

## What's News

### Business & Finance

**Berkshire promoted** Ajit Jain and Greg Abel to its board and to new jobs overseeing the company's day-to-day operations, establishing a two-man race to succeed Buffett as CEO. **A1**

◆ **Toyota's announcement** of Alabama as the home for a shared factory with Mazda highlights a major shift in U.S. vehicle manufacturing. **A1**

◆ **Xerox is in talks** to potentially do a major deal with Japan's Fujifilm, as the U.S. document pioneer struggles to reinvent itself. **B1**

◆ **U.S. Treasuries sold off** again, raising expectations that higher bond yields will affect everything from asset prices to mortgage rates. **B1**

◆ **The S&P 500 snapped** a six-day streak of gains, pulled lower by declines in utilities and real-estate shares. **B11**

◆ **Corporate boards** are seeking greater insight into cybersecurity risks in the aftermath of the recent breach at Equifax. **B1**

◆ **The SEC is accelerating** work on its own version of the fiduciary rule, an effort that would affect all brokerage accounts. **B10**

◆ **Chinese authorities** ordered the closing of operations that create a large share of the world's bitcoin supply, tightening a clampdown. **B10**

◆ **The FCC is expected** to push wireless carriers to improve targeting of local emergency alerts, in hopes the system will be used more. **B2**

◆ **21st Century Fox** is nearing a deal to buy about 10 television stations that Sinclair is shedding. **B3**

### World-Wide

◆ **Pakistani officials** warned that a U.S. suspension of security aid will push their country closer to China, Washington's main rival for influence in Asia. **A1**

◆ **South Korea's leader** acknowledged policy differences with the U.S., but credited Trump for helping bring Pyongyang back to the negotiating table. **A5**

◆ **Two senior senators** said immigration negotiations in Congress wouldn't be stalled by an injunction temporarily barring the cancellation of DACA. **A3**

◆ **Immigration agents** swarmed nearly 100 7-Eleven stores nationwide, arresting 21 employees suspected of being in the country illegally. **A3**

◆ **Russian billionaire** Deripaska sued Manafort, alleging Manafort and a partner misappropriated at least \$18.9 million of funds the magnate had invested. **A4**

◆ **Rep. Issa said** he plans to retire at the end of this term, bolstering Democrats' hopes of picking up another House seat in California. **A3**

◆ **The IRS will struggle** to implement the new tax law without more funding, according to the agency's in-house public advocate. **A4**

◆ **The death toll** from Southern California mudslides rose to 17, as rescue workers searched for at least 17 missing people. **A3**

◆ **Catalonia's two main** separatist parties agreed to support the re-election of ousted leader Puigdemont as president. **A6**

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## Rising Treasury Yields Ripple Though Markets

The recent climb of the 10-year Treasury yield has helped lift bank shares and mortgage rates, while hurting bondlike assets such as utilities stocks and shrinking yield premiums on corporate debt. **B1**



## Discount Brokers Push Pricier Services

By JASON ZWEIG AND ANNE TERGESEN

Investors who seek advice from discount brokerage firms might assume the counsel they get is impartial, given how these firms have rejected the old Wall Street model of working on commissions.

In fact, advisers at some of the biggest discount brokerage firms make more money if they steer clients toward

more-expensive products, according to disclosures from the firms and people who used to work at them. That means customers could end up with investment products and services that are costlier than they need.

“Clients hear the representative doesn’t work on commissions, and they think that means a rep doesn’t work on incentives,” said Jeff Weeks, former manager of a Fidelity

Investments branch in Austin, Texas. “You’re omitting certain facts that the client would probably appreciate understanding before you launch into a sales pitch on why you think this product is better.”

The Wall Street Journal interviewed dozens of former employees of the three largest discount brokers by assets, Fidelity, Charles Schwab Corp. and TD Ameritrade Holding Corp.—all known for bringing

low-cost investing to the masses. Nearly all the former employees said compensation practices encouraged workers to sell products that were more lucrative both for the firm and for the employee—and cost customers more.

Fidelity representatives are paid 0.04% of the assets client. *Please see SALES page A8*

◆ **SEC aims for its own fiduciary regulation.....** B10

## Sweep Targets Illegal Hiring



Federal agents swarmed nearly 100 7-Eleven convenience stores across the U.S. in a crackdown on hiring of unauthorized immigrant workers. Authorities arrested 21 employees in the raids. **A3**

## Aid Cut Seen Driving Pakistan Toward China

By SAEED SHAH

ISLAMABAD, Pakistan—Senior Pakistani officials warned that a U.S. suspension of security aid will push their country closer to China, Washington's main rival for influence in Asia, as regional alliances realign.

“Punishing Pakistan pushes it towards America’s major adversaries,” Khurram Dastgir-Khan, Pakistan’s defense minister, said in an interview. “By choosing castigation over cooperation, the U.S. has emasculated the war on terror in this region.”

Pakistan has been a U.S. ally for decades, a nuclear-armed nation of 208 million people offering a strategic foothold touching the Arabian Sea, Iran, China and Afghanistan. Most recently, it has served as a counterterrorism partner and a U.S. supply route for more than 15 years of war in Afghanistan.

But China has invested heavily in a relationship with Pakistan that is redefining the

balance of power in Asia. It is anchored by a \$55 billion-plus infrastructure program that has overshadowed the \$5 billion in U.S. economic aid to Pakistan under President Barack Obama, which produced no major infrastructure.

China’s investment aims in part to boost Pakistan’s economy as a counterweight to India, their common competitor and neighbor.

The U.S. has tilted toward India as it seeks to counter Chinese sway across Asia. That longer-term realignment is being accelerated by the Trump administration’s penalization of Pakistan and its calls for India to take a bigger role in Afghanistan.

Washington said last week that it would freeze \$2 billion in security assistance to Pakistan until it takes action against the Taliban and the Haqqani network, Afghan insurgents the U.S. says use Pakistani territory as a haven.

*Please see CHINA page A5*

## Foreign Car Makers To Take U.S. Lead

By ADRIENNE ROBERTS AND JOHN D. STOLL

Toyota Motor Corp.’s announcement Wednesday of Alabama as the home for a shared factory with Mazda Motor Corp. highlights a major shift in U.S. vehicle manufacturing: Foreign auto companies soon will build more cars and trucks in America than the Detroit giants.

In the first quarter of 2018, foreign makers are expected to produce 1.4 million vehicles in the U.S., WardsAuto.com projects, equaling their American rivals for the first time. That’s a leap from the same period last year, when foreign companies trailed Detroit auto makers by

more than 100,000 vehicles, or roughly 10%.

In coming years, General Motors Co., Ford Motor Co., and Fiat Chrysler Automobiles NV are likely to see their dominance in vehicle production entirely evaporate as rivals such as Toyota and Mercedes-Benz boost their American workforces and add new factories.

Already, the Big 3 are being outsold by non-U.S. rivals, as their share of American sales dwindled to 44% in 2017.

A series of developments have fueled the shift. Japanese and other foreign companies—unencumbered by unions and decades of financial obligations *Please see CARS page A2*

Less Michelin Man, More Barbarella

\* \* \*  
Space, fashion’s final frontier, gets more stylish

By DANIEL MICHAELS AND ANDY PASZTOR

In “Star Trek,” Lieutenant Uhura wore a miniskirt and gogo boots. Astronauts in “2001: A Space Odyssey” floated in snug orange, yellow and blue space suits. Jane Fonda’s interstellar Barbarella sported a see-through top.

Real astronaut Neil Armstrong wore a bulky Michelin Man moon suit, and from 1995 space shuttle astronauts launching into orbit wore orange outfits known as “pumpkin suits.” Scientists today on the international space station bounce around in frat-house fashion staples, including cargo shorts *Please see SPACE page A8*

## Buffett Zeroes In On Likely Successor

Berkshire promotes bosses of reinsurance, utility units as part of planning for next CEO

By NICOLE FRIEDMAN

It is now officially a two-man race to succeed Warren Buffett as chief executive of a conglomerate that owns everything from auto insurer Geico to fast-food chain Dairy Queen.

Berkshire Hathaway Inc. on Wednesday promoted Ajit Jain, head of the company’s reinsurance operations, and Greg Abel, chief executive of its utility business, to newly created spots on its board of directors and new jobs overseeing Berkshire’s day-to-day operations.

“They are the two key figures at Berkshire” in terms of succession, Mr. Buffett said Wednesday on CNBC. “I know that if I were in the position of those two fellows...I would like to get some experience with supervising a whole group of businesses before I eventually took over.”

Mr. Buffett and Berkshire Vice Chairman Charles Munger will stay in their roles and oversee the company’s investments and large acquisitions.

Mr. Buffett has led Berkshire for more than 50 years and the name of his successor has long been one of the best-kept secrets in corporate America. He said Wednesday that he is in “remarkably good health” and doesn’t plan to leave his job as Berkshire’s chairman and CEO in the near term. But at age 87, he said, “10 years would be a long time” for him to stay in the post.

Mr. Jain was named vice chairman of insurance operations, and Mr. Abel was named *Please see CEO page A4*

### INSIDE



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## World’s First “Self-Driving” Database



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# U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## For Fed, Stock Boom Brings Bubble Déjà Vu



Any central banker watching the stock market today should get a queasy sense of déjà vu.

A housing boom preceded the last recession. A tech stock bubble ushered in its forerunner.

Today, stock and property prices are once again setting records, in absolute terms and relative to household incomes. That may leave the Federal Reserve and Jerome Powell, nominated to succeed Janet Yellen as Fed chair next month, confronting some agonizing trade-offs in the next year or two: What if low inflation calls for low interest rates but those low interest rates make an eventual, destructive asset bust more likely? Should he lean against an incipient bubble by raising rates faster now, or plan to mop up the mess if assets collapse later?

Unfortunately, the past isn't much help as a guide to the present. The 2008 cataclysm resulted not just from falling housing prices, but the knock-on wave of mortgage defaults that then brought down the institutions that held the debt. Today, the financial system has much thicker buffers against

loan losses and is more closely regulated. Credit growth isn't excessive.

Stock price-to-earnings ratios are by some measures the highest since 1999, but today's are more justifiable. In 1999, government bonds yielded 6%; today, they yield 2.6%, which makes them a less appealing alternative to stocks. Moreover, even if stocks fell, that wouldn't necessarily destabilize the financial system.

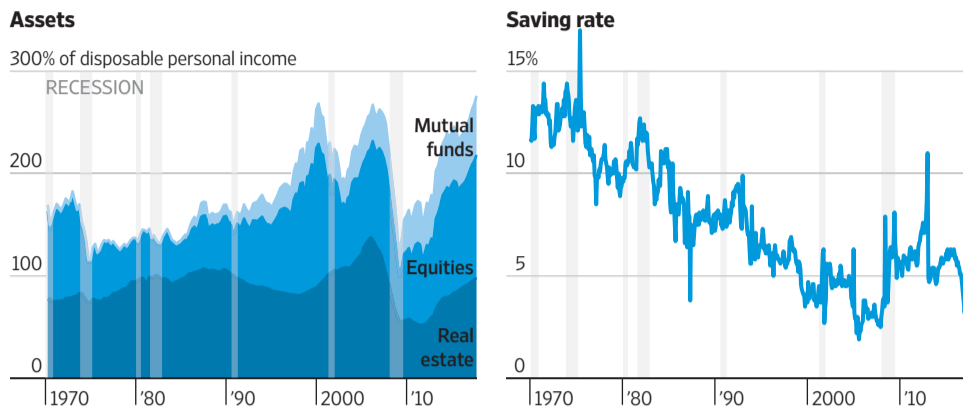
"When we look at other indicators of financial stability risks, there's nothing flashing red there, or possibly even orange," Ms. Yellen said in December.

Yet it doesn't take a crisis for an asset bust to hurt. The 1990s tech stock run-up fueled a surge in investment and spending via higher wealth and easier financing conditions. When the bubble burst in 2001, that surge reversed, dragging the economy down. The damage was contained because the Fed quickly slashed interest rates by nearly 5 percentage points. Today, it can at most cut them by 1.5 points.

The stock market's 23% rise since the end of 2016 has been a powerful economic tailwind. Increased wealth has encouraged consumers to spend more and save less of their paychecks, driving the

### More Assets, Less in the Bank

Property and stock holdings are at a record relative to after-tax income, reducing consumers' need to save.



personal saving rate below 3%, the lowest since 2007. Both spending and stocks have gotten an added kick from the recent tax cut.

It isn't a stretch to see all those factors switching into reverse within a year or two. And if dangerous excesses are simmering in the financial system, they may not appear until the boom goes bust.

In the old days, recessions occurred because an overheating economy led to higher inflation, then higher interest rates and a pullback

in spending. In such a world, getting interest rates correct could achieve both low, stable inflation and sustainably low unemployment, which economists dubbed the "divine coincidence."

But, as Mr. Powell noted a year ago, no divine coincidence dictates that the same interest rate will achieve both 2% inflation and a stable financial system.

Whether that means the Fed should stop bubbles from forming in the first place has long vexed officials. Before the global financial crisis,

they concluded no: pre-emptively pricking bubbles seemed much riskier than letting them burst of their own accord. They are less dogmatic now. Though officials' first choice is to use regulatory authority to ensure any such bust doesn't sink any financial institutions, Ms. Yellen said in 2010 she couldn't "unequivocally rule out" using higher interest rates to pre-empt a bubble. But she set the bar quite high.

In actions, if not words, Fed monetary policy already does respond to financial sta-

bility concerns and asset prices. In a 2016 study, Federal Reserve Bank of Boston President Eric Rosengren and two co-authors counted how often words such as "bubble," "bust," "crisis" and "volatility" appeared in transcripts of monetary-policy discussions at Fed meetings. They found that such worries tended to move interest rates more than mere considerations of inflation and unemployment could justify, although the influence was stronger when rates were falling than rising.

