetary policies.

Formerly out-of-favor U.S. stocks are rocketing higher, Treasury-**bond prices** are slumping and the dollar is staging a rebound. These shifts could dominate global **financial markets** in the final three months of 2017, investors say.

Key to the pivot is a newfound anticipation that global central banks will pare back stimulus efforts put in place to bolster economic growth.

Federal Reserve officials last month affirmed that the U.S. economy appears strong enough to justify a third interest-rate increase this year and three more next year. Fed Chairwoman Janet Yellen said last week that central-bank officials "should be wary" about raising rates too gradually.

"There's been kind of a plot twist to how people are trading this year," said Yousef Abbasi, market strategist at brokerage Jones Trading Institutional Services LLC.

Traders now see a nearly 80% chance that the Fed will boost interest rates again by December, according to federal-funds futures tracked by CME Group. That is up from a roughly 33% chance at the end of August.

Central-bank officials and investors alike have been puzzled by persistently muted U.S. inflation readings at the same time that the economy continues to grow and add jobs.

Even so, bond traders are ramping up bets on the long-awaited uptick in consumer prices, elevating market-implied inflation estimates. The 10-year break-even rate on Wednesday suggested 1.87% annual inflation over the next 10 years, up from 1.76% late last month and 1.68% on June 20, according to Tradeweb. Break-even inflation rates measure the difference between yields on Treasurys and inflation-protected Treasurys.

Meanwhile, expectations are rising for less accommodative policies overseas. Investors anticipate that the European Central Bank could announce plans this month to reduce its bond-buying program. The Bank of England signaled in September that it is preparing to raise interest rates to restrain inflation in the U.K.

Last month, rising odds for tighter policy stoked the steepest monthly increase since November in **10-year Treasury** yields. Benchmark government-bond yields in the U.K. and Germany also rose.

Rising bond yields are part of the reflation trade, where investors bet on a stronger economy and higher rates. These trends are good news for financial stocks, particularly banks, which profit from the difference between what they pay on deposits and what they charge to lend money.

A reflation "rotation" is also evident in the rise of value stocks versus growth stocks. The latter group has ruled the U.S. market all year. Value companies are those with below-market valuations and, typically, their businesses tend to be more sensitive to economic conditions. Growth stocks tend to include those in the technology sector, such as Facebook Inc., that are more richly valued to reflect the ability to increase sales regardless of economic conditions.

Investors say to expect selling in the year's best-performing U.S. stock sectors, such as technology, while investors funnel new money into cheaper industrial and energy stocks. This already appears to be taking place, albeit on a small scale. The **S&P 500**'s technology stocks have trailed behind the market over the past month.

Small-cap U.S. stocks have climbed nearly7% over the past month, as measured by the Russell 2000 index, more than double the advance in the **S&P 500**. After trailing badly for most of this year, small U.S. stocks perked up last month. Analysts attributed part of this burst to the fact that domestically focused small caps are more sensitive to stronger U.S. growth.

Another factor is the prospect that Congress will implement a tax-policy overhaul. Small U.S. companies tend to pay higher effective tax rates and thus are poised to benefit most from lower corporate-tax rates. Small shares moved another leg higher after Republicans last week called for a reduction in the U.S. corporate-tax rate to 20% from 35%, as well as a host of changes to individual taxes and other rules.

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THE WALL STREET JOURNAL.
U.S. EDITION

Trump Comments Slam Puerto Rico Debt --- Remarks on wiping out load are wake-up call to investors, turn decline into a rout

By Heather Gillers
733 words
5 October 2017
The Wall Street Journal
J
B1
English

Over the past few weeks, prices on Puerto Rico's bonds have drifted downward as investors grappled with the effects of a devastating hurricane. That slow drift turned into a nose-dive Wednesday in the first trading session after President Donald Trump called into question whether investors would be paid their money back at all.

Puerto Rico's benchmark general obligation bonds maturing in 2035 traded at record lows of 30 cents on the dollar Wednesday, down from roughly 44 cents late Tuesday and 56 cents the day before Hurricane Maria hit. Holders of the bonds, which include mutual funds, hedge funds and direct investors, sold in heavy volume.

Already battling Puerto Rico in bankruptcy proceedings, investors in these bonds have been struggling to extract their money from the hard-hit and cash-strapped island. Even after a March decision by a federal oversight board to reduce the amount paid to bondholders over the next 10 years by 75%, **bond prices** didn't drop precipitously as investors held out hope for better terms.

All that changed Tuesday evening as Mr. Trump set off a broad sale in the bonds when he said the U.S. territory's $73 billion debt load may get wiped out to help the island recover from Maria.

"You can say goodbye to that," Mr. Trump said in an interview Tuesday night on Fox News during his visit to Puerto Rico.

Mr. Trump has no power to unilaterally forgive Puerto Rico's debt. Less than 24 hours later, budget director Mick Mulvaney walked back the president's comments on CNN, saying the White House doesn't intend to get involved in the restructuring.

But for investors, the comments have provided a wake-up call that **bond prices** might be artificially high given the reality of Puerto Rico's financial situation and the impact of Hurricane Maria.

"I think the market was very anxious about the paper to begin with," said Howard Cure, director of municipal bond research at Evercore Wealth Management. "The need for help from the federal government [due to the hurricane] exposed the vulnerability even more."

The Trump administration was set to send to Congress on Wednesday a request for $29 billion in disaster aid for Puerto Rico, including $16 billion for the government's flood-insurance program and nearly $13 billion for hurricane relief efforts, according to a White House official.

Puerto Rico and its agencies owe more than $70 billion to creditors. In May, Puerto Rico was placed under court protection in what amounted to the largest-ever U.S. municipal bankruptcy. A federal judge is presiding over the island's debt restructuring under a bankruptcy-like legal framework approved by Congress last year, known as Promesa.

As part of that framework, a financial-overhaul plan called for Puerto Rico to pay bondholders about a quarter of what they are owed over the next 10 years. As recovery costs rise, that plan is expected to get re-evaluated.

Forgiving the debt Puerto Rico owes bondholders "is not something that the president can do with a stroke of his pen," said Brad Setser, a senior fellow at the Council on Foreign Relations. Still, advocacy groups seized on the president's comments, with Jubilee USA Network calling for forgiveness for the deeply indebted Virgin Islands as well.

It is extremely rare for the federal government to provide any kind of financial help to municipalities in distress. But it has happened. Congress authorized the Treasury to facilitate loans or loan guarantees to New York City in the 1970s and Washington, D.C., in the 1990s. So far, no such proposal has been made for Puerto Rico.

If the federal government does provide loans to Puerto Rico for short-term relief, repayment of those obligations could take priority over some or all bondholder claims, Mr. Setser said. Such a development could lower the value of Puerto Rico's bonds currently outstanding.

Also falling after Mr. Trump's comments were shares in the insurers of Puerto Rico's bonds. MBIA Inc. declined 8.4%, Assured Guaranty Ltd. dropped 2.9% and Ambac Financial Group Inc. lost 5.5%.

Ben Eisen and Cara Lombardo contributed to this article.

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THE WALL STREET JOURNAL.
U.S. EDITION

A Primer on the Initial Coin Offering --- Nontraditional way for a tech startup to raise money involves digital currencies and wallets

By Paul Vigna
1,013 words
4 October 2017
The Wall Street Journal
J
B16
English

A new method of capital raising called the initial coin offering has exploded this year. It is a process by which tech startups, mainly from inside the digital-currency sector, create a new virtual coin or token and offer it for public sale. It lies somewhere between a traditional initial public offering of stock and a crowdfunding. Firms raised a record $1.32 billion this way in the third quarter alone. Here are some of the most common questions about the offerings:

What are they?