Mr. Powell largely agrees with his predecessors that monetary policy should be a last resort for dealing with financial excess. Yet his bar doesn't appear to be as high. When Mr. Powell joined the Fed in 2012, he told colleagues he worried that the Fed's bond-buying program could fuel risk-taking down the road, according to meeting transcripts released last week.

In a 2015 speech, he said: "Tighter monetary policy might eventually be necessary" if dangerous risk-taking reappeared. A year ago, he went further: "The current extended period of very low nominal rates calls for a high degree of vigilance."

The case for vigilance has only grown since.

## New Faces at the American Kennel Club



MEMBERS ONLY: The Nederlandse kooikerhondje and the grand basset griffon Vendeen breeds, right, are the latest to be recognized.

## CARS

Continued from Page One

to retired workers, and lured by U.S. states offering incentives—see an opportunity to bulk up their market share and localize production to mitigate risk. Meanwhile, executives at Ford, GM and Chrysler are prioritizing profits over revenue, scaling back production of low-margin compact cars and sedans in favor of pricier and profit-rich trucks and sport-utility vehicles.

Detroit makers, which once had considerable political sway because they employed the bulk of the nation's auto workers, are losing influence when state and national lawmakers consider legislation that will affect fuel economy, autonomous vehicles and the way cars have been bought and sold for a century.

President Donald Trump has intensified the spotlight on American manufacturing. During the 2016 campaign and the early days of his administration, car makers were routinely challenged by Mr. Trump to boost U.S. output and back away from shipping in so many cars from Mexico.

In a Twitter post on Wednesday night, Mr. Trump cited the two auto makers' new Alabama factory as a sign that "companies are coming back to the U.S. in a very big way."

Toyota's and Mazda's \$1.6 billion plant investment, outlined at a news conference Wednesday, is the latest in a series of big-dollar expansions by Asian and European car companies in Southern states. The investment also is the first all-new auto factory announced since Mr. Trump took office. Meantime, Volvo Cars is set to open a \$1.1 billion factory in

South Carolina this year, while BMW AG and Daimler AG are expanding existing plants in the region.

States from Tennessee to Georgia to Texas have lured vehicle makers from Japan, Germany and South Korea in recent decades with their willingness to offer attractive tax-incentive packages, cheaper labor and a lack of threats by labor unions such as the United Auto Workers. In a speech Wednesday in Alabama, Toyota President Akio Toyoda said Alabama laid the groundwork to create "another made-in-America success story," although specific financial incentives weren't disclosed.

Four of the most-recent foreign commitments alone are expected to add 10,000 jobs and hundreds of thousands of units of U.S. production by 2021. Nissan Motor Co. and other foreign makers have said they are considering expanding their U.S. footprint. Several companies, including big players in China and India, have said they could start building cars in America

within a half decade.

"Any resurgence in the automotive space, or in any other space, is driven by the ability to attract" foreign companies to the U.S., Nancy McLernon, president of the Organization for International Investment trade association, said Wednesday. Since the financial crisis, hundreds of thousands of automotive jobs have opened, many provided by foreign car makers or parts suppliers.

Meanwhile, Detroit's car makers—long stung by costly overhead and a capacity glut—will become more reliant on lower-cost countries in coming years as executives seek to avoid being overly exposed to their American workforce. Once nearly entirely dependent on Midwestern plants, GM and Ford are boosting the share of vehicles they import from China, Mexico or even India.

While the three companies have made commitments to update certain U.S. factories to accommodate product redesigns or market-segment changes, ex-

ecutives say the days of domestic car companies building new plants in the Rust Belt or elsewhere are over.

GM, Ford and Chrysler are retooling certain factories to replace slow-selling sedans or compact cars with trucks and SUVs that are expected to help shore up market share.

But it will be hard for them to offset the hundreds of thousands of additional units planned by Toyota, the German auto makers and others. Even though factory downtime burns cash, executives at domestic car companies have been pulling back on production to boost near-term profits and keep inventories in check.

Many of the investments by foreign players are long in the making, and are a confirmation that auto executives see the U.S. market remaining a profitable place to build and sell.

"We have been in the U.S. for 60 years and we need to make a very clear signal towards our retailers and towards our customers that the U.S. is our market," said Lex Kerssemakers, former head of Volvo's U.S. operations, in an interview in 2017 at the location where the company will soon build cars. "You can't make a stronger statement towards our retailers—we're not going to disappear."

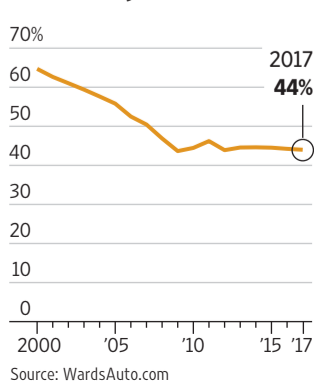
In June, BMW said it would add 1,000 jobs at its plant in South Carolina by 2021, part of a \$600 million investment to produce more SUVs at the factory. The SUVs are shipped globally.

"The U.S. is still the second biggest market for us in the world. It will only grow in the future, so that's why having a plant in the U.S. is strategic for us," said Harald Krüger, chairman of the board of management of BMW.

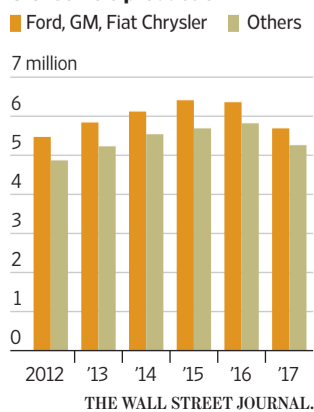
### Road Rivals

U.S. market share for the traditional American car makers has been falling while foreign rivals are building almost as many cars in the states.

#### U.S. market share for Ford, GM and Fiat Chrysler



#### U.S. vehicle production



## U.S. WATCH

CALIFORNIA

### Gov. Brown's Legacy: \$6.1 Billion Surplus

California Gov. Jerry Brown appears poised to exit office next year with a top political priority in hand: free from the massive budget deficits that had weighed on his predecessors. Buoyed by tax increases passed under his administration and a strong economy, Mr. Brown said Wednesday that the state is projecting a \$6.1 billion surplus for the next fiscal year. The governor proposed socking most of the money away in a rainy-day fund. Mr. Brown took office in 2011 with a \$27 billion deficit and drastically slashed spending. In 2012, he staked his governorship on a tax increase that voters approved that year and reauthorized in 2016.

—Alejandro Lazo

NORTH CAROLINA

### GOP Will Appeal Gerrymander Ruling

State Republicans vowed to appeal a federal-court ruling that North Carolina's congressional districts were improperly drawn to maximize the GOP's partisan advantage.

Leaders of the state House of Representatives and Senate said Wednesday they planned to ask the U.S. Supreme Court to stay the decision rather than require legislators to draw new maps within two weeks.

Senate President Pro Tem Phil Berger said drawing new

maps was unfair to candidates because a filing period opens Feb. 12. He also said it was inappropriate to request a redo of maps that have already been redrawn because of a separate court decision.

Republicans hold 10 of the 13 congressional seats, and a Duke University mathematician's analysis cited in the ruling found that more than 99% of 25,000 simulated maps produced fewer GOP seats than the 2016 plan created by legislators.

—Valerie Bauerlein

SUPREME COURT

### Justices Review Ohio Voter-Roll Removals

The Supreme Court appeared divided Wednesday over an Ohio program that deletes citizens from the voter rolls if they don't cast ballots over a two-year period and then fail to respond to a mailed notice from the secretary of state.

Federal law prohibits states from disqualifying voters because they sit out elections. But it also encourages states to clean up the voting rolls by removing individuals who have moved, died or otherwise lost eligibility to vote at their registered addresses.

The case turned on whether the Ohio program was understood as eliminating voters simply because they didn't show up at the polls frequently enough, or rather drew on that absence as a first step to determine their continued voter eligibility.

—Jess Bravin

## CORRECTIONS & AMPLIFICATIONS

Both "529" college-savings plans and Coverdell accounts can be used to pay for K-12 tuition because the new tax-overhaul law allows it for 529s. Coverdells already could be used for tuition as well as other qualified expenses. An

article about college financing in the Investing in Funds & ETFs report Monday incorrectly suggested that the Coverdell rules had changed and incorrectly suggested that 529s could be used for K-12 expenses other than tuition.

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

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## U.S. NEWS

# GOP's Issa To Leave House After Term

By NATALIE ANDREWS

Rep. Darrell Issa said that he plans to retire at the end of this term, joining a growing list of Republicans leaving Congress and bolstering Democratic hopes of picking up another seat in California as they work to retake the House.

Mr. Issa, 64 years old, established himself in Congress as a staunch critic of former President Barack Obama. As one-time chairman of the House Oversight Committee, he looked into controversial actions and programs of the Obama administration, such as the Internal Revenue Service's treatment of nonprofits aligned with conservative causes.

The lawmaker was facing a tough re-election battle, thanks in part to President Donald Trump's weak approval ratings and the leftward shift of California voters. Mr. Issa barely won re-election in 2016, and his suburban San Diego district was a 2018 target for House Democrats.

Democrats need to win a net 24 seats to take back the majority in midterm congressional elections this year.

Mr. Issa's decision puts a renewed spotlight on his party's California troubles. Currently, all statewide officeholders are Democrats, as are the two U.S. senators. Democrats hold majorities in California's congressional delegation and both houses of the state Legislature.

Mr. Issa's move Wednesday followed the decision this week by Rep. Ed Royce, also a vulnerable California Republican, not to seek re-election to represent his Orange County district.

Rep. Steve Stivers (R., Ohio), chairman of the House Republican campaign committee, said Mr. Issa's seat was a likely Democratic pickup and Mr. Royce's retirement puts his seat in play. But Democrats "still aren't where they need to be...to win the majority."



The aftermath in Montecito, Calif., the area hit hardest by mudslides. Seventeen people were killed and rescuers were still looking for over a dozen missing Wednesday.

# Many Ignored Evacuation Orders

By NOUR MALAS AND MIRANDA GREEN

MONTECITO, Calif.—The sun emerged here a day after mudslides killed 17 people and destroyed 100 homes, illuminating the massive scope of an unfolding disaster that caught many residents off-guard.

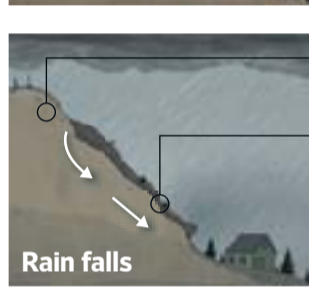
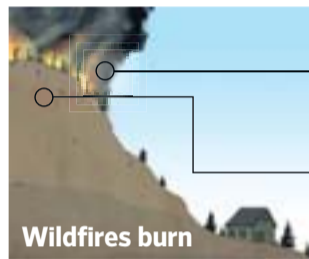
Rescue workers on Wednesday continued searching for at least 17 missing people, and worked to reach dozens more trapped in homes surrounded by walls of mud.

Of 1,200 people given mandatory evacuation orders in the Montecito area, only 200 heeded the warning to leave, said Shawn Boyd, a spokesman with the California Governor's Office of Emergency Services, citing preliminary information.

"They all decided they didn't want to go," he said.

Mr. Boyd said at least 15 of the dead were recovered in the mandatory evacuation zone, but it wasn't clear if all who died lived in those areas.

## What Causes a Mudslide



DYLAN MORIARTY/THE WALL STREET JOURNAL.

Even for those accustomed to preparing for the familiar California pattern of drought, fires, and floods, the death toll and destruction were unexpected.

Fire consumes the vegetation. Root systems that stabilize soil are destroyed.

Ash is added to the soil. A waxy water-resistant layer can be created.

Water is unable to sink into the soil. It runs off instead.

Flowing water moves larger soil particles and rocks downslope. Soil and rocks accumulate as they fall into a mudslide.

there, wasn't entirely under mandatory evacuation orders. Some neighborhoods were under voluntary guidelines.

Officials had issued persistent warnings and calls for evacuations in the days leading up to the mudslides. The state's worst wildfire had scorched the earth just weeks earlier, leaving the hillsides vulnerable to mud slides after heavy rains.

Montecito had been spared the brunt of that wildfire, leading some residents to believe the community was safe from the next disaster.

Many said they were surprised by the speed and force of a catastrophe.

"The depth of tragedy is soaking in," said Jacqueline Rubasky, a Montecito resident organizing community relief efforts.

As names of people still missing circulated within the community, so did stories of survival.

A real-estate agent was

found hanging from a tree branch, alive, many hours after his partner had assumed the worst. A lawyer trapped inside his home without power for eight hours reconnected with frantic friends after rescue workers—plowing street through street and then door to door—cleared the area and pried open his door.

The mandatory evacuation line wove in and out of some neighborhoods, so some homes may have straddled evacuation zones, which are drawn up by law-enforcement officials.

The evacuation zones raised questions over why the entire area wasn't under mandatory evacuation orders.

Mike Eliason, a spokesman with the Santa Barbara County Fire Department, said preparation for floods after major fires usually involves ground assessments that take between one and two months to complete.

"We didn't have that time," Mr. Eliason said in an interview.

# 7-Eleven Stores Targeted by Immigration Authorities

By ALICIA A. CALDWELL

LOS ANGELES—Federal immigration authorities swarmed nearly 100 convenience stores in 18 states and the District of Columbia Wednesday morning and warned businesses that the Trump administration's hardline stance on immigration applies to them, too.

"Today's actions send a strong message to U.S. businesses that hire and employ

an illegal workforce: ICE will enforce the law, and if you are found to be breaking the law, you will be held accountable," said Tom Homan, deputy director of U.S. Immigration and Customs Enforcement.

Agents from ICE's Homeland Security Investigators showed up unannounced at 98 7-Eleven convenience stores before dawn to interview store employees and managers, and serve notice that employment

records were being audited.

Agents arrested 21 employees suspected of being in the country illegally. They now face deportation proceedings in federal immigration court.

The agency said any potential criminal charges would be coordinated with the Justice Department.

No charges were filed Wednesday against the business owners themselves. Businesses found to be violating

immigration law by hiring undocumented workers could face criminal and civil penalties, including fines.