An initial coin offering, also called an ICO or token offering, is a way for private, generally younger startups to raise money that goes around the traditional capital markets. Some coin offerings are selling a token that can be used within an online service; some are selling the equivalent of shares in an investment fund. The token can be used to encourage certain uses and goals, which is why some people also call it "programmable money."

How does it work?

In an ICO, a company simply creates a new digital currency and sells it publicly. The original digital currency, bitcoin, is an open-source software project, meaning anybody is welcome to create their own version of it. Another digital-currency platform, Ethereum, standardized the coding for creating a token. That made it easy to create new coins, which is a big reason the field took off.

How much money are we talking about?

In the third quarter through last Wednesday, 105 coin offerings worth $1.32 billion were sold, according to research firm Token Report. That is more than the $956 million raised from 67 offerings in the first half of the year. And the year-to-date tally of $2.27 billion is more than 20 times the roughly $100 million raised in 2016. Even though these totals are commonly quoted in dollars, investors generally aren't sending U.S. currency. Instead, investors send bitcoin and Ethereum's native currency, also called ether.

Coin offerings have quickly become big enough to be comparable to venture-capital fundraising. The $1.32 billion raised in the third quarter was close to the $1.41 billion raised by early-stage tech companies, according to data from research firm CB Insights. In the first quarter, these angel and seed-stage venture fundraisings totaled $1.43 billion, compared with just $38 million for coin offerings.

How big are the individual fundraisings?

The largest was $262 million raised by startup Protocol Labs for a computer-memory marketplace called Filecoin. San Francisco-based Dynamic Ledger Solutions raised $232 million for its Tezos ledger-technology service. Before 2017, the largest coin offering was for a project called The DAO that raised $152 million. But about a third of that money was stolen by hackers.

What kinds of companies are doing coin offerings?

Mainly, tech companies, more narrowly in the cryptocurrency sector. Most of the time, it can be hard for an outsider to even understand the project. On the other hand, the company PAquarium raised $620,000 in a coin offering to build a giant aquarium.

What exactly am I buying?

The ICO coin-offering moniker makes it sound very much like an IPO. That is an initial public offering, often a highly regulated sale of securities. What exactly you are buying in an ICO, though, varies widely. Most of these new assets are designed to provide access to some kind of service or app. In that way, they are like the tokens you used to get at video arcades or presale tickets to a Broadway show. Others are constructed like shares in an investment fund.

How do I buy one?

You will need one of the digital currencies mentioned earlier, (ether or bitcoin) and a digital wallet. In general, firms conduct the offerings through their own websites, so you would be sending the digital currency directly to a wallet the firm maintains. But every firm does it somewhat differently, trying to find the best mix of terms. If you miss the offering, many coins will later trade on digital exchanges in the secondary market, much like a stock after its IPO. A warning though: The high **volatility** can make the penny stocks of old look like a stable Treasury bill.

What does a business need to conduct an ICO?

On one level, it needs the right code, a story to sell and some luck. The reality, though, is it helps to have a product. Perhaps it is an online commerce website or a gaming site. ICOs have raised millions in minutes, which can be both a blessing or a curse for a new company.

How can I tell if a coin offering is legit?

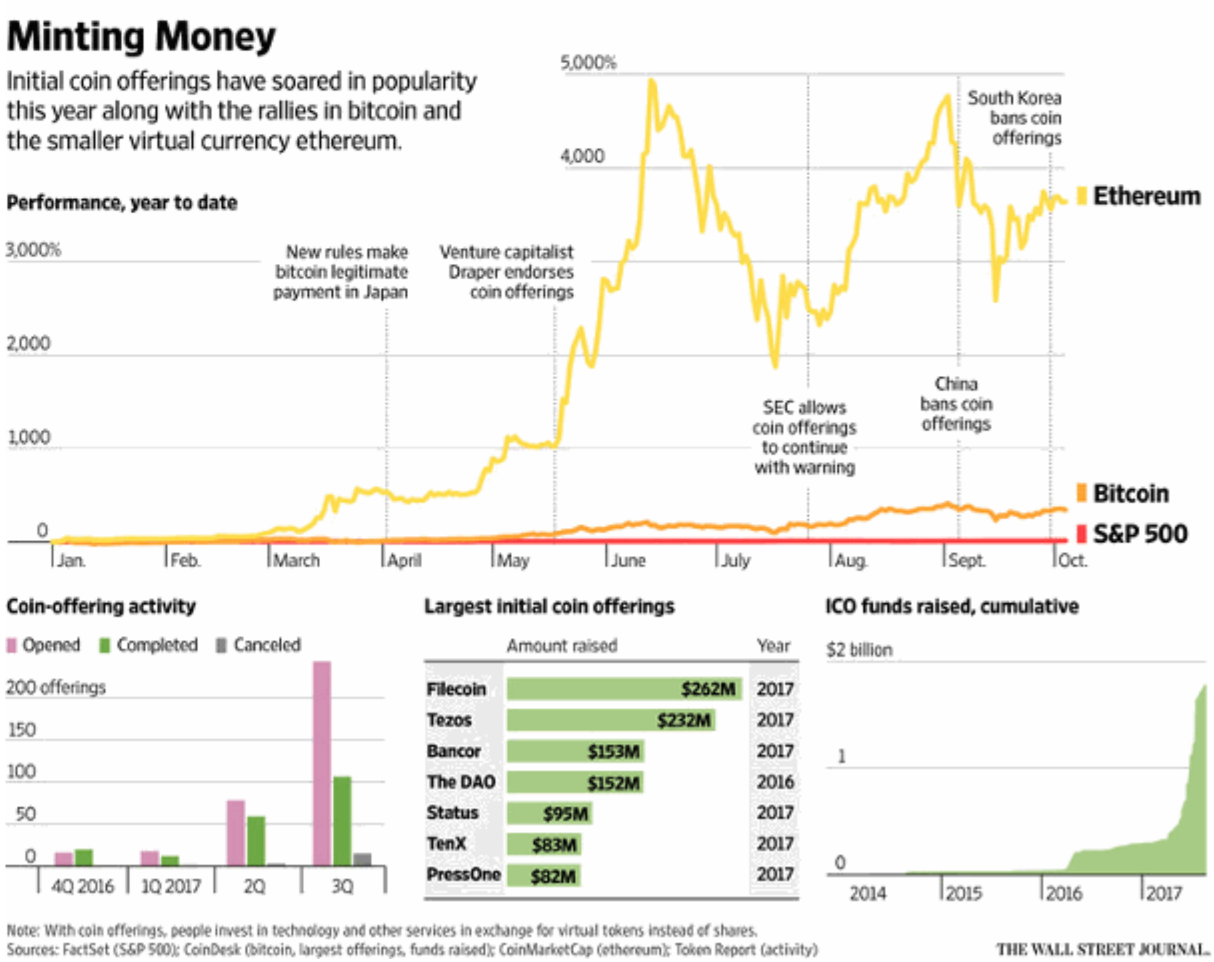
The easiest way to tell a fraud from a legitimate offering is simple: information. The less provided, the higher the odds of a scam. Does the startup have identifiable ownership? Not all do. Does it have a working product? Does it at least have the code for the product? Does it have outside advisers? Legal counsel? If the company makes vague statements like "we're backed by a major sovereign nation" but won't give specifics, that could be a red flag, too.

Where are the regulators?

They have been rushing in. The U.S. Securities and Exchange Commission in July warned about coin offerings, and China and Korea recently banned them. On Friday, the SEC charged a businessman and two companies with defrauding investors in a pair of small coin offerings.

If not a scam, should I buy?

The success rate for new companies is notoriously low. You may find an investment idea with a promising product, a legitimate, well-meaning team and even, perhaps, celebrity appeal. But the company may still fail to find a market. Many coin offerings come from people who started working on their idea only weeks ago. Be prepared to endure losses.



Document J000000020171004eda40000p

THE WALL STREET JOURNAL.
U.S. EDITION

The Lesson to Be Learned From a Placid Market

By Ben Eisen
347 words
4 October 2017
The Wall Street Journal
J
B15
English

Investors and traders may remember 2017 as the year the **stock market** never woke up.

With less than three months to go, the **S&P 500** has moved 1% or more in either direction on just eight occasions this year. The last time the index had so few big moves during a comparable period was in 1972.

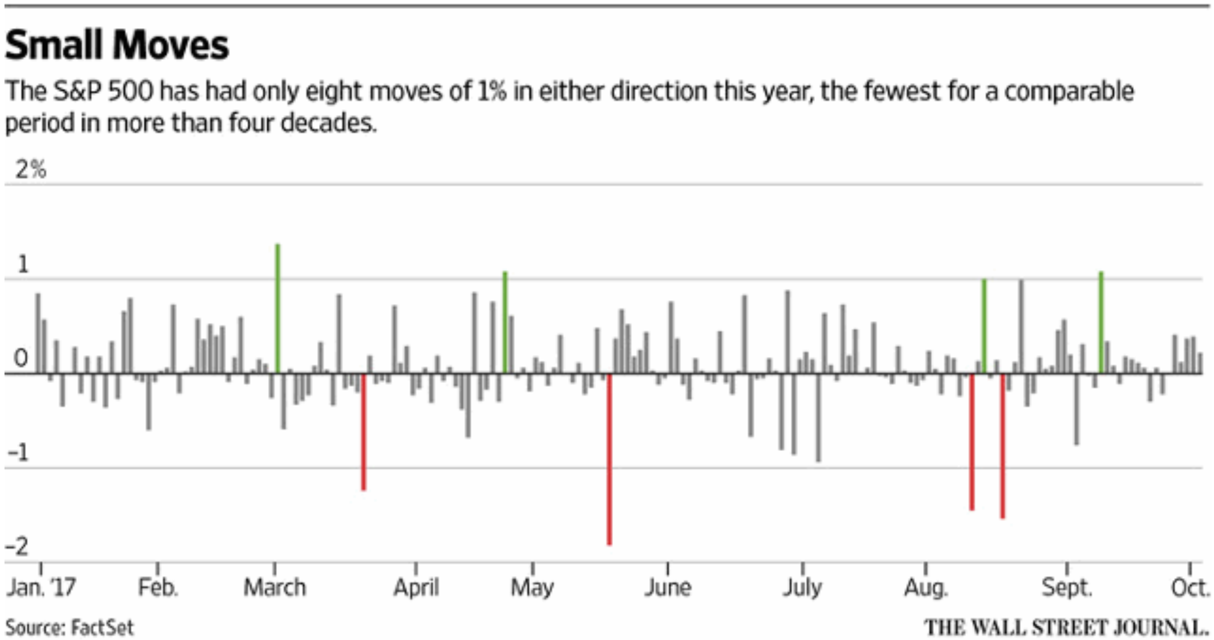
It is a reminder that calm seems to find its way to the market when investors are least expecting it.

Many strategists predicted a major selloff if Donald Trump was elected president last November. Stocks have instead rallied. Some of those same prognosticators predicted a similar selloff if Mr. Trump's policy agenda, particularly tax cuts, failed to come to fruition. Yet the market continued to climb even as a tax deal remains far off.

The CBOE**Volatility** Index, an options-based measure that tends to rise and fall alongside expected swings in the **stock market**, has averaged 11.33 this year, on track for its lowest since the index launched in 1993. If it ends the year at this level, it would be a full point below the 12.39 average in 1995, the record before this year.

While there have been many reasons to expect a pullback, there have also been important factors supporting the **S&P 500**'s 13% rise this year. U.S. gross domestic product rose 3.1% in the second quarter, the strongest in two years, a robust rebound after a weak first quarter. **S&P 500** earnings gained more than 10% in each of the year's first two quarters and are projected to have racked up another period of solid growth in the July-to-September quarter. Meanwhile, global central banks have maintained easy monetary policies that have created loose financial conditions, helping to prop up the market.

But it is an outcome few had predicted at the end of last year, showing once again the markets always seem to defy expectations.



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The New York Times

Business/Financial Desk; SECTB
Airlines and Automakers Lift Markets

By ASSOCIATED PRESS
576 words
4 October 2017
The New York Times
NYTF
Late Edition - Final
3
English

Airline and automaker stocks took off on Tuesday and helped indexes in the United States push a bit further into record territory. Trading was again quiet over all, with only modest moves for bond yields, commodities and other markets.

The **Standard & Poor's 500-stockindex** rose 5.46 points, or 0.2 percent, to 2,534.58 for its sixth straight day of gains. The **Dow Jonesindustrial average** rose 84.07, or 0.4 percent, to 22,641.67, and the **Nasdaq composite** index rose 15.00 points, or 0.2 percent, to 6,531.71. The Russell 2000 index of small-cap stocks added 2.49, or 0.2 percent, to 1,511.97. All four indexes are at records.

Airlines led the way after Delta Air Lines updated its forecast for third-quarter results. Delta, based in Atlanta, expects to report roughly 2 percent growth in a key revenue measurement, which would be at the high end of the forecast range it had given a month earlier, after accounting for the hit that it took from Hurricane Irma.

Delta jumped $3.18, or 6.6 percent, to $51.25 for its best day since January 2015. United Continental, American Airlines Group and Southwest Airlines also each rose more than 4 percent.

Outside of airlines and a handful of other big movers, though, markets were generally quiet. No big economic reports were on the docket, and few companies reported quarterly results.

In the coming weeks, the market will be looking to hear more about whether Washington will be able to cut tax rates for companies and others. Investors may also get clues about who the next leader of the Federal Reserve will be, and most companies will begin reporting third-quarter results.

General Motors and Ford Motor were some of the market's top performers after each reported strong sales growth in the United States for last month. It's a turnaround for automakers, which had seen sales drop across the industry through the first eight months of the year.

G.M. climbed $1.30, or 3.1 percent, to $43.45, and Ford gained 25 cents, or 2.1 percent, to $12.34.

The yield on the **10-year Treasury** note fell to 2.32 percent from 2.34 percent late Monday. The two-year yield fell to 1.46 percent from 1.49 percent, and the 30-year yield dipped to 2.86 percent from 2.87 percent.

The dollar inched up to 112.90 Japanese yen from 112.65 yen late Monday. The euro rose to $1.1752 from $1.1746, and the British pound dipped to $1.3247 from $1.3286.

Gold slipped $1.20 to settle at $1,274.60 per ounce, silver was close to flat at $16.65 per ounce, and copper rose 1 cent to $2.96 per pound.

Benchmark United States crude dipped 16 cents to settle at $50.42 per barrel. Brent crude, the standard for international **oil prices**, fell 12 cents to $56 per barrel. Natural gas fell 2 cents to $2.90 per 1,000 cubic feet, heating oil dropped 2 cents to $1.75 per gallon, and wholesale gasoline rose a penny to $1.57 per gallon.