"Businesses that hire illegal workers are a pull factor for illegal immigration, and we are working hard to remove this magnet," Mr. Homan said in a statement.

The actions were reported earlier by the Associated Press.

Dallas-based 7-Eleven Inc.

said in a statement that the company was aware of ICE's visits to various stores Wednesday morning.

The company said franchises of the convenience store chain are independently owned and operated, but franchisees are required to adhere to all federal and local laws.

"7-Eleven takes compliance with immigration laws seriously and has terminated the franchise agreements of fran-

chisees convicted of violating these laws," the company said.

7-Eleven Inc. is owned by Tokyo-based Seven & i Holdings Co.

President Donald Trump has made cracking down on illegal immigration a priority of his administration.

Mr. Homan, a longtime ICE official who has been nominated to permanently lead the agency, previously pledged to step up workplace enforcement.

# Top Senators Press for 'Dreamers' Deal

By LOUISE RADNOFSKY AND KRISTINA PETERSON

WASHINGTON—Two senior senators said that immigration negotiations in Congress wouldn't be stalled by an injunction temporarily barring the cancellation of the Obama-era program that shielded hundreds of thousands of young undocumented immigrants from deportation.

Sen. John Cornyn of Texas, the No. 2 Senate Republican, said Wednesday that the Tuesday court ruling didn't lessen the urgency of reaching an immigration deal on Capitol Hill.

Senate Minority Leader Chuck Schumer (D., N.Y.) agreed. "The ruling last night in no way diminishes the urgency of resolving the DACA issue. On this we agree with the White House," he said, referring to the Deferred Action for Childhood Arrivals program. "The iron is hot. We should strike now."

President Donald Trump said in September he was ending DACA. Mr. Trump said he hoped the move would spur Congress to take more action on immigration.

Late Tuesday, San Francisco-based U.S. District Judge William Alsup temporarily blocked the ending of the program, ruling that until the cases challenging Mr. Trump's move were resolved, the administration must consider renewal applications from the



President Trump attacked a Tuesday injunction on his DACA plan.

## Book Drives Trump To Attack Libel Law

President Donald Trump said his administration would take a "strong look" at the nation's libel laws, which he called a "disgrace" on Wednesday, following the release of a new book critical of Mr. Trump and the White House.

Generally speaking, public figures must cross a high bar to win a libel suit against an individual or publisher, by showing any false statement was made with "actual malice," or a

reckless disregard for the truth.

Mr. Trump's comments follow the release of Michael Wolff's "Fire and Fury: Inside the Trump White House," which features sharp criticism of the president from close advisers. The book also says some advisers harbor concerns about Mr. Trump's mental fitness, speculation the White House termed "outrageous."

Walter Shaub, the former director of the Office of Government Ethics who resigned in July, said an effort to alter libel laws could threaten Americans' right to free speech.

—Rebecca Ballhaus

young immigrants known as Dreamers in the program.

Mr. Trump on Wednesday tweeted: "It just shows every-

one how broken and unfair our Court System is."

Mr. Trump reiterated on Wednesday he wouldn't sign

an immigration deal involving DACA that didn't include funding for a border wall: "It's got to include the wall," he said.

Lawmakers and Mr. Trump agreed at a Tuesday White House meeting to focus their negotiations on four areas: new limits on family-based immigration, the diversity visa lottery that admits immigrants from underrepresented countries, the fate of the Dreamers, and border security.

On Wednesday, new clusters of lawmakers dove into the negotiations, raising questions over which group might produce the sought-after deal.

In addition to a bipartisan Senate group that has been meeting for months, a quartet of House Republicans unveiled a new immigration bill and a group of the No. 2 leaders of both parties in both chambers began a new set of discussions.

Meanwhile, the business community is again urging lawmakers to pass a bill to allow some young immigrants a legal path to stay and work in the U.S. Leaders of more than 100 corporations, including International Business Machines Corp., General Motors Co., Intel Corp. and Facebook Inc., signed on to the letter to congressional leaders. The companies said delaying a bill or failing to pass legislation "will cause a significant negative impact to businesses."

—Alicia A. Caldwell contributed to this article.

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## U.S. NEWS

# Push for IRS Funding to Handle Tax-Law Changes

By RICHARD RUBIN

WASHINGTON—The Internal Revenue Service, after years of budget cuts, will struggle to implement the new tax law without more money, according to the agency's in-house public advocate.

It is far from clear, however, whether Congress will provide the IRS with additional funds.

The tax agency needs to update forms, create new definitions, write regulations and field questions from taxpayers, which tend to increase when Congress passes new laws. That will be challenging for the IRS, which is planning to answer just 60% of taxpayer calls during the tax-filing season and has cut its training budget by 75% since 2009, said Nina Olson, the national taxpayer advocate.

The taxpayer advocate leads an independent organization within the IRS that works on behalf of taxpayers, and issues an annual report to Congress on challenges facing taxpayers and the IRS.

"We have already seen confusion about withholding changes, confusion about the deductibility of prepaid property taxes, and confusion about whether states can allow taxpayers to make charitable contributions in lieu of taxes as a way of permitting their residents to claim larger tax deductions," Ms. Olson said as she released her annual report Wednesday. "With more funding, strong leadership and a closer working relationship with Congress, I am convinced the IRS can do the job well."

But since Republicans took

## Lawmakers Tip Hats to Tax Law

For 24 House Republicans, the real caper on the new tax law came Wednesday.

They unlocked a glass display case in the Capitol and retrieved baseball caps they had signed and stowed there two years ago. The navy-blue hats emblazoned with a white "24"—the number of Ways and Means Committee Republicans—were a reminder of their commitment to a major tax bill.

Committee members stored the hats on Feb. 1, 2016, after Rep. Kevin Brady (R., Texas) had taken over as committee chairman but before House Republicans unveiled their tax plan, before they knew they would have a Republican president and before they started writing the law President Donald Trump signed in December.

Mr. Brady handed each Republican a hat and a silver Sharpie and asked for a commitment. His point: Those 24 members, and no others, were empowered to start tax legislation. They then walked to Mr.



RICHARD RUBIN/THE WALL STREET JOURNAL

Brady's Capitol office and placed them in the cabinet.

"The best teams were the ones that had not only set a goal, but they personally committed to each other," Mr. Brady said.

Committee members didn't talk about the hats publicly, but they became a steady backdrop. There were 28 caps in the

case, because four of the original 24 members left Congress. New members each signed as they came aboard.

Rep. Mike Kelly (R., Pa.) said

the hats were like those worn by championship football players. "The hats didn't go on until the game was over," he said.

—Richard Rubin

over the House of Representatives in January 2011, they have clamped down on the agency's funding, a trend that accelerated after a 2013 inspector general's report found the IRS had used inappropriate criteria in giving scrutiny to some conservative groups seeking tax-exempt status.

The IRS budget declined 12.7% in constant dollars from

its 2010 peak to fiscal 2016, according to agency data, and IRS staffing was down 17.7% in that period.

President Donald Trump hasn't nominated anyone to succeed IRS Commissioner John Koskinen, whose term expired in November, or former chief counsel William Wilkins, who left in January 2017.

David Kautter, who is also

the Treasury Department's top tax policy official, is serving as acting IRS commissioner.

Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee, said he met with Treasury Secretary Steven Mnuchin this week about implementation and that the administration is trying to prioritize resources.

Sen. John Cornyn of Texas,

the Senate's second-ranking Republican, said Wednesday: "We need to reform the IRS...but I am concerned that they're not able to do their job and not maintaining their information systems to protect personal financial data by taxpayers and the like." He added he doesn't have "an arbitrary amount that I think should be spent."

The agency will need \$495

million over two years to implement the law, according to an IRS estimate cited in Ms. Olson's report. She said the years of budget cuts have prevented the IRS from providing adequate taxpayer service or updating its technology.

Still, she said, the agency could improve its performance in ways that don't require more money.

## WASHINGTON WIRE

### OFFSHORE DRILLING

#### More States Seek Exemption From Plan

Several more governors are asking the Trump administration to pare back plans for one of the largest offshore-drilling expansions in history, adding to pressure that has already led officials to exempt Florida.

The governors of North and South Carolina have requested their own meetings with Interior Secretary Ryan Zinke a day after the secretary met with Republican Florida Gov. Rick Scott in Tallahassee, then announced Florida would be carved out from the days-old proposal.

Governors of New York, Oregon and Delaware have made similar appeals on Twitter, while others released statements.

"The secretary is happy to meet with governors whose offices submit meeting requests," said Interior Department spokeswoman Heather Swift.

—Timothy Puko

### SENATE

#### Democrats Allege Mischief by Russia

Senate Democrats on Wednesday accused Russia of a broad effort to undermine democratic institutions in Europe and North America, and urged the U.S. and its allies to develop a strategy to defend against threats like cyberhacking and disinformation.

A report released by the Democratic staff of the Senate Foreign Relations Committee alleges that Russian President Vladimir Putin's goal is to "undermine the transatlantic alliance upon which Europe's peace and prosperity have depended for over 70 years."

Mr. Putin has long denied any interference in Western democracies but said that "patriotically minded" hackers may have acted on their own. Russia has also broadly denied any meddling in the 2016 U.S. presidential election.

—Byron Tau

By SCOTT PATTERSON

A Russian metals billionaire sued President Donald Trump's former campaign chairman, alleging he and a partner misappropriated at least \$18.9 million of funds the Russian had invested.

Oleg Deripaska alleged in a lawsuit filed in the New York state court Wednesday that Paul Manafort, the former campaign manager, and his long-time partner Richard Gates "vanished" the money invested by the Russian businessman in the late 2000s.

The suit, filed by Mr. Deripaska's Cyprus-based Surf Horizon Ltd., seeks \$25 million in punitive damages and other compensatory damages.

"It was only in the past year that Surf obtained access to evidence showing that, not only had Messrs. Manafort and Gates failed properly to supervise the investment, but each had secretly and improperly profited from it," said a

spokesman for Mr. Deripaska's investment group.

Mr. Gates didn't respond to a request to comment.

Jason Maloni, Mr. Manafort's spokesman, said the filing was a surprise. "This is a commercial matter which we thought had been addressed and resolved years ago," he said. "We will respond, if we must do so, in the appropriate manner."

The lawsuit provides another twist in a story that has dominated news in Washington: allegations of links between Mr. Trump's 2016 presidential campaign and the Russian government. Mr. Manafort's ties to Russian officials and businessmen, including Mr. Deripaska, have fueled those allegations.

Messrs. Manafort and Gates have pleaded not guilty to a dozen charges filed against them by special counsel Robert Mueller, who is investigating Russian meddling in the 2016 election. The allegations

stem from lobbying work the two men performed between 2006 and 2015 for the ruling party of Ukraine as well as subsequent attempts to allegedly hide the payments from that work.

Mr. Trump has repeatedly called the Russian probe a "witch hunt" and says there was no collusion between his

### Billionaire executive says Paul Manafort misappropriated millions in funds.

campaign and Russia.

The lawsuit by Mr. Deripaska was aided by Mr. Mueller's indictment of Messrs. Gates and Manafort, the complaint says. The indictment "provides detail regarding movement of funds from bank accounts in Cyprus to ac-

counts in the United States controlled by Manafort and Gates," the complaint says.

The lawsuit primarily relates to an \$18.9 million investment by Surf in 2008 to fund the purchase of Ukrainian cable companies collectively known as Black Sea Cable, according to the complaint.

The funds were provided to an entity controlled by Messrs. Manafort and Gates, who used it to purchase Black Sea Cable.

As the financial crisis struck, Mr. Deripaska's company, Surf, recommended to Messrs. Manafort and Gates that Black Sea Cable be sold, according to the complaint.

Messrs. Manafort and Gates agreed and made representations to Surf that they were seeking to sell the company, the complaint says.

Instead, Messrs. Manafort and Gates "took no steps to find a buyer for Black Sea Cable," the complaint says.

## CEO

Continued from Page One vice chairman of the noninsurance business operations. That means that managers of the conglomerate's 60-odd operating businesses will now report to either Mr. Jain or Mr. Abel, rather than to Mr. Buffett as they have previously.

Berkshire comprises about 60 businesses across multiple sectors. The noninsurance operations—which include well-known brands like Duracell, Benjamin Moore and Fruit of the Loom—employed more people at the end of 2016 and contributed about 80% of the company's earnings that year, the most recent for which annual information is available.

But the insurance businesses, including Geico, are also critical because they contribute about \$100 billion in "float"—money that the company holds to pay claims and invest in public equities like Wells Fargo & Co. and Apple Inc. They employed 44,330 at the end of 2016 as compared with 323,316 at the noninsurance businesses under Mr. Abel's supervision.

Messrs. Jain and Abel aren't in a "horse race" to win the top spot, Mr. Buffett said on CNBC; nonetheless, Wednesday's news is the clearest confirmation yet that they are the top candidates. Mr. Munger dropped a hint that was the case in a letter to shareholders more than two years ago, but the company hadn't officially confirmed that they are in line for the top job.

The two men didn't respond



Ajit Jain

#### New job:

Vice chairman of insurance

#### Former position:

Head of Berkshire's reinsurance operations

#### Education:

Indian Institute of Technology, Harvard Business School

Age: 66

#### Accomplishments:

Warren Buffett has said if he were stuck in a sinking boat with Berkshire Vice Chairman Charles Munger and Mr. Jain, the most important person to save would be Mr. Jain. The Indian-born executive turned a small reinsurance business into a giant that has made billions for Berkshire Hathaway. He is best known for his understanding of risks and now runs a long list of insurers, including Geico and Gen Re. His businesses provide roughly \$100 billion in "float"—premiums that the company can invest in public equities or acquisitions. That is a cornerstone of Berkshire's model, helping fund its expansion into diverse businesses and investments. He started at Berkshire in 1986.

to requests for comment.

Mr. Jain, 66 years old, has worked for Berkshire since 1986 and is famous for writing large insurance or reinsurance policies on unusual risks—such as last year's agreement with American International Group Inc. to take responsibility for tens of billions of dollars in AIG insurance claims if they run unexpectedly high.

Mr. Buffett said at last year's annual meeting that Mr. Jain "has made a lot more money for Berkshire than I have."

Mr. Abel, 55 years old, joined Berkshire in 2000 when Berkshire bought what was then called MidAmerican Energy Holdings Co., an Iowa-based utility. He has overseen a num-

ber of acquisitions for Berkshire, including a \$5.6 billion deal in 2013 for Nevada's largest utility.

Some shareholders are confident Mr. Abel will be Mr. Buffett's successor, because he is younger and has more experience running nonfinancial companies. "The CEO has got to be somebody that knows an awful lot about operating businesses," said Bill Smead, chief executive of asset management firm Smead Capital Management Inc., which holds Berkshire shares. Mr. Abel is "a better fit," he said.

During the company's annual meeting last year, Mr. Buffett suggested that whoever ultimately steps into his role will be



Greg Abel

#### New job:

Vice chairman, noninsurance businesses

#### Former position:

Chief executive of Berkshire Hathaway Energy

University of Alberta

Age: 55

#### Accomplishments:

Mr. Abel became part of Berkshire Hathaway when the company acquired MidAmerican Energy Holdings Co., now known as Berkshire Hathaway Energy, in 2000. He now oversees one of the country's biggest utilities, serving customers in 18 states, the United Kingdom and Canada.

Mr. Abel, a Canadian, has a reputation as an astute deal maker, with an easygoing manner. He led the 2013 acquisition of Nevada's largest utility and struck a deal last year to buy Texas power-transmission company Oncor, though Oncor's parent company terminated the deal in favor of a higher offer. He started at Berkshire in 2000.

responsible for spending the company's huge pile of cash and that his successor could take the reins while Mr. Buffett is still alive.

Berkshire currently holds more than \$100 billion in cash. Mr. Buffett has lamented the difficulty of finding attractive large acquisition targets. A few potential acquisitions fell through in 2017. Kraft Heinz Co. dropped a \$143 billion offer, which would have been partly backed by Berkshire, for Unilever PLC. And Texas power-transmission company Oncor terminated a deal with Berkshire's utility arm in favor of a higher offer from Sempra Energy.

Mr. Buffett has helmed Berk-

shire since 1965. Even as the company grew to be one of the largest in the world, it remained highly decentralized, with each operating business run relatively independently. Berkshire employs about 25 people in its headquarters in Omaha, Neb., a number that Mr. Buffett said isn't changing with the new appointments. Mr. Jain works out of Stamford, Conn., and Mr. Abel is based in Des Moines, Iowa.

Some parts of the succession plan are well known. Mr. Buffett's oldest son, Howard, is a member of Berkshire's board and set to take on the role of nonexecutive chairman in the future. And Berkshire hired two portfolio managers in recent

years, Todd Combs and Ted Weschler, who are expected to oversee all of Berkshire's equity investments someday.

But even with the recent news, Mr. Buffett continues to keep the name of his chosen successor close to the vest. The successor's name could change depending on when Mr. Buffett leaves the company, he suggested.

"Our directors know what they would do tomorrow morning if it happened, but they don't know what they would do four years from now, say, if it happened then," Mr. Buffett said on CNBC, referring to a change in leadership.

Berkshire's class A shares rose 1.3% Wednesday to a new closing high. "My sense is this is overwhelmingly favorable and approved [by shareholders], partly because it's been anticipated," said Lawrence Cunningham, a law professor at George Washington University.

The elevation of two new vice chairmen also could help the company weather any changes if Mr. Munger, who is 94, dies or steps away from the business. Mr. Munger said on CNBC that shareholders can probably expect another seven years for Mr. Buffett as CEO, but not as long for him.

"I have to face reality," he said.

He added that Messrs. Jain and Abel are highly qualified and "do some things better than Warren does."

Mr. Buffett responded, "A lot better."

—Erik Holm and Allison Prang contributed to this article.

## WORLD NEWS

## Seoul Sees Friction on Policy With U.S.

President Moon credits Trump for helping bring North back to negotiations

By JONATHAN CHENG

SEOUL—South Korea's leader acknowledged policy differences with his U.S. ally in their approach to North Korea, but credited President Donald Trump for helping bring Pyongyang back to the negotiating table.

A day after senior officials from the two Koreas met, President Moon Jae-in expressed "guarded optimism," and called for further inter-Korean dialogue during next month's Winter Olympics in South Korea.

Admitting policy friction with the U.S. was a rarity for the left-leaning Mr. Moon, who has sought to emphasize goals he and Washington share, even as Mr. Trump has criticized Seoul for pursuing "appeasement" with the North through its requests to resume talks.

During an hourlong press conference in Seoul on Wednesday, Mr. Moon called the policy disagreement "a concern that we have, a dilemma that we face in the current reality." But he also thanked Mr. Trump—who has mocked North Korean dictator Kim Jong Un as "Little Rocket Man"—and threatened military action—for helping to coax the North back to discussions.

"I believe Mr. Trump did a lot in order to facilitate the inter-Korean talks yesterday, so I'd like to express my gratitude to Mr. Trump," Mr. Moon said.

Later on Wednesday, the



South Korean President Moon Jae-in in Seoul on Wednesday expressed 'guarded optimism' about talks with Pyongyang.

two leaders spoke by phone for about half an hour, according to a readout from South Korea's presidential Blue House. Messrs. Trump and Moon agreed that inter-Korean dialogue should go beyond discussing simply North Korea's participation in the Olympics, and should lead to a broader discussion on denuclearization of the Korean Peninsula.

Separately, Mr. Trump told Mr. Moon that "the U.S.'s door is open to talks if North Korea wants them, at the right time and under the right circum-

stances," according to both sides' account.

Mr. Trump also referenced a recent Wall Street Journal column to reassure Mr. Moon that the U.S. wasn't reviewing any military strike options. "To be clear, there will be no military action while inter-Korean dialogue is taking place," Mr. Trump told Mr. Moon, according to the Blue House.

The White House emphasized similarities in the views exchanged by the two leaders, saying they "underscored the importance of continuing the

maximum pressure campaign against North Korea."

Later in the day, Mr. Trump said at a meeting of cabinet advisers that he had a "very good conversation" with Mr. Moon. He said the South Korean president was thankful for U.S. involvement in bringing about talks between North and South Korea.

"Who knows where it leads," Mr. Trump said. "Hopefully it will lead to success for the world."

Mr. Trump later hailed the talks as a positive step in re-

ducing tensions in the region.

"We certainly have problems with North Korea, but a lot of good talks are going on," Mr. Trump said at a joint press conference with Norwegian Prime Minister Erna Solberg.

Asked about a U.S. Marine Corps general's recent warning to Marines based in Norway that "there's a war coming," Mr. Trump suggested that his policies would help prevent new conflicts.

Representatives from the two Koreas sat down Tuesday for their first face-to-face

talks in more than two years. North Korea agreed to send a delegation of athletes, cheerleaders and political officials to South Korea next month for the Winter Olympics.

Ahead of the talks, Mr. Trump had claimed credit, saying on Twitter last week that U.S.-led sanctions had driven Pyongyang to seek dialogue.

Mr. Moon took what he described as a cautiously optimistic view on the prospects for dialogue with North Korea, and said he would be open to a summit meeting with Mr. Kim. But he added that the ultimate goal—resolving the nuclear issue—remains far off.

"I don't think we should be too excited," he said. "It is only a beginning."

North Korea hasn't indicated which officials will visit the South for the Olympics, which begin Feb. 9. Some are barred by United Nations sanctions from traveling abroad. Seoul will take "necessary steps" to avoid problems with the sanctions, Unification Ministry spokesman Baik Tae-hyun said.

Mr. Moon, in his remarks, said any attempts to restart two shuttered symbols of inter-Korean cooperation—a joint business park and a tourism zone in North Korea—would likely run afoul of sanctions.

He affirmed that ridding North Korea of its nuclear arsenal is his country's "fundamental position that can never be compromised." On that, he said, there is no disagreement between South Korea and the U.S.

—Andrew Jeong in Seoul and Dion Nissenbaum in Washington contributed to this article.

## New Tactic Is Tried in Hunt for Flight 370

The hunt for Malaysia Airlines Flight 370 has involved military jets, container ships and undersea robots scouring the seabed since the plane disappeared in early 2014.

By Rob Taylor in Canberra, Australia, and Yantoutra Ngui in Putrajaya, Malaysia

Now, a new U.S. private company is taking up the search on a high-risk deal that could net a big finders' fee and publicity if it solves one of aviation's biggest mysteries.

Houston-based exploration and survey company Ocean Infinity says it will deploy a fleet of unmanned submersibles to scour an area identified as the most likely resting place of the Boeing 777.

The rebooted search in the southern Indian Ocean is backed by the Malaysian government, which is offering a bounty for the plane.

While tested on shipwrecks, the submersibles have never been used to look for aircraft debris. Ocean Infinity will rely on assumptions and data that have changed over time and led to big shifts in the search area.

The most recent search effort, led by Dutch company Fugro NV with financial and logistical support from the Australian, Malaysian and Chinese governments, lasted two years and spanned more than 46,000 square miles.

Still, Ocean Infinity, which was established in 2015, thinks it will be successful if the plane is in a nearly 9,700-square-mile area the size of Vermont. The zone is located north of the previous search area.

"There's no reason to doubt what's been searched already has been done properly," Ocean Infinity Chief Executive Oliver Plunkett said in an interview. "The difference in the technology this time is huge."

Malaysian Transport Minister Liow Tiong Lai sounded confident after the government signed the deal with Ocean Infinity on Wednesday to continue the search.

"After looking into their expert's view, there's an 85% probability of finding the wreckage at this new area," Mr. Liow said after a signing ceremony in Putrajaya, Malaysia.

## CHINA

Continued from Page One

Islamabad insists there are no militant sanctuaries on its soil, and complains that the U.S. has cut back military and economic aid in recent years just as Pakistan undertook its most serious counterterrorism operations.

Pakistan Foreign Minister Khawaja Muhammad Asif responded to the U.S. announcement by declaring the partnership between the two countries to be over.

Some U.S. officials described China's role in Pakistan not as a threat to U.S. interests but as a potentially positive influence, saying Beijing also wants a stable Pakistan free of militancy.

"Ultimately, if [the Chinese] want to see stability in the region, and I think that they do, they also have an interest in cracking down on Haqqani and Taliban networks," a senior U.S. official said.

The U.S. has asked China to persuade Pakistan to take action against militant sanctuaries, and appreciates Beijing's role in trying to mend ties between Kabul and Islamabad, such as hosting a meeting of their foreign ministers last month, the official said.

China is interested in regional cooperation on terrorism but not in "hurling accusations and pressurizing upon each other," Lu Kang, a spokesman for China's foreign ministry, said Monday.

China jumped in last week with statements supportive of Pakistan, as did Iran and Turkey; Pakistan has also improved its relationship in re-



Chinese projects in Pakistan include a \$2 billion mass transit light railway in Lahore.

cent years with another American antagonist, Russia, setting up Islamabad with a quartet of alternative allies who have tense or adversarial relationships with Washington.

Pakistan believes that the U.S., by favoring India, is in danger of upsetting the balance of power in South Asia and further stimulating the nuclear arms race between the two countries.

"The U.S. now sees South Asia through the Indian prism," said Hamayoun Khan, an expert on the Pakistan-China relationship at Islamabad's National Defense University. "For China, Pakistan has to be a capable country, to create deterrence against India."

Pakistan is the largest buyer of Chinese arms, and China's supply of defense equipment to Pakistan has far outpaced U.S. weapons since 2011, according to the Stockholm International Peace Research Institute, an in-

dependent Swedish think tank.

China has over decades also transferred military technology to Pakistan for indigenous production, including missile, tank and jet-fighter know-how. China also has built nuclear power plants for Pakistan, with two more reactors under

Some U.S. officials described China's role as a potentially positive influence.

construction outside Karachi. Since 2013, China augmented its long term strategic partnership with Pakistan with an economic investment program, known as the China Pakistan Economic Corridor, which includes roads, power plants and a port.

The plan is to allow goods from southwest China to be trucked through Pakistan, for export from a port, Gwadar, that Pakistan has given to China to run. Islamabad and Beijing deny persistent speculation that China will be given a naval base at Gwadar.

Pakistan is the flagship for Beijing's "One Belt, One Road" initiative, an ambitious plan to build international logistics infrastructure.

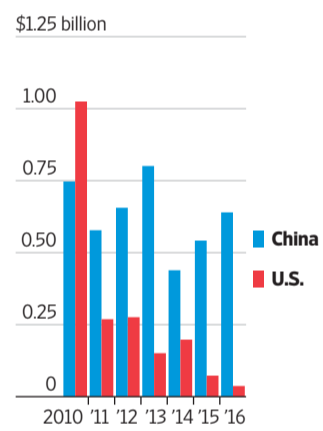
Chinese investments are crucial to the ruling Pakistan Muslim League-N party's pledge to the electorate to end crippling electricity shortages. Elections are due by September, with electricity a major issue.

Among Chinese projects to be completed in 2018 are a \$2 billion mass transit light railway in Lahore, and a coal-fired power plant in Karachi, also costing \$2 billion.

The Trump administration indicated the latest aid sus-

## Brothers in Arms

The U.S. has fallen behind China in defense exports to Pakistan.



Source: Stockholm International Peace Research Institute  
THE WALL STREET JOURNAL.

pension could be just a first punitive step. Islamabad fears its access to multilateral lending and the international finance markets could be threatened.

Islamabad could retaliate by cutting off the supply lines for U.S. troops in Afghanistan, which pass through Pakistan. But Pakistani security officials said they don't want to see the end of the nation's long relationship with the world's sole superpower. And Islamabad believes that it is key to any eventual peace deal to end the war in Afghanistan.

"If America distances itself from Pakistan, any reconciliation is not possible in Afghanistan without Pakistan sitting at that table," said Mr. Dastgir-Khan, the defense minister.