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

Document NYTF000020171004eda40005l

The New York Times

Business/Financial Desk; SECTB
Gun Stocks Rise Tepidly After Attack

By TIFFANY HSU
722 words
4 October 2017
The New York Times
NYTF
Late Edition - Final
3
English

Stock prices for firearm companies rose this week after a gunman killed dozens of people in Las Vegas, an apparent continuation of a morbid trend linked to mass shootings.

But investors were more muted than they had been in recent years, a sign of Wall Street's increasing skepticism about how much influence mass shootings can exert on gun control legislation, especially in a Trump administration.

Although the 2016 presidential election eased concerns among gun advocates about tighter rules, gun companies have struggled since the vote, with falling sales and excess inventory.

The shooting on Sunday was the deadliest in modern American history, with at least 59 people dead and more than 520 injured. The tragedy drew calls for gun control, as such massacres have in the past.

The prospect of tighter gun rules often leads consumers to stockpile firearms. Wall Street, sensing a sales upswing, piles into gun manufacturer and retailer stocks.

This time, however, its reaction seemed more tepid than it was after previous major shootings.

On Monday, shares in Sturm, Ruger & Company, the Southport, Conn., maker of Ruger handguns and rifles, rose 3.5 percent, then an additional 2.1 percent on Tuesday. Last year, the day after a gunman killed 49 people and wounded 53 at the packed Pulse nightclub in Orlando, Fla., on June 12, 2016, the gun maker's **stock price** swung up 8.5 percent. And it eventually rose 10 percent in the days after two attackers killed 14 people and wounded 17 in San Bernardino, Calif., on Dec. 2, 2015.

Stock movements at American Outdoor Brands, the Springfield, Mass., company that owns Smith & Wesson, were similar. The price was up 3.2 percent on Monday and 2.4 percent on Tuesday, compared with increases of 6.8 percent after the Orlando shooting and 11.5 percent in the days after the San Bernardino attack.

In previous years, stock prices for firearms companies sometimes fell after mass shootings, such as the December 2012 killings in Newtown, Conn.

President Trump's perceived ambivalence toward gun control could be tamping down firearms sales, analysts said. Mr. Trump's candidacy was endorsed by the National Rifle Association, and he has declared himself a ''true friend and champion'' of gun owners.

On Tuesday, he said, ''We will be talking about gun laws as time goes by,'' but offered no specifics.

Analysts from Wedbush said in a report last week that consumers expected to buy more guns this year than they did in 2016, but added that ''a Republican-dominated government that poses no threat of enacting new gun regulation has taken much of the urgency out of gun purchases in recent months.''

A year ago, gun company stocks were gaining. Investors, looking at the polls, figured that Hillary Clinton -- an advocate of tougher rules against firearms -- would win the White House. They projected a postelection surge of gun purchases.

Gun stocks sank as much as 26 percent in the days after Mr. Trump's victory.

In eight of the 10 full months since then, the F.B.I. conducted fewer background checks for firearms -- a rough proxy for gun sales -- than in the same months a year earlier. The agency's National Instant Criminal Background Check System processed nearly two million checks in September, compared with the record high of 3.3 million in December 2015.

In September, American Outdoor Brands reported that its quarterly sales had fallen 37.7 percent from a year earlier. In August, Ruger said its sales had slumped 22 percent.

Ruger blamed reduced purchasing by retailers trying to scale back their inventories and ''aggressive price discounting and lucrative consumer rebates'' offered by competitors.

The company also noted ''decreased overall consumer demand in 2017 due to stronger-than-normal demand during most of 2016, likely bolstered by the political campaigns for the November 2016 elections.''

But some analysts see the so-called Trump slump in gun sales as a temporary state.

''We see an industry that, while beleaguered with excess inventory, elevated promotions and questionable manufacturer strategy, is showing no signs of going away,'' Wedbush analysts wrote in their report.

An N.R.A. exhibit this year in Atlanta. Consumers often stockpile firearms after mass shootings. (PHOTOGRAPH BY SCOTT OLSON/GETTY IMAGES)

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THE WALL STREET JOURNAL.
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REVIEW & OUTLOOK (Editorial)
Trump and the Fed

919 words
4 October 2017
The Wall Street Journal
J
A16
English

Donald Trump has thrown more than one curve ball since becoming President, but his looming choice to run the Federal Reserve Board could be his biggest bender to date. He may choose a Fed Chairman who represents the monetary policies that have favored the affluent and done little or nothing for the real economy.

Mr. Trump is considering a mix of insider and outsider candidates. The insiders include current Chair Janet Yellen, whose term expires early next year, and five-year Fed board veteran Jerome "Jay" Powell. The outsiders include Kevin Warsh, a Fed Governor during the financial crisis, and John Taylor, the distinguished Stanford monetary economist. Mr. Trump should know what these choices mean for monetary policy, which as George W. Bush learned can destroy an economic legacy.

Ms. Yellen and Mr. Powell represent the monetary policies that have prevailed since the 2008 financial panic -- and whose consequences Mr. Trump campaigned against. These include bond-buying to drive investors into riskier assets like stocks and junk bonds. This was helpful in the gale of the 2008-2009 panic but has been counterproductive as time has gone on.

The affluent who hold financial assets have done very well as stock prices have climbed. But this financial engineering hasn't helped the overall economy, which has stumbled along at 2% growth. This has exacerbated income inequality, and slow wage gains are one reason so many working-class voters turned to Mr. Trump in 2016. Why would the President want to embrace that policy now?

Mr. Trump may like that the Yellen-Powell Fed has kept interest rates low, but he shouldn't think that will continue. The Fed staff and current board majority believe the economy is already near full employment and can't grow much faster without triggering inflation. They believe the economy suffers from "secular stagnation" that limits growth.

But Mr. Trump is counting on tax reform and deregulation to boost growth to 3% a year from 2%. If that growth happens, the Yellen-Powell Fed may believe it has to raise rates rapidly, endangering faster growth. Guess whose policies will be blamed? Not the Fed's.

This is why the old "hawk vs. dove" monetary debate isn't all that relevant at the current moment. Outsiders like Messrs. Warsh and Taylor, or Columbia's Glenn Hubbard, believe that tax reform and deregulation can increase the economy's capacity to grow above 3%. They therefore might raise interest rates more slowly than the Yellen-Powell faction would.

The outsiders think the Fed's main recent mistake has been taking so long to unwind its $4.5 trillion balance-sheet holdings. These Fed purchases are a political overhang in the economy that misdirects capital to big companies and government. The great unwinding has now begun but no one knows what economic impact it will have. This is one reason to be cautious about raising rates if inflation remains low.

Mr. Trump might also notice that the same people who hate his tax reform also oppose the outsider Fed candidates. The economic left has been staging its own panic since word broke last week that the President had interviewed Mr. Warsh. Progressives aren't worried Mr. Warsh would raise rates; they're worried he'd support the Trump tax and deregulation agenda.

Another issue is the need for a Fed Chair who can maneuver in a financial crisis. Whatever his talents as a salesman, Treasury Secretary Steven Mnuchin has no experience with turbulent **financial markets**. Mr. Powell arrived at the Fed after the crisis and hasn't been an intellectual leader on the board. His main market experience is with the Carlyle Group, the private-equity outfit. Ms. Yellen was president of the San Francisco Fed during the panic but wasn't one of the Fed's leaders at the time.

By contrast, Mr. Warsh was part of former Fed Chairman Ben Bernanke's inner circle during the worst of the panic. Having worked at Morgan Stanley, he provided crucial insight into the real condition of Wall Street, and well before the panic he told his Fed colleagues that the financial system was vastly undercapitalized.