—Dion Nissenbaum in Washington and Jeremy Page and Xiao Xiao in Beijing contributed to this article.

## Myanmar Charges Reuters Reporters Under Secrecy Laws

By JAMES HOOKWAY

Prosecutors in Myanmar formally charged two Reuters reporters under archaic, colonial-era secrecy laws as criticism grew over the restriction of press freedoms in the country under the leadership of Aung San Suu Kyi.

Wa Lone, 31 years old, and Kyaw Soe Oo, 27, had reported extensively on the conflict in Rakhine state, from where more than 650,000 ethnic Rohingya Muslims have fled what United Nations officials have called a coordinated campaign of ethnic cleansing.

The reporters were invited to meet with police officials for dinner on Dec. 12, where they were passed secret doc-

uments allegedly relating to the crackdown just before they were arrested.

Wednesday's indictment increases the likelihood that the case will go ahead.

If convicted, Mr. Wa Lone and Mr. Kyaw Soe Oo face up to 14 years in prison under the Official Secrets Act, which was introduced in 1923.

"This is unacceptable," the Associated Press reported Mr. Wa Lone as saying from the back of a police truck. "I want to tell you that they are charging us like this to stop us finding the truth. Their actions are wrong and unfair."

The judge said he would consider a request for bail at the next hearing, on Jan. 23. The reporters have largely

been held without contact with family or legal representation, prompting international condemnation.

Former U.S. President Bill Clinton said in a Twitter post on Monday that "a free press is critical to a free society—the detention of journalists anywhere is unacceptable."

Reuters Editor in Chief Stephen J. Adler said the prosecution was "a wholly unwarranted, blatant attack on press freedom."

Myanmar authorities often use colonial-era laws to quash independent reporting.

A local media group called We Support Journalists says at least 32 journalists have been charged since Ms. Suu Kyi's government took office in 2016.



Reuters journalist Kyaw Soe Oo speaks after a court appearance.

WORLD NEWS

# In France, Some Resist #MeToo

Actress sparks a fight with a letter arguing against the sexual-harassment campaign

By WILLIAM HOROBIN AND SAM SCHECHNER

A battle has broken out in France between campaigners against sexual harassment and a group of prominent women who argue overzealous misconduct allegations threaten the country's embrace of sexual freedom.

Film star Catherine Deneuve and more than 100 French women this week published a letter in the newspaper *Le Monde* defending the lustful advances of their male compatriots, and denouncing what they call "puritanism" of the #MeToo campaign against sexual harassment that has taken root in the U.S. and other countries since the publication of allegations against Hollywood producer Harvey Weinstein.

"Insistent or awkward pickups aren't a crime," the letter said. "This fever for sending 'pigs' to the abattoir [slaughterhouse], far from helping empower women, in reality serves the interests of the enemies of sexual liberation."

The letter signed by Ms. Deneuve sparked an angry response from many other French women, including for-



A group of women including Catherine Deneuve, above, denounced what they called 'puritanism.'

mer presidential candidate Ségolène Royal, who have rallied behind the outpouring of stories of sexual abuse under the hashtag #balancetonporc, or "expose your pig."

"Are the pigs and their allies getting worried? It's normal. Their old world is disappearing," a group of 30 French feminists wrote in a reply to Ms. Deneuve that was published Wednesday.

The fight presages challenges ahead for France as it

tries to reconcile growing recognition of sexism and sexual misconduct with a national reputation for seduction, and its history as a crucible of the sexual-liberation movement.

On one hand, France is a country whose women prize their independence and boast higher workforce participation than women in the U.S. On the other, France has historically shown reluctance to confront allegations of sexual misconduct, particularly at the high-

est levels of society.

Dominique Strauss-Kahn, the former International Monetary Fund chief, initially retained much of his support in France after facing charges for sexual assault of a housekeeper in a New York hotel in 2011. Mr. Strauss-Kahn denied the charges, which were later dropped.

The French government has lined up behind the movement to confront sexual harassment and assault. French President

Emmanuel Macron has said that women live in a society "sick with sexism" and declared "cultural battle" by making gender equality the national cause of his five-year term in office.

Mr. Macron's government is crafting new legislation to introduce fines for verbal sexual harassment and is organizing a nationwide consultation on how to strengthen the bill. The government has also launched a video campaign titled "Stop Them" to explain the existing penalties—five years in prison for rubbing against a girl in a bus or touching a woman's buttocks.

Marlène Schiappa, France's secretary of state for equality, said the letter signed by Ms. Deneuve was "dangerous" because it risked confusing young women about what behavior is illegal in France. She denied examples in the letter that men had, for instance, been punished or forced to resign for touching a woman's knee.

Ms. Deneuve, for her part, has long been an icon of empowered sexuality in France and abroad, with performances that helped define the sexual revolution of the 1960s. In "Belle de Jour," one of her best-known roles, she plays a repressed Parisian homemaker who decides to become a prostitute by day.

Ms. Deneuve declined to comment.

# Catalan Parties Endorse Ex-Leader

By JEANNETTE NEUMANN

MADRID—Catalonia's two main separatist parties agreed to support the re-election of ousted leader Carles Puigdemont as president, in a sign that pro-independence groups are eager to ratchet up the tension with Spain's central government.

The separatists' agreement is the first significant step toward forming a new government in the restive Spanish region following regional elections Dec. 21. That vote was called after Spanish Prime Minister Mariano Rajoy imposed direct rule on the region in October in an attempt to quell the separatists' push to secede from Spain. When a new and law-abiding government is seated in Catalonia, Madrid has said it would end direct rule.

Pro-separatist parties won a slim majority of seats in the regional assembly. While that result promises to keep the campaign for independence alive, pro-independence forces must still overcome divisions to form a new government.

Two main pro-independence parties declared their support Wednesday for Mr. Puigdemont to return as head of the region.

Mr. Puigdemont faces legal hurdles to return to power, and his bid to again lead the region could stoke tensions between Madrid and Barcelona, Catalonia's capital. Mr. Puigdemont fled to Belgium in the autumn after Mr. Rajoy took control of Catalonia and ousted him from his position as head of the region. Spanish judges issued an arrest warrant for Mr. Puigdemont and jailed other separatist leaders who remained in Spain while courts investigate them for rebellion and sedition.

# Polish Premier Says Talks With EU Have Stalled

By DREW HINSHAW

WARSAW—Poland's new prime minister blamed misunderstandings for leaving no obvious way to resolve a high-stakes dispute with the European Union over the health of Polish democracy.

Prime Minister Mateusz Morawiecki, appointed last month, said this week's talks with EU leaders had so far

proved inconclusive.

"We are stuck in this discussion about the rule of law and we will be for some time," he said Wednesday in a small group interview with foreign media.

At issue is whether, as some EU leaders say, Poland's government is dismantling its own constitutional democracy. In December, Polish lawmakers voted to fire more than one-

third of the judges on the Supreme Court.

The government has refused to obey, or even to publish, decisions from Poland's constitutional tribunal, which rules on whether laws passed by Parliament are constitutional.

Poland's government believes the country's institutions, including its courts, are infiltrated by communists who



Prime Minister Mateusz Morawiecki said debate would be 'stuck' for some time.

had been misunderstood. Mr. Morawiecki spent Tuesday night in Brussels, the seat of EU power, explaining his point of view.

The European Commission, the EU's executive branch, is weighing whether the Polish government is violating the rule of law and whether to impose financial penalties or even strip Poland of its voting rights in the union.

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# Canada Goes on Nafta Charm Offensive

By PAUL VIEIRA AND SARA SCHAEFER MUÑOZ

Days after talks on the North American Free Trade Agreement soured over a U.S. proposal on car production, Canada's Transport Minister Marc Garneau flew to Windsor, Ontario, to meet with Michigan Gov. Rick Snyder at an art museum overlooking the Detroit skyline.

"We have a highly integrated auto industry and supply chain," Mr. Garneau said he told the governor in late October. "I wanted to point out that it would be important we don't put that in jeopardy."

As Nafta talks have grown contentious in areas such as national content in auto manufacturing, the Canadian side is working behind the scenes to press its agenda at back-channel meetings away from the negotiating table.

Canada's Liberal government, which has adopted a more pugnacious tone with the Trump administration on trade, is working to charm governors, lawmakers and other U.S. opinion leaders.

Ottawa is betting that friends in high places across the U.S. will recognize the damage tearing up Nafta could do to supply chains and growth—and pressure the Trump administration to leave the pact alone.

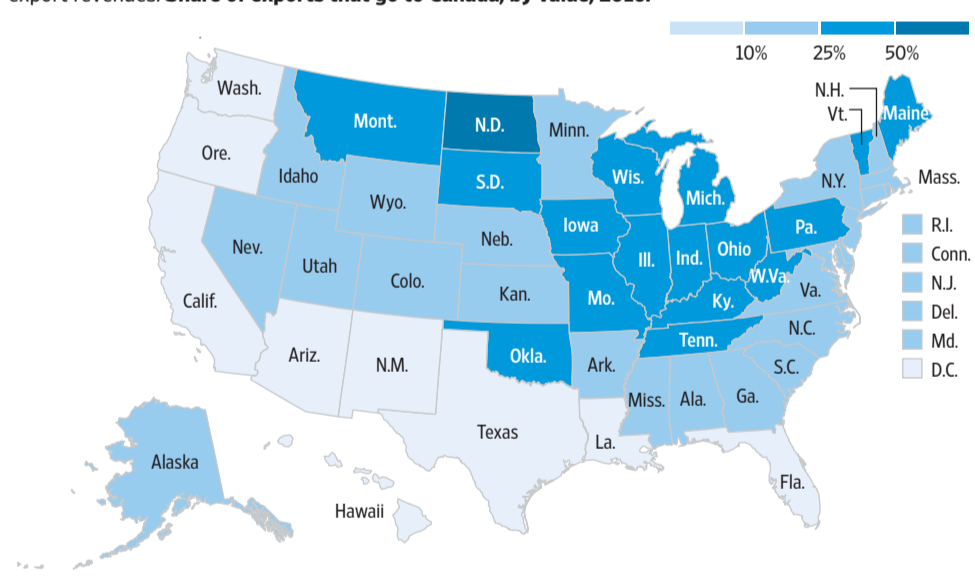
"What we are depending on is that facts should win the day," said David MacNaughton, Canada's ambassador to the U.S. and a crucial player in lobbying efforts.

Canadians are doubling down on outreach, he said, because "while we are doing a better job of this, and getting people's attention, we are not where we need to be."

The charm offensive hasn't stopped Canada from playing hardball with the U.S. on certain objects of trade, most notably lumber. Ottawa has filed a broad challenge against U.S. trade-remedy practices, which Canadian officials say is their latest response to the 20%-plus tariffs Washington imposed last year on Canadian-made softwood lumber. The complaint was made public Wednesday.

## Trade Ties

Canada hopes to influence Nafta negotiations by appealing to states that rely heavily on the country for export revenues. **Share of exports that go to Canada, by value, 2016:**



## WORLD NEWS

# How Millions of Iranians Evade Internet Censors

By SAM SCHECHNER

Iran's new offensive against social media is showing signs of backfiring.

Authorities in Tehran have ratcheted up their policing of the internet, part of an attempt to stamp out the most far-reaching protests in Iran since 2009.

But the crackdown is driving millions of Iranians to tech tools that can help them evade censors, according to activists and developers of the tools.

"By the time they wake up, the government will have lost control of the internet," said Mehdi Yahyanejad, executive director of NetFreedom Pioneers, a California-based technology nonprofit that largely focuses on Iran and develops

educational and freedom of information tools.

An official at Iran's United Nations mission didn't immediately respond to a request to comment.

In recent days, Iran has said it has contained days of public demonstrations against the regime. Protesters used social media to spread the word about, or bear witness to, the protests, as people did during the Green Movement in 2009.

Iran blocked major social-media sites, such as Twitter Inc. and Facebook Inc., in 2009.

This time around, encrypted social-media app Telegram, which is widely used in Iran, became one of the key communication tools among protesters. Iranians have used Telegram to share information

about demonstrations and videos of gatherings.

Iran moved to block Telegram in late December. In response, Iranians are flocking to a number of popular so-called circumvention tools.

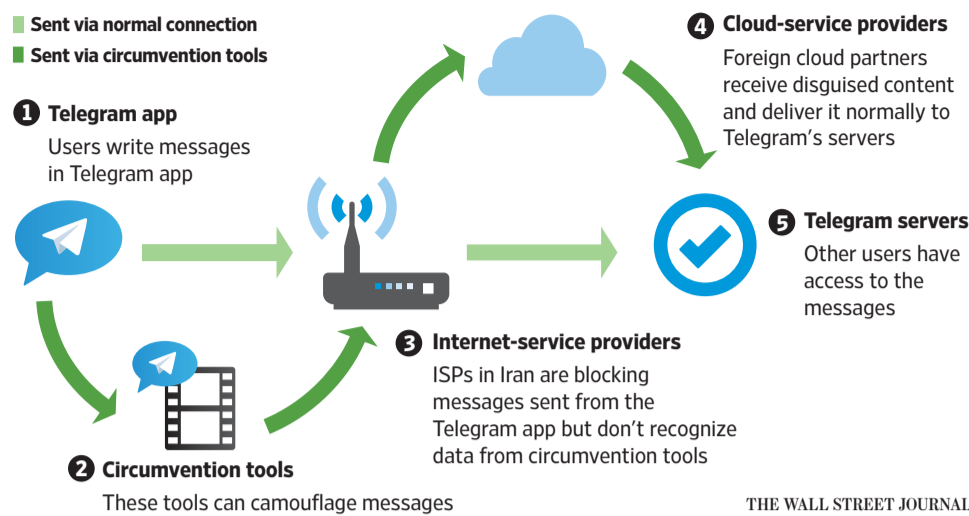
"When Telegram got blocked, we got a big push," said Michael Hull, co-founder of Psiphon Inc., a Toronto-based firm that makes one such app. Psiphon said the number of unique users a day in Iran jumped from about three million to more than 10 million on Jan. 1 and 2, amid the protests, and remains around eight million.