"I think, most fundamentally, that the business model of investment banks has been threatened, and I suspect the existing business model will not endure through this period," Mr. Warsh told a Fed meeting on March 18, 2008, according to the official transcript. At the same meeting, then Fed Vice Chairman Tim Geithner disagreed: "It is very hard to make the judgment now that the financial system as a whole or the banking system as a whole is undercapitalized." Mr. Warsh was right.

At the Bush Treasury in 2001-02, Mr. Taylor helped to prevent a currency crisis in Latin America after Argentina defaulted on its debt. Both Messrs. Warsh and Taylor also have contacts around the world and know the importance of global exchange rates to financial stability.

All of this would make it a stunner if Mr. Trump bet on the Yellen-Powell Fed for the next four years. It would be comparable to promising as a presidential candidate to nominate someone like Antonin Scalia to the Supreme Court and then nominating a younger version of Ruth Bader Ginsburg. Mr. Trump needs a Fed Chairman who won't be a hostage to the Fed staff or at odds with the President's growth agenda. He needs an outsider who is a reformer.

Document J000000020171004eda40000u

THE WALL STREET JOURNAL.
U.S. EDITION

Streetwise: Taxing Times for the Markets

By James Mackintosh
823 words
3 October 2017
The Wall Street Journal
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B1
English

Investors always face two big unknowns: They don't know what will happen, and they don't know how the market will respond. Making it even harder, there is no way to be sure afterward why the market did what it did. And the tales investors tell themselves as a way of explanation are often too simplistic.

The White House tax plan is the big opportunity for investors right now, and many see the risks only about whether it will happen and how big it will be, not in how it will affect the market. It just seems obvious that tax cuts will produce effects similar to the "Trump trade" that gripped the markets after Donald Trump's election last year. Stocks will advance, led by banks, smaller companies, high-tax companies and economically sensitive cyclical stocks. Bond yields and the dollar will go up, and emerging markets will underperform.

The trouble for investors is that exactly this has already been happening in recent weeks.

If it was all about taxes, these market trends would suggest there has been a huge reassessment of the prospects of the plan passing Congress.

In turn, if tax cuts are already priced in, the market will react less if and when they get passed. We need to know why markets moved to assess just how much is priced in so far, and how much further they are likely to move in the future.

Unfortunately, explaining the past month's price moves is hard, because there is a lot more going on than just taxes.

The markets appear to have shifted after the first week of September, when Mr. Trump did a deal with Democrats to extend the debt-ceiling deadline for three months.

After that, investors began to price in a greater chance of a Federal Reserve interest-rate increase in December, bond yields and the dollar started their ascent and the Russell 2000 index of smaller companies -- already up from its summer low -- stormed ahead along with companies with a higher-than-average tax rate.

The moves look in many ways like a classic reflation trade. When investors bet on a stronger economy, they expect interest rates and bond yields to rise, which helps banks. Economically sensitive cyclical sectors such as industrials and consumer discretionary do well.

Defensive sectors such as health care and consumer staples underperform, while those offering profit growth whatever happens to the economy -- notably the "FANGs" of Facebook Inc., Amazon.com Inc., Netflix Inc. and Google, now Alphabet Inc. -- become less appealing.

Bond proxies in the **stock market** are shunned when Treasury yields increase, and, sure enough, utilities have been the worst-performing sector since early September.

Even high-tax companies should be expected to do better in a reflation trade (although like smaller companies, high-tax stocks began outperforming in August with little obvious news). The winners from a stronger dollar are companies with little in the way of international sales, precisely the ones with the highest tax rates.

On one level, then, this doesn't involve taxes at all, just a positive interpretation of the Fed. If stronger growth pushes the Fed toward higher interest rates, shareholders are happy to focus on the growth.

On another level, if investors are marking up the chance of a tax deal, investors should also expect higher rates. Unfunded tax cuts put upward pressure on inflation. With little slack in the economy, that should push the Fed toward tighter policy.

Perhaps the deal with the Democrats convinced investors to look past the rhetoric and conclude that Mr. Trump can take a pragmatic approach after all?

There is a more complex story, which is also better for those betting on tax cuts.

Both emerging markets and high-tax stocks did little in the first three weeks of September and a lot as the tax-plan announcement neared last week. Emerging-markets shares had their worst six days since the November election, while high-tax stocks sharply outperformed.

On this telling, markets have priced in a higher chance of a tax cut, but not nearly so high as if we time the switch from early September.

That suggests investors are right to think there is plenty further to go in the mini-Trump trade if the tax cuts come through.

Of course, we will only find out how much is priced in by watching how the market moves if the tax cuts actually happen -- by which time it will be too late.

Investors who want to profit have to decide now why prices have moved in order to work out what probability the market places on a tax cut. Only then can they compare the market's odds with their own judgment of the $2 trillion unknown, the chance Mr. Trump has of getting his tax plan through Congress.

Document J000000020171003eda30001g

The New York Times

Business/Financial Desk; SECTB
Upbeat U.S. Manufacturing Report Helps Drive Major Indexes to New Highs

By THE ASSOCIATED PRESS
719 words
3 October 2017
The New York Times
NYTF
Late Edition - Final
4
English

Markets in the United States set more records on Monday as health care companies and banks continued to surge and investors grew more optimistic about a recovery in manufacturing

Stocks got a lift after the Institute for Supply Management said United States factory activity hit a 13-year high in August. Investors snapped up shares of companies linked to more rapid economic growth, like banks and health care and industrial companies as well as smaller, United States-focused companies. High-dividend stocks, which are traditionally considered safer and more cautious investments, trailed the rest of the market. Energy companies missed out on the gains as investors worried about rising oil supplies.

In the last few weeks, stocks have returned to the pattern they followed from the November presidential election to President Trump's inauguration in January: Growth-oriented stocks have risen while the dollar has strengthened and bond yields have increased.

''We've seen this acceleration in global earnings growth over the last couple of months,'' said Mark Hackett, chief of investment research at Nationwide Investment Management. ''We've seen the rest of the world kind of pick up where the U.S. has been going.''

Mr. Hackett added that investors in the United States seemed to have gotten more optimistic that a tax cut package and an infrastructure spending bill could pass a bitterly divided Congress.

The **Standard & Poor's 500-stockindex** rose 9.76 points, or 0.4 percent, to 2,529.12. The **Dow Jonesindustrial average** advanced 152.51 points, or 0.7 percent, to 22,557.60. The **Nasdaq composite** index gained 20.76 points, or 0.3 percent, to 6,516.72. The Russell 2000 index of smaller-company stocks jumped 18.61 points, or 1.3 percent, to 1,509.47. All four indexes finished at nominal record highs.

Leaders in health care included the genetic testing equipment company Illumina, which gained $3.03, or 1.5 percent, to $202.23. Allergan, the maker of Botox, climbed $6.03, or 2.9 percent, to $210.98. Among industrials, General Electric jumped 39 cents, or 1.6 percent, to $24.57.

Benchmark United States crude fell $1.09, or 2.1 percent, to $50.58 a barrel in New York. Brent crude, the standard for international **oil prices**, shed 71 cents, or 1.3 percent, to $56.08 a barrel in London.

MGM Resorts stock fell after a man shot and killed at least 58 people and wounded more than 500 at a concert near the company's Mandalay Bay Resort and Casino in Las Vegas. MGM Resorts lost $1.82, or 5.6 percent, to $30.77.

Gun manufacturers traded higher, as they often do after shooting episodes, on speculation that the violence would lead to greater gun sales. Sturm, Ruger jumped $1.80, or 3.5 percent, to $53.50 and American Outdoor Brands, the parent of Smith & Wesson, rose 49 cents, or 3.2 percent, to $15.74.