The Psiphon app works in part by redirecting and camouflaging user traffic through cloud-service providers.

Adam Fisk, founder of Lantern, another popular app that

## Uncensored

Iran is blocking Telegram, a messaging app that is widely used in the country. Iranians are turning to a variety of circumvention tools to get around the restrictions. Here's how such tools can work.



had been primarily used in China, announced last week it would remove all data caps for users in Iran—allowing them to browse banned sites and use banned services without limits.

Circumvention tools—some of which have received funding from U.S. government programs dating back as far as the early 2000s—have been increasing in sophistication in recent years.

That has set up an arms race with authorities amid government crackdowns by countries including China and Turkey.

—Asa Fitch  
contributed to this article.

# Blast Interrupts Ship Rescue Effort

By TE-PING CHEN  
AND COSTAS PARIS

BEIJING—An Iranian oil tanker that collided with a cargo ship off China's eastern coast over the weekend experienced an explosion on Wednesday, Chinese authorities said, forcing rescue authorities to retreat.

According to a statement posted online by the Chinese transport ministry, the explosion took place on the Sanchi tanker's bow, prompting a temporary halt in rescue and firefighting work.

Efforts to reach the 32 crew members aboard the tanker during the Saturday crash had already been hampered by challenging weather and toxic fumes emitted from the wreck. As of Wednesday, one body had been recovered.

All 21 Chinese crew members who were aboard the Hong Kong-registered cargo ship CF Crystal were rescued

in the aftermath of the crash.

The 899-foot Sanchi, operated by Iranian state-controlled shipping firm National Iranian Tanker Co, had been carrying 136,000 tons of condensate, which is highly flammable and prone to explosion. Experts said that much of the petroleum may have already been burned off. The tanker has been ablaze since the accident, with Chinese personnel trying to contain the flames by spraying foam on the tanker.

Thirty Iranians and two Bangladeshis were aboard the tanker when the accident occurred. One sailor's body was taken to Shanghai to be identified, Mohammad Rastad, head of Iran's Ports and Maritime Organization, told Iranian state media on Monday. The rest of the crew is unaccounted for.

East Asia's waters are the leading region of maritime accidents with 34 ships lost in 2016 alone.

## WORLD WATCH

### FRANCE

#### Paris Ritz Hotel Shop Is Robbed of Jewels

Thieves entered the luxury Ritz Hotel in the capital and stole jewels and other goods from a hotel boutique, officials said.

Three suspects were quickly apprehended near the Place Vendôme in central Paris, but at least two others got away, according to a police official. No one was injured.

None of the jewels or other items has been recovered, said an official familiar with the investigation.

French media estimated the stolen goods to be worth at least €4.5 million (\$5.4 million.) Police couldn't confirm the sum.

—Associated Press

### HONDURAS

#### Powerful Earthquake Strikes Off Coast

One of the strongest earthquakes to hit the Caribbean in modern times struck off the coast of Honduras Tuesday night, shaking the mainland and setting off tsunami warnings that were canceled about an hour later.

There were no early reports of serious damage or casualties on land after the quake struck shortly before 10 p.m. EST. Officials in Honduras said shaking

was registered across much of the nation and there were reports of cracks in homes in Colón and Atlantida provinces.

Tsunami centers issued advisories and warnings for Puerto Rico, the Cayman Islands, Cuba, Jamaica and other Caribbean islands as well as on the coasts of Mexico and Central America, but no tsunami materialized.

The U.S. Geological Survey measured the quake at a preliminary magnitude of 7.6. The tremor struck in the sea about 125 miles north-northeast of Barra Patuca, Honduras.

—Associated Press

### TUNISIA

#### Injuries Reported As Unrest Spreads

Authorities said 237 people were arrested and dozens of others injured across the country in recent days as violent protests against government-imposed price rises spread to more cities and regions.

The Interior Ministry said that those arrested took part in looting, theft and arson. Some blocked roads with blazing tires and targeted police stations, municipal depots, stores and banks.

Ministry spokesman Khalifa Chibani told Tunisian news agency TAP that 58 members of the security forces were injured and 57 police vehicles were damaged.

—Associated Press



# WSJ

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ApplePodcasts.com/WealthyWomen



**COLD MOUNTAIN:** An explosives expert tossed a stick of dynamite to loosen snow for avalanche control at the Val Thorens ski resort in the French Alps on Wednesday.

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## IN DEPTH

## SALES

Continued from Page One

ents invest in most types of mutual funds and exchange-traded funds. They earn more than twice as much, 0.10%, on choices that typically generate higher annual fees for Fidelity, such as managed accounts, annuities and referrals to independent financial advisers.

"If I was sitting in front of someone and there were 20 different avenues we could choose from," said former Fidelity financial consultant Sean Gray, "and we could choose Fidelity's managed accounts—that is what paid us more—in my mind, that created a conflict. And that's one of the reasons I left." Mr. Gray, who worked in a Fidelity branch in Atlanta from 2011 to 2016, now is at a wealth-management firm in Georgia.

At Fidelity, sales incentives not only enhance pay directly but also help representatives win "Achiever" bonuses that can be tens of thousands of dollars a year. At Schwab, employees can win an award including a trip to such destinations as Florida or Hawaii; for advisers, performance is measured partly by sales volume in certain products.

Discount brokerage firms originated in the mid-1970s when stock-trading commissions were deregulated. The higher payouts for brokers at traditional firms led to a series of scandals in which investors were sold risky assets that collapsed or underperformed, including tax shelters in the 1980s, certain in-house mutual funds in the 1990s and private real-estate trusts in the mid-2010s.

Many customers come to discount brokers to avoid such conflicts and to keep the costs of investing low.

The discount brokers, while disclosing their employees' pay incentives on websites, said they don't require the employees to talk about these incentives with clients. Former employees said they almost never did.

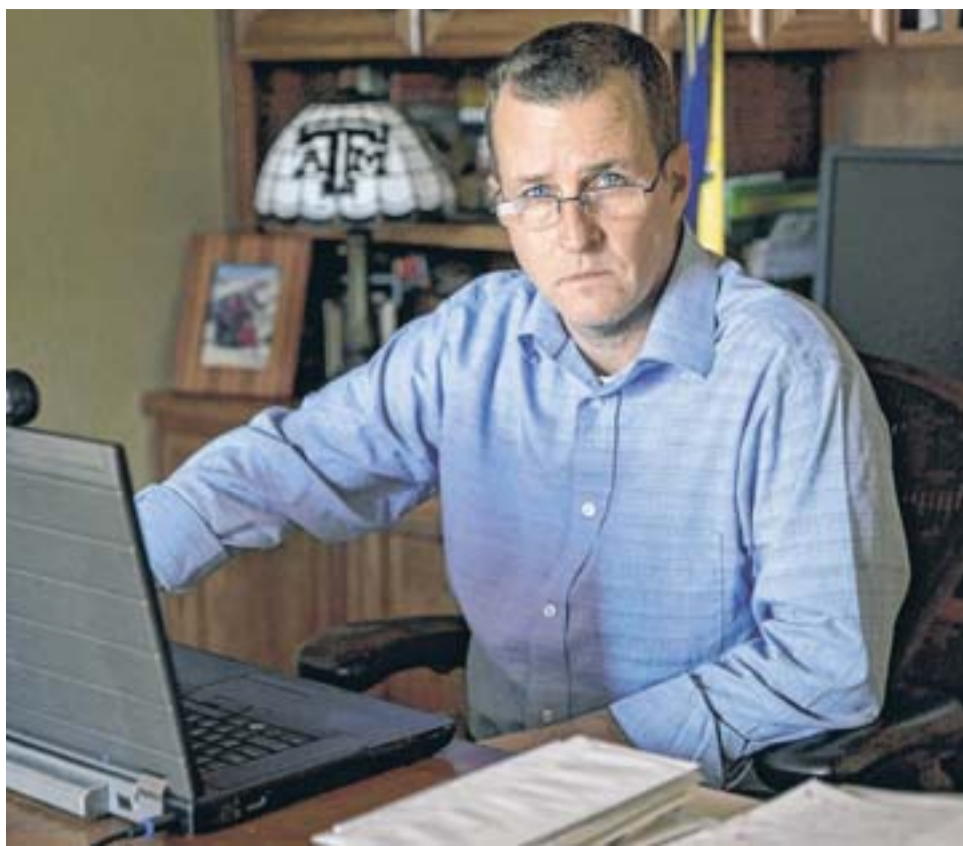
## Internal controls

The firms say they have extensive policies and procedures designed to make sure their representatives, often called financial consultants, act in clients' interests and don't unduly push any product or service.

"The internal controls we have in place flag someone who is conducting their business" improperly, said Andrew Tappe, executive vice president at Fidelity, who helps oversee its 197 branch offices. "We monitor their activities closely, investigate immediately if we see any concerns, and take prompt action."

At Schwab, "We never want a financial consultant to feel they have to sell one product over another from a compensation standpoint," said Joe Vietri, head of the firm's branch network. "Our whole business is rooted in trust and in always doing what's in the best interest of the client."

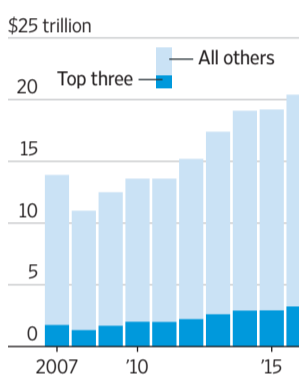
TD Ameritrade's disclosures say it pays employees more



'Clients hear the representative doesn't work on commissions, and they think that means a rep doesn't work on incentives,' said Jeff Weeks, above, formerly of Fidelity. Philip Snyder, below, who was at TD Ameritrade, saw incentives to steer clients to managed accounts and to advisers.

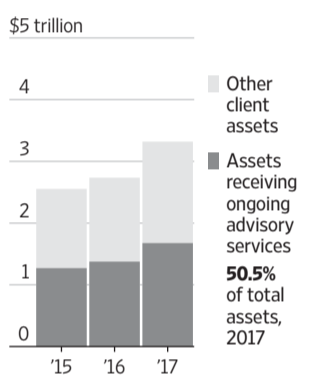
## Advice at Discount Brokers

Nearly one-sixth of U.S. wealth management industry client assets are held by the online brokerage divisions of the three largest discounters—Fidelity Investments, Charles Schwab and TD Ameritrade...



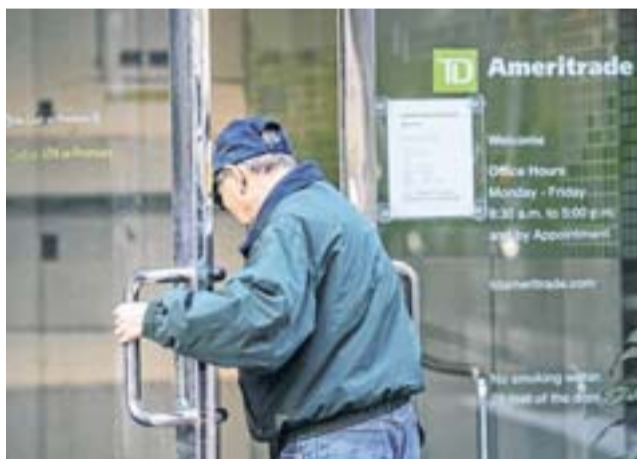
Note: Charles Schwab's data are as of Nov. 30 for each year. Sources: Aite Group (total brokerage and top three assets); Charles Schwab company monthly activity reports

...and at Schwab, assets of clients paying a fee to receive ongoing advice recently exceeded half the company's total for the first time.



THE WALL STREET JOURNAL.

for selling some investments than others and "may have a conflict of interest when it guides prospects toward these services." Spokeswoman Becky Niiya said the firm has had "policies, procedures and supervision in place for many years to help our focus remain on delivering appropriate solutions for our clients." She said it recently introduced a new compensation plan to eliminate targets for individual products.



A San Francisco branch of discount brokerage firm TD Ameritrade

Mutual-funds giant Vanguard Group, which also has a discount brokerage operation, said it doesn't use sales incentives to pay employees.

The products and services for which employees of Fidelity, Schwab and TD Ameritrade are best paid charge an annual fee—a percentage of assets—to offer advice. The advice business is an increasingly important one for brokerage firms, given steep declines in trading commissions



in recent decades. Discounters also find growing demand for advice from retiring baby boomers and investors scarred by the 2008 meltdown.

Many former employees the Journal spoke with pointed to managed accounts as products they were urged by supervisors to sell. These are baskets of investments often combined with a financial plan and advice. They may cost clients of discount firms anywhere from 0.20% to 1.7% of assets annually, depending on factors including what the underlying investments are.

Former employees said some clients' needs could be met with lower-priced investments, such as "target-date" mutual funds costing 0.5% or less a year or "robo" advisory services that often pair human advice with algorithms and, for as little as 0.30%, adjust portfolios of low-cost funds for market conditions.

"If you brought in a \$1 million account and that person bought stocks and bonds, that wasn't an attractive client to Schwab," said Bill Parrott, formerly a Schwab employee who

dealt with corporate executives. "The incentive was to move them to managed accounts and advisory services." Molly Stanifer, a financial planner in North Carolina who worked at several Fidelity branches from 2008 to 2013, said if a customer had at least \$50,000, "you had to lead off" by recommending a Fidelity managed account, "and if you didn't, you had to have a reason for it."

Fidelity wouldn't tolerate such a practice, said Mr. Tappe. "We pride ourselves on doing the right thing for clients all the time," he said. "Implications from former employees, disgruntled or not, that we don't, we take really, really seriously."

Without knowing the identities of the former employees, some who spoke for discount brokers suggested that former employees who are critical of firms' practices might have been underperformers.

Mr. Tappe said about 20% of clients who come to a Fidelity branch with more than the \$50,000 minimum for a managed account eventually invest in one, and that percentage has held steady in recent years.