The euro declined and Spanish stocks dropped as investors reviewed an independence vote and unrest in Catalonia. Officials in the region, which includes Barcelona and accounts for a large portion of Spain's economy, say an overwhelming majority of voters supported independence from Spain. The central government says the referendum is invalid and illegal.

The Spanish IBEX index dropped 1.2 percent.

The dollar rose to 112.74 yen from 112.52 yen. The euro fell to $1.1733 from $1.1817. That sent most European stock indexes higher, as it makes exports cheaper and raises overseas company earnings.

Bond prices were little changed. The yield on the **10**-**year Treasury** note held steady at 2.34 percent.

Gold lost $8.80 to $1,272.70 an ounce. Silver fell 2 cents to $16.65 an ounce. Copper remained at $2.96 a pound.

The Japanese benchmark Nikkei 225 index rose 0.2 percent. Markets in Hong Kong and South Korea were closed Monday for national holidays.

CHARTS: The Dow Minute by Minute: Position of the **Dow Jones industrial average** at 1-minute intervals on Monday. (Source: Reuters); 3-Month Treasury Bills: High rate at weekly auction. (Source: The Bond Buyer)

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THE WALL STREET JOURNAL.
U.S. EDITION

Markets Review & Outlook: Third Quarter: Bitcoin Sets Record in a Wild Quarter --- Digital currency finishes up near 70% during quarter while coin offerings boomed

By Paul Vigna
694 words
2 October 2017
The Wall Street Journal
J
B6
English

Bitcoin more than doubled in price, then plunged by one-third in what was a hectic three-month period even by the virtual currency's Wild West standards.

Bitcoin surged to an intraday record of $5,014 on Sept. 2, about twice the price on July 1 and 158% above its intraday low for the quarter, set July 16, according to news and research site CoinDesk. Sept. 2, a Saturday, also marked the top of a furious yearlong rally, as bitcoin would then slide more than $2,000 before finishing Friday at $4,182, up 67% over the three-month period.

During the quarter, new crowdfunding vehicles backed by bitcoin and the newer Ethereum currency drove enthusiasm, as did growth in investor interest in Japan and South Korea. But new restrictions on bitcoin trading in China drove prices down in September.

Trading was lively not just for the original cryptocurrency but for hundreds of smaller tokens as well.

The early-September highs marked the turning point. While bitcoin trades 24 hours a day, seven days a week, The Wall Street Journal's market-data group also measures a once-a-day closing price weekdays at 5 p.m. Eastern time. By that count, bitcoin peaked on Sept. 2 at $5,014. Bitcoin traded as low as $1,837 on Sunday, July 16, before closing the next day at $1,939.

In all, the virtual currency spanned a range of $3,100 in less than two months, a **volatile** quarter that followed a calmer period in 2016.

The entire cryptocurrency market -- a burgeoning cluster of more than 1,000 digital currencies and token-like "alt-coins" -- rose to a total market value of $177 billion during the quarter, according to website coinmarketcap, driven by the almost manic boom in the new-age crowdfunding vehicles called initial coin offerings, or ICOs.

For the crypto sector in total, there were more than 105 offerings that closed in the quarter, raising a record $1.32 billion, according to research firm Token Report. Ethereum , the second largest digital currency by total dollar value, and the basis for many of the initial coin offerings, ended Friday at $294, up 3.1% for the quarter after surging more than 30-fold during the first half of the year.

The coin-offering phenomenon has created vast wealth for hundreds of startups, many of which don't even have working products. It also has produced its share of risky investments and outright scams.

That combination of promise and peril compelled the U.S. Securities and Exchange Commission to declare July 25 that some coin offerings could be classified as securities under existing law.

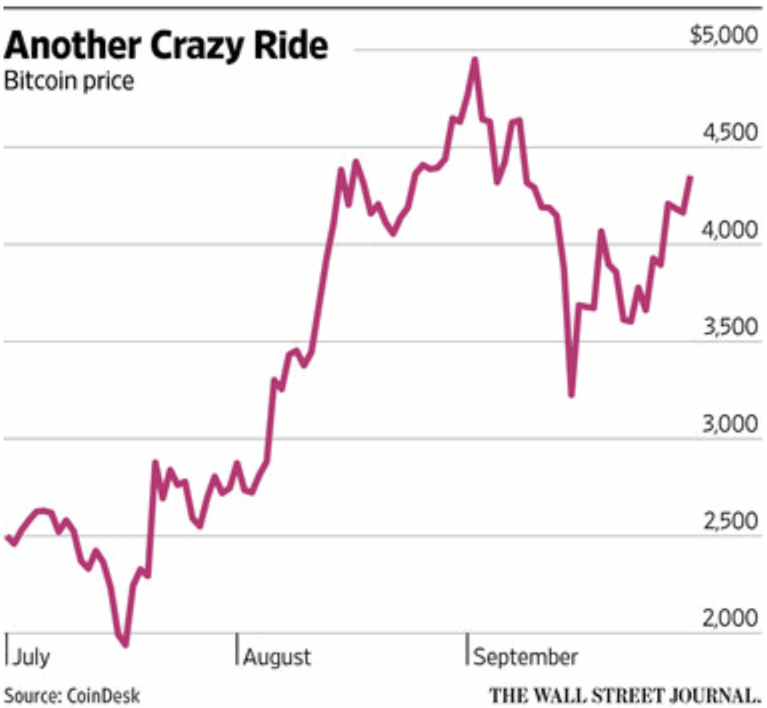
To date, the SEC hasn't brought a major enforcement action, but the July report was widely seen as putting the industry on notice. On Friday, the agency charged a businessman and two companies with defrauding investors in a pair of small coin offerings purportedly tied to real estate and diamonds.

Still, some of the largest offerings to date were conducted during the quarter. In July, a startup named Tezos raised $232 million, a record amount at the time. The record lasted for less than a month. Another startup called Filecoin raised $257 million in August.

The most chaotic developments, though, came out of China. On Sept. 4, China declared that coin offerings were illegal and ordered them to "cease immediately."

Chinese businesses had raised about $400 million via coin offerings in the first half of the year, and the move basically shut down the burgeoning business overnight. The country went a step further. Without formally announcing it, the government essentially shut down digital-currency exchanges in the nation, a huge blow for bitcoin in once vibrant Chinese markets.

While China was trying to slow down the bandwagon, celebrities were jumping on it. First, boxer Floyd Mayweather promoted two coin offerings through his social media accounts. Socialite Paris Hilton did the same. Oscar-winning actor Jamie Foxx added his name to yet another.



Document J000000020171002eda20001v

The New York Times

Business Day; DealBook
Hiking Mountains, Gladly, With a Marine Turned Fund Manager

By LANDON THOMAS Jr.
1,556 words
2 October 2017
05:39 PM
NYTimes.com Feed
NYTFEED
English

FORT INDIANTOWN GAP, Pa. — It was 9 p.m., and about 60 financial executives chattered nervously outside a barrack full of bunk beds at this United States Army training post in central Pennsylvania.

They had come from New York, Toronto, Philadelphia and beyond at the behest of Wesley R. Gray, an investment manager and former Marine Corps officer, to trek 28 miles through the mountains. The truly motivated would lug 30-pound packs.

“We are here to march for the fallen,” Mr. Gray shouted, describing the next day’s hike as a “haze ex,” Marine jargon for a hazing exercise. He distributed dogtags of troops who had died in battle, ordering that they be worn on the march.

In the cult-like world of machine-driven, systematic investing, chasing the latest philosopher king up a mountain counts as just another day at the office.