He said Fidelity wants to give its financial consultants an incentive to put in the extra time needed to understand and explain more-complex products. "It is a very thorough, deliberate process to ensure there is a need and it's an appropriate fit," he said. The idea that Fidelity aggressively rewards the sale of managed accounts "runs counter to all the data we have and how we run our business."

All three firms pay incentives to representatives for referring clients to independent investment advisers. These advisers charge clients an annual percentage of their assets, and the discount brokerage firms receive up to 0.25% annually on assets committed to the advisers.

Philip Snyder, president of his own investment-advisory firm in Timonium, Md., worked at TD Ameritrade from 2007 through early 2016. "We were incentivized to bring in assets, but more so to refer clients to advisers and to sell managed accounts of mutual funds and ETFs," he said. "So those were the two options we would use."

## What's best?

It can be hard to determine exactly which product or service is best for an individual investor. Even former discount-broker employees who are critical of these incentive structures say many customers may be better off paying more for advice.

Alternatives such as going it alone or using an even-more-expensive traditional brokerage account could lead to underperformance, they said.

Still, "there is no way I can be a true fiduciary" acting in a client's best interests when paid more to sell some choices than others, said Mr. Gray, the former Fidelity employee. "If a target-date fund was suitable for a client's situation and a Fidelity managed account was also suitable, the fact that a managed account paid more created a conflict of interest and made it impossible to act

in a true fiduciary capacity."

Fidelity, Schwab and TD Ameritrade said their advisory businesses comply with federal rules by acting in clients' best interests. Lawyers unaffiliated with them said the compensation practices are permissible under the rules so long as the complexity of products is taken into account, potential conflicts are disclosed and the firms pledge to put clients first.

Together with customer feedback, Fidelity employees' variable compensation counts toward annual "Achiever" bonuses. In 2016, according to an internal compensation plan reviewed by the Journal, these bonuses could amount to as much as \$92,400 a year, jumping by thousands when incentive pay hit thresholds.

## Upping the bonus

A financial consultant who earned incentive pay of \$129,579 to \$136,191 qualified for an Achiever bonus of \$71,500. Earning a single dollar more in underlying incentive pay could raise the Achiever bonus by \$11,000, to \$82,500.

Several former Fidelity employees said financial consultants were highly motivated to reach the next Achiever level and often favored products that paid them more to get there faster.

Fidelity said: "Recognizing financial consultants who achieve high client satisfaction and who help clients invest and grow their assets with the right solutions is not under any definition a conflict of interest."

Two recently retired Fidelity consultants introduced to the Journal by the firm said they didn't feel its incentive struc-

*Given the incentives, 'there is no way I can be a true fiduciary,' one consultant said.*

ture influenced their advice.

At Schwab, employees with exceptional service and client satisfaction can qualify for the Chairman's Club, winning a trip to a Hawaii or Florida resort. For advisers, sales volume also can be part of the calculation. The firm's compensation practices could create "a financial incentive to recommend [managed accounts] over other products and services," said a 2016 Schwab disclosure of compensation practices.

TD Ameritrade discloses in a document on its website that sales bonuses could give financial consultants "an incentive to make recommendations for asset retention with a view to their compensation rather than the best interest of clients."

Associates are eligible for quarterly bonuses based on client satisfaction and sales performance, said the firm's spokeswoman, Ms. Niiya.

She said the new pay plan for financial consultants, introduced in October, ties "a much greater share of their compensation" to the retention of clients.

## SPACE

Continued from Page One

from Nebraska-based hunting and camping outfitter Cabela's.

"It's a step up from Walmart," sniffs Ted Southern, president of space-gear maker Final Frontier Design in Brooklyn, who previously designed wings for Victoria's Secret runway models.

Now, it seems, the future will finally look like it was supposed to—cool. Space garb is entering a new dimension, propelled by competition among private ventures seeking to carry NASA astronauts—and eventually private citizens—into orbit. New technologies mean it will finally be possible to leave the planet in style.

Elon Musk recently revealed the sleek flight suit, topped by Daft Punk-style headgear, his company created for crews to wear inside its Dragon capsule when headed for the international space station. SpaceX says it is on track to start ferrying U.S. astronauts to the orbiting laboratory as soon as this fall.

The goal was for people to see it and think, "Yeah, I wanna wear that thing one day," Mr. Musk said in an online video.

"It does really look cool,"

says Shane Jacobs, Softgoods Design Manager at David Clark Co., NASA's go-to source for space suits. He says with space suits made under traditional government contracts, "any ounce of effort spent beyond function was not money well spent."

Some rocketeers maintain that down-to-earth view. "We're not going to turn a swimsuit into a space suit," says Charles Precourt, a former astronaut and ex-head of NASA's astronaut corps, now a senior Orbital ATK Inc. official. "You have to realize what's really fantasy."

Yet even the David Clark firm is getting hip. Mr. Jacobs recently designed a trim flight suit for Boeing Co.'s new space capsule that is royal blue and includes boots produced with Reebok. Designers there took the same approach as for mass-market athletic gear.

"If it functions well and it doesn't look cool, we say that's a fail," says Reebok Creative Director Dan Hobson. Boeing's vehicle is slated to carry people to the space station within a year.

A NASA spokeswoman says today's suits are "more form-fitting for ease of mobility."

Flight suits like the new SpaceX and Boeing togs, worn during launch and re-entry, only need to protect astronauts in an emergency. That has allowed

them to benefit most from new textile technologies that weigh about 40% less than their predecessors. They offer updated features such as gloves that work on touch screens.

The Reebok team, unabashed about aping Hollywood, tested a boot design based on ones Sigourney Weaver wore in "Aliens."

"It worked surprisingly well" but proved less functional than other designs, Mr. Hobson says.

Focusing on color, they also tested metallic hues, none of which proved sufficiently space-age. "Getting fireproof materials in reflective is hard," he says.

The outfit still isn't slinky and is "not necessarily too flattering in the derriere area," acknowledges Chris Ferguson, another former astronaut, who is in charge of developing Boeing's space taxis.

"If you look at yourself in the mirror," he says, the question is, "Do I look dumb?"

He notes that flight suits are designed mainly for sitting near the controls, so it is hard to straighten the knees, and historically their stiff joints made them awkward on Earth. With Russian models, "There's a bit of 'The Hunchback of Notre Dame' look," says Mr. Ferguson.

Early space suits, like the sleek silver ones worn by Mercury astronauts of "The Right

Stuff," never left a capsule. Once men started stepping into space, they needed much more protection. Attire grew thicker and bulkier, and the clothes need heating and cooling systems with built-in power sources. Astronauts also don what NASA calls a "Maximum Absorption Garment"—adult diapers.

Micrometeors, space debris and sharp moon rocks risk puncturing garments, meaning spacewalks and lunar jaunts require textiles not seen on a catwalk.

"Any space suit—it's the world's smallest spacecraft," says Dava Newman, a professor of astronautics at the Massachusetts Institute of Technology, who is working on space suit enhancements.

A big challenge is stopping astronauts' bodies from expanding and bursting. On Earth, atmospheric pressure holds us in shape, but outer space has almost no pressure. To survive, humans need to wear suits that provide about 30% of the usual pressure at sea level.

Traditionally, this compression has been achieved by filling an impermeable suit lining with oxygen or other gas. A stiffer outer layer on the suit holds the "bladder layer" in shape.

Older versions were both bulky and clammy. The materials used—mainly rubber—



Astronaut Buzz Aldrin on the moon in 1969. Right, astronaut Chris Ferguson in the new flight suit designed for Boeing's space capsule.



NASA - THE BOEING COMPANY



# GREATER NEW YORK

## Billions in Road Work Put on Hold

Gov. Malloy cites dwindling funds as the reason; says 'chickens have come to roost'

By JOSEPH DE AVILA

Connecticut Gov. Dannel Malloy postponed \$4.3 billion in road projects Wednesday and put routine highway maintenance on hold because the state's transportation funds are drying up.

Among the projects affected: Replacement of a traffic-clogged interchange on Interstate 84 in Waterbury; the widening of I-95 from Bridgeport to Stamford; and the interchange of I-91 and Route 15 on the Charter Oak Bridge in Hartford.

"The chickens have come to

roost," said Mr. Malloy, a two-term Democrat who won't seek re-election this year. "Unless the funding of these programs is committed to, then they are dead in the water."

The state's special transportation fund, which pays for debt service on transportation-related bonds and operations for the Transportation Department, is expected to fall into deficit in the fiscal year that begins in July. The fund spent \$1.46 billion in the fiscal year that ended in June and is slated to spend \$1.5 billion during the current fiscal year. The \$4.3 billion in projects put on hold by Mr. Malloy is for multi-year projects.

The transportation difficulties come amid other budget challenges. Connecticut has a deficit exceeding \$200 million for the current fiscal year, and

the state's nonpartisan Office of Fiscal Analysis projects a deficit of \$1.88 billion in fiscal year 2020. The problems have been driven by rising fixed costs for

### \$4.3B

Anticipated cost of Connecticut highway projects being postponed.

pension obligations, health-care expenses and debt service at a time when income-tax revenue has repeatedly come in lower than projected.

Connecticut officials said on Monday that personal income-tax collections for December and January exceeded projec-

tions by \$900 million. A new state law requires that the vast majority of any revenue that comes in above projections be put aside into a rainy-day fund.

Connecticut Department of Transportation Commissioner James Redeker said the projects being put on hold are necessary to maintain the state's economic competitiveness with neighboring states.

Mr. Redeker said all of the projects are "critical to sustaining our infrastructure or to address critical congestion problems." Stamford, Conn., is ranked as the second-most congested city per capita after Los Angeles, according to INRIX Roadway Analytics.

Mr. Malloy called on the state Legislature to provide more money to resume work on the highway and bridge improve-

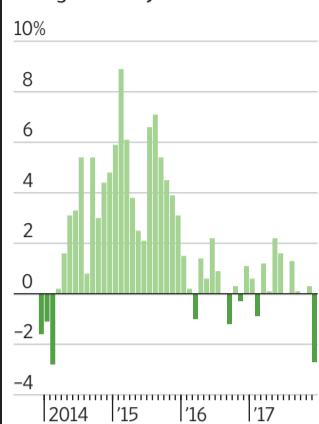
ments. In recent years, state lawmakers have discussed bringing back highway tolls to help pay for transportation projects, but those efforts so far have been fruitless. Raising gas taxes would be another option, Mr. Malloy said.

The governor said he would propose his own plan to shore up transportation funding by the end of this month.

State Sen. Len Fasano, the top-ranking Republican in the Senate, said Democratic lawmakers spent more on transportation than the state could afford. "Now Gov. Malloy and Democrats are trying to use the problem they created to force the Legislature to approve new taxes and more burdens on commuters," Mr. Fasano said. "That has been their game plan all along."

### Price Drop

Manhattan median rents, change from a year earlier



Source: Miller Samuel

THE WALL STREET JOURNAL.

## Manhattan Rents Fall As Supply Expands

By JOSH BARBANEL

Sky-high rents in Manhattan drifted lower in December, but they still aren't much of a bargain.

The median Manhattan monthly rent was \$3,295 in December, down 2.7% from a record December rent of \$3,388 last year, according to a report being released Thursday by Douglas Elliman real estate. It was the biggest year-over-year monthly decline in nearly four years.

The decline reflects a large supply of new apartments on the market, and increased pressure on landlords to lower rents and offer concessions to get tenants to sign on the bottom line, brokers said.

Many more new buildings are due to come on the market this year, likely putting further pressure on prices.

Despite the weakness, the December median rent was the third highest for a December in Manhattan, and was only 5.9% below a record median rent of \$3,500 set last June.

"Rents in general are still elevated, we are seeing them grind lower," said Jonathan Miller, an appraiser and president of Miller Samuel Inc., who prepared the Elliman report.

Mr. Miller said concessions offered by landlords in December in both new and older buildings were higher than they have been since at least 2010 in Manhattan, Brooklyn and neighborhoods he tracks in northwest Queens.

A report by Nancy Packes Data Services shows that 13,418 apartments went on the market in 2017, the most in any year going back to at least 2008, with at least 10,500 more, and perhaps more than 13,000, due on the market in 2018.

Hal Gavzie, executive director of leasing at Douglas Elliman, said "a bit of a correction" was under way, because of rising inventory and the normally sluggish winter leasing season.

In Brooklyn the report found that the median rent was \$2,700 in December, unchanged from the same month in 2016 but down 1.8% after including the effect of concessions.

In northwest Queens, the median rent in December decreased 3.5% to \$2,750 from the year before, but was down 5.6% after including concessions. In Manhattan, rents were down 2.5% after accounting for concessions.



A yellow cab picks up passengers at LaGuardia Airport. Ride-hailing services such as Uber and Lyft are eroding business for the iconic taxi at New York City airports.

## Yellow Cabs Are Losing Turf at NYC Airports

By PAUL BERGER

The days of the yellow taxi's dominance of New York City airports may be numbered.

Yellow cabs have clung on to the airports while they have been decimated in other parts of the city by ride-hailing services such as Uber, Lyft and Via.

They still pick up more passengers at John F. Kennedy and LaGuardia airports than ride-hailing services. But as airline passenger numbers grow, the iconic yellow cab's share of rides is slipping.

As Harman Singh waited in his yellow cab in a holding lot at LaGuardia one recent afternoon, he said there is too much competition with ride-hailing services. He snapped his fingers to illustrate how his earnings fell, seemingly overnight, to just over \$6,000 a month from \$10,000.

Mr. Singh motioned to the 10 lines of yellow cabs waiting in the lot beside him for work. Just a few years ago, he said, there would have been just two or three lines because many drivers would be out delivering fares. "Nobody knows what's going to happen," he added.

The airports were once considered one of the last bastions of the yellow-taxi industry along with Manhattan's central business district where street hailing is still popular.

But they are increasingly threatened by app-based ser-

vices such as Uber that are gobbling up passengers, according to Bruce Schaller, a former city transportation official who analyzed New York City Taxi and Limousine Commission data for the month of June between 2013 and 2017.