Mr. Gray runs a $700 million asset management firm and has published three books about his conviction that quantitative investing is superior to the human variety.

He has attracted an intense following among billionaire investors, pension funds and exchange-traded-fund junkies who reject the old Wall Street way of mutual and hedge fund managers charging steep fees for mediocre returns.

That Mr. Gray, who is 37, was once an embedded adviser to the Iraqi Army, works out of a garage in suburban Philadelphia and uses the Marine Corps motto Semper Fi to sign off on emails has only added to his mystique.

With its reliance on trading algorithms that replicate a wide range of investment strategies, Mr. Gray’s firm, Alpha Architect, represents the knife edge of perhaps the biggest trend in finance today: the replacing of human beings with machines and models. He’s up against some of the world’s biggest financial institutions, including the likes of BlackRock.

Since his days studying finance in college, Mr. Gray has been trying to devise computer models that can unearth **stock market** winners more efficiently than fund managers.

The explosion in popularity of exchange traded funds, which track market indexes while trading like a stock on a public exchange, has allowed him to put his theory to the test.

So, instead of a retail investor scratching his head over which fund manager might be best at picking value or growth stocks, Mr. Gray is promoting his own fleet of E.T.F.s that provide maximum exposure to these investment “themes” on the basis of his computer models. While traditional E.T.F.s track indexes, a new breed has a different goal: using machines to replicate what traditional fund managers do, minus the high fees and unreliable performance.

“Everything we do is based on how we get rid of the human and how we program instead,” Mr. Gray said.

By design, Mr. Gray’s funds are **volatile**. His algorithms target stocks that appear deeply undervalued or poised for explosive growth. Those are the same types of stocks that tend to be susceptible to violent price movements.

His four funds' records are mixed. An international value fund returned 30 percent over the past year. A momentum fund, though, was up 9 percent during the same period. By comparison, the **Standard & Poor**'**s 500**-**stockindex** is up about 17 percent.

The September trek was organized by the Pennsylvania National Guard to honor fallen troops. For the past two years, Mr. Gray has used the event as a venue for like-minded investors to gather in an unconventional setting.

At 8 a.m. on the day of the hike, Mr. Gray was among a swarm of about 500 civilians and enlisted personnel pushing up the mountainside. His group included a few clients and a collection of investment advisers and E.T.F. specialists who, beyond their shared interest in high finance, wanted to see if they could keep up with Mr. Gray. There were also several job applicants whom he was judging for mental toughness.

Mr. Gray was walking briskly, and he bore his 40-pound pack with ease.

He is a compact, wiry man who wears his hair military-style short. He livens up long riffs on efficient markets theory with persistent profanity.

In contrast to his interviewer, his conversation was not interrupted by heavy breathing.

Growing up on a ranch in Colorado, Mr. Gray had a gift for numbers as well as a desire to serve his country.

In 2004, two years into a finance Ph.D. program at the University of Chicago, Mr. Gray enlisted in the Marines and became a ground intelligence officer. In 2007, he spent eight months fighting with Iraqi soldiers in western Iraq, an experience he detailed in one of his four books.

He left the Marines in 2008 and eventually landed a job as a finance professor at Drexel University. His academic writings focused on themes such as whether hedge fund managers are any good as stock pickers (the answer, Mr. Gray concluded, was not really).

In 2011, he fielded a phone call from Edward J. Stern, the son of the billionaire investor Leonard Stern. The younger Mr. Stern was responsible for investing the family fortune, and he had grown frustrated with humans as investors, having seen firsthand the losses his fund managers had racked up during the financial crisis. He was taken with Mr. Gray's musings about building computer models that, in theory, would be cheaper and more efficient than paying high fees to a fallible hedge fund hotshot.

"He opened my eyes to systematic, quant, get-the-human-element-out style of investing," Mr. Stern said. "It made a lot of sense to me."

After a few years of consulting with Mr. Stern, Mr. Gray persuaded him to seed a fund that would deploy these strategies with $20 million.

Today, Mr. Gray's fund manages just over $700 million on behalf of pension funds and wealthy individuals and families.

Mr. Gray still works out of his garage. There are now seven employees, four of whom have military backgrounds — including a Navy pilot, a combat engineer from the Army and one other Marine.

He is holding true to the sell-your-brain, not-your-product philosophy that got him started as an investor — churning out books, papers, blog posts and tweets.

Alpha Architect bills itself as an educator first, promoting to the masses the merits of computer-driven investing. The company's motto is an asset manager built to educate.

Mr. Gray says that when he hires, the first thing he looks for are people skilled in explaining arcane financial topics to a broader audience, via white papers, podcasts and various forms of social media.

So don't bother asking him how he markets his funds.

"You know there is this saying on Wall Street that products are sold, not bought," he said. "We said, 'Screw that. Our products are bought, not sold.' In fact, we anti-sell. People call me up, and I say, 'Hey, go read my book or this 50-page blog post.'"

While he has attracted sophisticated institutions and multimillionaires to invest in his main fund, it remains unclear how successful he will be at persuading smaller (and less knowledgeable) investors to purchase his E.T.F.s.

His largest fund, U.S. Quantitative Value, launched in 2014 and still has assets of just $74 million, making it a minnow compared with other multibillion-dollar E.T.F.s

“They are not for everyone,” said Ben Johnson, an E.T.F. expert at Morningstar and a participant in the march. Indeed, Mr. Johnson said, referring to the **volatility** of Mr. Gray’s funds, “you have to be willing to have your face ripped off from time to time.”

In a way, it was that willingness that led 60 middle-aged finance professionals (and one senseless reporter) to march up and down mountains, with heavy packs, in 80-degree heat — on a Saturday, no less.

The hardier among us finished the course in eight hours.

That group did not include Mr. Gray. He brought up the rear, cajoling the last of his followers to stumble across the finish line nearly two hours later.

A good money manager, after all, never leaves a client behind.

The annual March for the Fallen, recognizing deceased soldiers, in Fort Indiantown Gap, Pa., has become a venue for the investment manager Wesley R. Gray to gather like-minded investors. | Mark Makela for The New York Times | Mr. Gray, center, a former Marine, organized about 60 financial executives to participate in the march. He runs Alpha Architect, a $700 million asset management firm, using quantitative investing. | Mark Makela for The New York Times | Soldiers standing at attention as the color guard passes during an opening ceremony before the march. | Mark Makela for The New York Times | Gathering before dawn to march. | Mark Makela for The New York Times | Charlie Shaffer wears a dog tag for Ryan Sorensen, a Navy Seal who died in Afghanistan in 2012. Mr. | Mark Makela for The New York Times | At the march, a photo display of veterans killed in the line of duty drew strong emotions. | Mark Makela for The New York Times | A segment of the march. | Mark Makela for The New York Times

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THE WALL STREET JOURNAL.
U.S. EDITION

MoneyBeat: September Stinks for Stocks? Not This Time

By Ben Eisen
291 words
2 October 2017
The Wall Street Journal
J
B13
English

The **stock market** keeps on cruising.

The **S&P 500** closed out the third quarter by rising 0.4% Friday to a record, its 39th of the year. That is only the fourth record ever achieved on the last trading day of September, according to S&P Dow Jones Indices. The last one was in 1996.

September is typically the worst-performing month of the year. Since 1950, the benchmark has averaged a 0.5% decline for the month.

This year the **S&P 500** rode robust corporate earnings and accelerating global growth to rise 1.9% in September.

The market glided through a series of rally-threatening events. Apple Inc., the largest U.S. company by market cap, unveiled three hotly anticipated iPhone models. The stock finished September down 6%.

A war of words continued to escalate between the U.S. and North Korea. The White House and Congress punted an end-of-month debt ceiling deadline until December. And another attempt to repeal Obamacare fell flat in the Senate.

Finally, the Federal Reserve signaled that it is planning one more rate increase this year. The more hawkish outlook surprised many investors who expected that the central bank would hold off, given the recent string of weak inflation readings.

Yet despite numerous potential stumbling blocks, the market only grew calmer over the course of September.

The CBOE**Volatility** Index, or VIX, an options-based measure of expected **stock market** swings, dropped below 10 for much of the last few weeks after briefly jumping above 15 in August. The gauge ended the quarter at 9.51, near its lowest level on record.

Document J000000020171002eda20000i

THE WALL STREET JOURNAL.
U.S. EDITION

Heard on the Street
Overheard

162 words
2 October 2017
The Wall Street Journal
J
B13
English

[Financial Analysis and Commentary]

The end of the third quarter is often a nervous time in the market with September being the weakest month of the year and October the month of epic crashes.

Now, as Merrill Lynch analysts say, the "best reason to be **bearish** in 4Q is there is no reason to be **bearish**."

Well, there are reasons, which Merrill cites. The **S&P 500** hasn't lost 5% in 318 trading days and the global market cap is up $18.5 trillion in that time, roughly the annual output of the U.S. economy.

Few analysts appear worried though. Standard Chartered went to China and expects "stronger political leadership" and "steady economic growth in the foreseeable future."

Barclays says the world is just fine.

"We do not see a plausible catalyst that could upset valuations in risky assets for the rest of 2017." That is reason enough to start looking.

Document J000000020171002eda20000h

The Week Ahead
Business Day
Labor Case Before Supreme Court and Jobs Numbers for September

By THE NEW YORK TIMES
1,094 words
1 October 2017
09:04 PM
NYTimes.com Feed
NYTFEED
English

Here’s what to expect in the week ahead:

LABOR

Supreme Court to hear employee rights case.

On Monday, the first day of its new term, the Supreme Court will hear arguments about one of the central questions in today’s workplace: whether companies can require workers to forfeit their rights to join together in lawsuits or arbitration proceedings against their employers. The court accepted three cases that produced conflicting rulings in federal appeals courts. In two of those cases, the appeals courts ruled that employers violate federal labor law when they require employees to forfeit these rights. In a third case, the appeals court ruled these kinds of employment contracts can be legal. Because of the cost of legal representation, experts say, workers are far less likely to sue their employers over issues like safety violations or wage theft if they cannot band together to do so. Noam Scheiber

ECONOMY

An industry group will report on manufacturing.

The Institute for Supply Management will release its latest report on the state of American factories on Monday. Manufacturing has been a point of emphasis for President Trump both as a candidate and since taking office; in a speech Friday, he told the National Association of Manufacturers that “the era of economic surrender is over” and promoted his new tax plan, which would slash taxes on businesses. Manufacturing has performed well so far in 2017, and a survey on Friday found that executives in the sector are upbeat about the rest of the year. Ben Casselman

CYBERSECURITY

Ex-C.E.O. of Equifax Called to Capitol Hill

Consumers will finally get to hear from the former chief executive officer of Equifax, Richard F. Smith, who will testify before Congress about the credit bureau’s security breach that potentially exposed the sensitive data of 143 million Americans. Mr. Smith, who stepped down from his position last Tuesday amid mounting consumer outrage, will testify several times before congressional committees. His first stop, on Tuesday, will be at the House Energy and Commerce Committee: Its subcommittee on Digital Commerce and Consumer Protection is holding a hearing called “Oversight of the Equifax Data Breach: Answers for Consumers.”

On Wednesday, Mr. Smith will appear before the Senate Banking Committee for another hearing, which will also examine the circumstances surrounding the breach. Then, on Thursday, Mr. Smith is scheduled to testify before the House Financial Services Committee. Tara Siegel Bernard

AUTO INDUSTRY

Auto sales and a trip to Wall St. by Ford’s chief

On Tuesday, automakers are expected to report a slight uptick in new car sales in September, thanks to higher incentives, increased purchasing in the wake of hurricanes in Texas and Florida, and brisk Labor Day sales. It would be the first monthly rise that the industry has recorded since December. Analysts remain cautious for the longer term and expect sales to fall this year and again in 2018, after hitting a record of 17.5 million vehicles last year.

Also on Tuesday, Ford Motor's new chief executive, Jim Hackett, is scheduled to lay out his vision for the company. Mr. Hackett, a former chief executive of Steelcase, replaced Mark Fields in May amid board concerns about the company's lagging **stock price** and its direction on autonomous vehicles and other new technologies. Investors are hoping that Mr. Hackett will present a compelling strategy for improving profitability in the short term and catching up on electric cars and self-driving vehicles. Neal E. Boudette

TECHNOLOGY

Google to unveil new phones and other devices.

Google is preparing to unveil a series of new hardware products on Wednesday. The big reveal is expected to be two new "Pixel" smartphones. Last year was the first time that Google sold a smartphone under the Pixel brand. The phones received strong reviews, but did not do much to crack the premium smartphone duopoly of Apple and Samsung Electronics. The company is also expected to announce a smaller version of its Google Home smart speaker — its answer to the Amazon Echo — and a premium laptop running its Chrome operating system. Dai Wakabayashi

ECONOMY

Data expected to show narrowing trade deficit.

Exports have risen modestly since President Trump took office. The trouble is, imports have been rising faster, pushing the overall United States trade deficit up nearly 10 percent through the first seven months of the year. On Thursday, the Commerce Department will provide trade data for August; a preliminary report released last Thursday showed the deficit in goods only narrowing slightly in August, to $62.9 billion. Mr. Trump, who has railed against the trade deficit, is attempting to renegotiate the North American Free Trade Agreement and is also considering withdrawing the United States from a trade deal with South Korea. But he also last week appeared to sideline Peter Navarro, an adviser who has been one of the White House's most vocal trade skeptics. Ben Casselman

Minutes from last European Central Bank meeting.

The European Central Bank will publish on Thursday an account of its last monetary policy meeting, held on Sept. 6 and 7. The meeting minutes usually are not revealing, but analysts and investors will closely parse the text for clues about how many members of the bank are in favor of quickly reducing stimulus to the eurozone and how many would prefer to move slowly. Jack Ewing

September payroll numbers are expected to weaken.

The Labor Department is scheduled to release its report on the nation's hiring and unemployment for September at 8:30 a.m. Friday. The hurricanes that tore through the South are expected to knock down last month's hiring gains. New jobless claims have already started rolling in. Wall Street analysts expect that payrolls will grow by just 77,000 workers, a significant drop from the monthly average of 185,000 over the past three months. That falloff, however, is not expected to bump the jobless rate up from its current level of 4.4 percent. Nor do the lower payroll numbers signal a new normal. Economists will once again be looking at wage increases as a crucial sign of the labor market's health; they are expecting the average hourly wage to climb by 0.3 percent. Patricia Cohen

The Supreme Court will open its new term by hearing arguments about whether companies can require workers to forfeit their rights to join together in lawsuits or arbitration proceedings against their employers. | J. Scott Applewhite/Associated Press

Document NYTFEED020171002eda2000m9

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Date	10/01/2017 to 10/31/2017
Source	The New York Times - All sources Or The Wall Street Journal
Author	All Authors
Company	All Companies
Subject	Commodity/Financial Market News Or Economic News
Industry	All Industries
Region	United States
Language	All Languages
Results Found	154
Timestamp	4 September 2018 10:57 AM