Mr. Schaller found that yellow taxis' share of pickups compared with app-based services at the airports has fallen from almost 100% in 2013 to 58% at LaGuardia and 53% at JFK.

Yellow-taxi pickups are falling even as demand for rides at the airports grows.

Combined taxi and app-based pickups at JFK and LaGuardia grew 58% between June 2013 and the same month in 2017, Mr. Schaller said. Over that same period, yellow-taxi pickups at the two airports fell by about 11%.

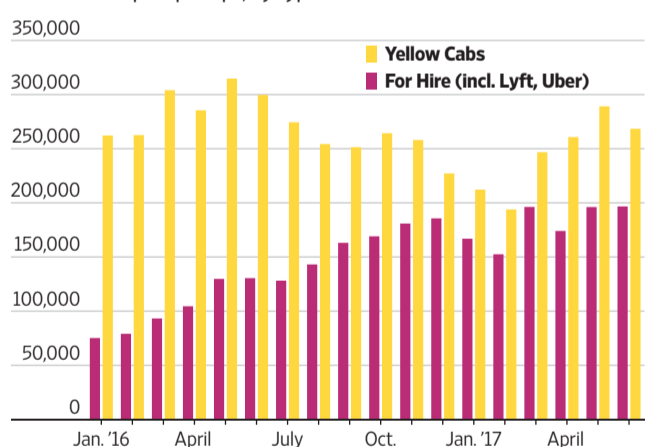
The biggest drop was at LaGuardia, which saw a 17% decrease to 251,000 taxi trips in June 2017 from 303,000 in June 2013. Drivers from ride-hailing services made 181,000 pickups at LaGuardia in June 2017.

Yellow taxis remain a popular option for overseas passengers who don't always have cellphone access to reach ride-hailing services when they arrive. Other passengers prefer the convenience of walking to a yellow-cab line rather than trying to find their app-based driver at a pickup location.

"It seems like more of a hassle," Sandra Martinez said

### Loosening Grip

LaGuardia Airport pickups, by type of car service



Source: NYC Taxi and Limousine Commission data compiled by Sam Schwartz Engineering

THE WALL STREET JOURNAL.

of app-based hailing as she stood in line for a yellow taxi at LaGuardia.

Michael Woloz, a spokesman for the Metropolitan Taxicab Board of Trade, said "it's a little early" to start counting yellow taxis out. "You are always going to have a passenger mind-set at the airport that is more comfortable getting into a licensed, regulated, insured yellow taxi."

The rise of app-based services may have provided more convenience and lower prices for passengers, but it has also exacerbated vehicle congestion at the airports as well as between the airport and the city.

In recent years, Midtown traffic speeds have dropped to 4.7 mph from 6.5 mph. The decline has coincided with an additional 68,000 licensed app-based drivers on the roads.

LaGuardia Airport, in particular, has struggled with congestion. The airport has been under construction for more than a year as part of an \$8 billion revamp of Terminals B, C and D.

An Uber spokeswoman, Danielle Filson, said that Uber reduces congestion at airports by offering services such as UberPOOL, in which riders share a car.

The Port Authority of New York and New Jersey, which

owns LaGuardia, hired a traffic consultant, Sam Schwartz, to ease congestion.

Last year, Mr. Schwartz moved the yellow taxi line to the west side of Terminal B and moved app-based pickups to an area 2,000 feet to the west of the airport, accessible by shuttle bus or a 10-minute walk.

Mr. Schwartz said that led to a "dramatic improvement in terms of congestion." He added that it has also slowed the growth of app-based pickups at LaGuardia.

It isn't hard to see why. On a recent night, passengers hauled their luggage onto a shuttle bus and then, a few minutes later, disembarked into the freezing night to drag their bags along a roadway.

Cars idled, three lines deep, as passengers used their cellphones trying to figure out which of the pickup spots, marked by letters of the alphabet, contained their ride.

Back at the yellow taxi line, Barry Erwin, of Denver, said his previous two visits to the distant lot at LaGuardia had been "mayhem," which was why he opted for a yellow cab.

Alena Perszyk, who was also waiting in line, said that she normally uses Uber, but right now it wasn't worth the hassle. "When the construction is over," Ms. Perszyk said, yellow cabs "will have a lot more competition."

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## GREATER NEW YORK

## A Luxury Tower for Tunnel Visionaries

Never mind the honks! Rental building with soundproofing rises near Lincoln Tunnel

By JOSH BARBANEL

It is wider than the most famous Manhattan boulevards like Fifth Avenue or Central Park West.

But the location, next to 10 lanes of ramps leading to the Lincoln Tunnel, is somewhat less glamorous.

Yet a developer believes that with some good soundproofing he can bring luxury living to one of the bleakest stretches of New York real estate.

The Lewis, a new 12-story rental building, is about to open amid the din of honking horns and the puffs of exhaust enveloping one of America's busiest tunnels. A wide curved expanse of concrete lanes and underpasses along Dyer Avenue at West 35th Street provides dramatic backdrop for the new building, with the new glassy geometric towers from Hudson Yards rising in the background.

The brick-clad Lewis, with 186 apartments, along with a sister building with 125 units nearing completion across the entrance ramps at 445 W. 35th St., shows how runaway land costs are forcing developers to

grab anything they can get.

Both buildings were erected on the sites of parking lots that were rezoned for residential use as part of the process that created the Hudson Yards commercial and residential neighborhood in 2005.

With extensive soundproofing in place, a main entrance close to Ninth Avenue at 411 W. 35th St. and condo-like finishes, the developers see the open space created by lane after lane of traffic as an asset and marketing opportunity. They said it would only increase in value as Hudson Yards is built out nearby.

"It is every developer's dream to buy land in an alt-location, not a prime one, and finish it in what could be considered a prime location," said Eli Weiss, a principal at Joy Construction, which is developing the Lewis in a joint venture with MADD Equities. "We are bullish on West 35th Street."

Mr. Weiss said his company, which also specializes in affordable housing, has been active in the Hudson Yards area for years and understands the market.

In 2010, Joy paid \$18.7 million for the unfinished site of a condo tower on West 37th Street overlooking the Lincoln Tunnel entrance and bus approach to the Port Authority Terminal and turned it into a rental building. Five months after the building opened in 2012, Joy sold it for \$84 million to Equity Residential,



Developers of the Lewis, on West 35th Street, see the open space created by traffic lanes as an asset.

which owns thousands of apartment units across the U.S.

Joy also built an 18-story hotel half a block down West 35th Street at 10th Avenue that opened last year as the Four Points by Sheraton Manhattan Midtown West.

At the Lewis, the developers were required to meet strict air quality and acoustical standards. The windows are built into metallic panels that give the project an industrial look.

They have thick glass, including a layer of interior lamination, and extra-strong seals that lock firmly to keep out sound, Mr. Weiss said.

Last Friday, the Lewis was awarded "NYC Green Property Certification" by the mayor's office, recognizing its cleanup of the former parking lot site.

Beyond the tunnel entrance, transportation is a key selling point, Mr. Weiss said. The building is a short walk from both the new subway stop in Hudson Yards and major subway and commuter lines near Pennsylvania Station. He said many renters also will be able to walk to work in Midtown.

The Lewis and its sister building are by no means the only projects to go up in and around tunnel entrances, with the price of land soaring elsewhere, said Nancy Packes, a rental consultant who isn't affiliated with the Lewis.

In 2003, Hudson Crossing opened at 37th Street and Ninth Avenue with 259 units in a 13-story building. Equity Residential purchased it for \$93.1 million in 2004, according to property records.

In Hudson Square in lower Manhattan, a 30-story condominium tower known as 565 Broome SoHo is going up facing a major interchange for the Holland Tunnel. It was designed by Renzo Piano Building Workshop and has an asking price of more than \$4,000 a square foot on some units.

At the Lewis, rents start at \$2,990 a month for studios, \$3,890 for one-bedrooms and \$6,695 for two-bedroom units, not counting concessions of two-months free rent on a 14-month lease, according to J.R. Sena of Douglas Elliman Development, who is listing the units.

Beyond the tunnel entrance, transportation is a key selling point, Mr. Weiss said. The building is a short walk from both the new subway stop in Hudson Yards and major subway and commuter lines near Pennsylvania Station. He said many renters also will be able to walk to work in Midtown.

## GREATER NEW YORK WATCH

## ECONOMIC DEVELOPMENT

## City Rethinks Aetna Relocation Incentive

New York City is shelving \$9.6 million in incentives offered to Aetna Inc. while the insurer reassesses whether to move its headquarters to the city.

The company in June said it would move its headquarters and 250 jobs from Hartford, Conn., to New York City. Those plans were

put on hold after CVS Health Corp. announced in December that it would buy Aetna. Aetna has said all of its locations will be evaluated as part of its integration with CVS.

An Aetna spokesman said Wednesday that the evaluation is ongoing.

The city said the uncertainty was the reason it isn't moving forward with formal approvals to finalize the incentives.

—Joseph De Avila and Keiko Morris

## CONNECTICUT

## Puerto Rico Students Put Strain on Schools

As families continue arriving from hurricane-ravaged Puerto Rico, advocates on Wednesday called for more help meeting the needs of thousands of displaced people, including students, who have found shelter in Connecticut's biggest cities.

In Hartford, where the public

schools have enrolled nearly 400 new students from Puerto Rico, Superintendent Leslie Torres Rodriguez said accommodating them is expected to cost \$1 million this year in unanticipated expenses.

Democratic Hartford state Rep. Matt Ritter, the House majority leader, said it will be a legislative priority to provide additional funding for affected school districts.

—Associated Press

## NEW JERSEY

## VA Official Is Chosen Health Commissioner

Incoming Gov. Phil Murphy has named a federal Veterans Affairs Department official as the state's next health commissioner.

Mr. Murphy said Wednesday that Shereef Elnahal would be New Jersey's first Muslim cabinet official, if he is confirmed by

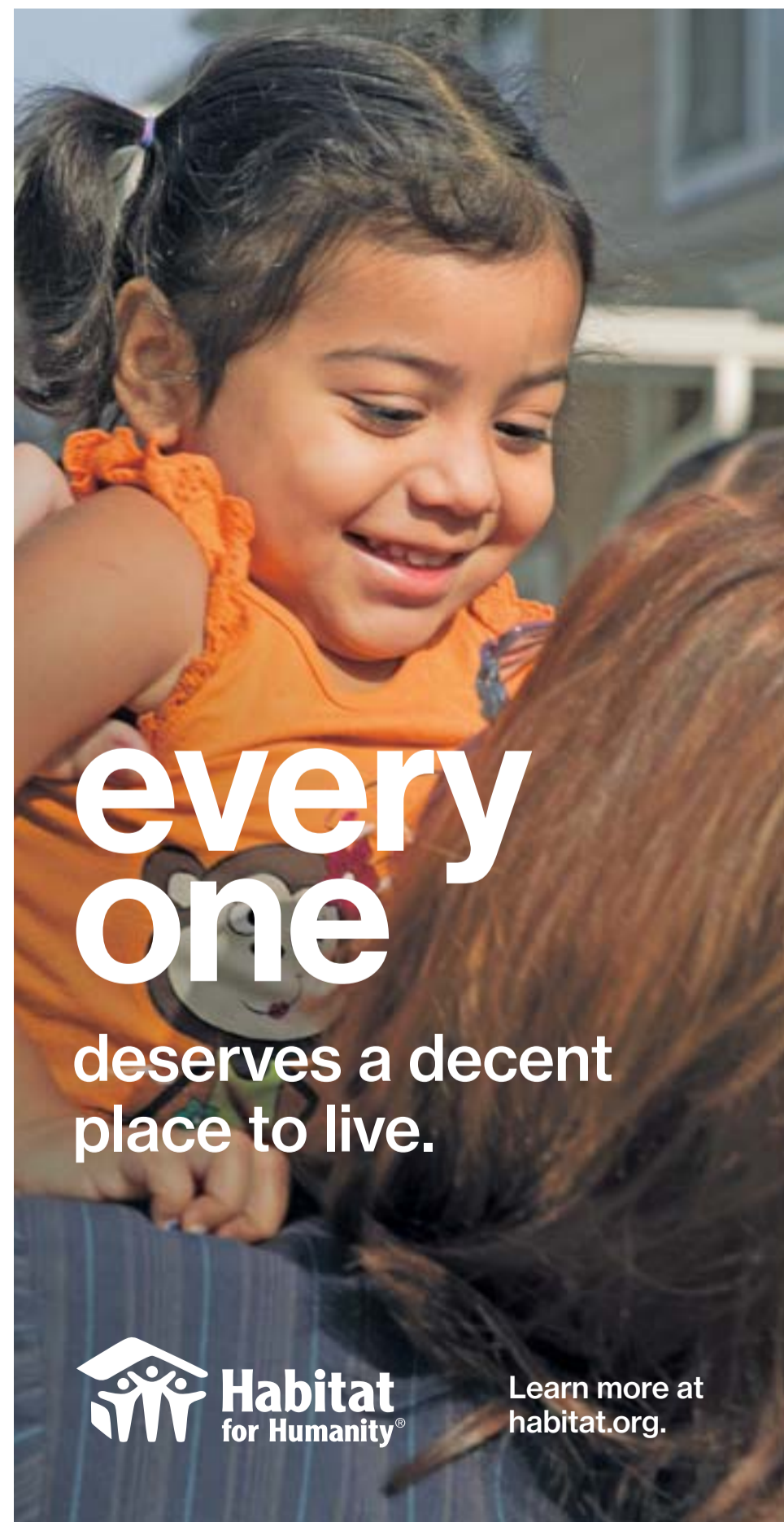
the state Senate.

Dr. Elnahal currently serves as the assistant deputy undersecretary for health for quality, safety and value at the VA.

He is from southern New Jersey and has medical and business degrees from Harvard University and a bachelor's degree from Johns Hopkins University.

Mr. Murphy is set to be inaugurated Tuesday, taking over from GOP Gov. Chris Christie.

—Associated Press



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## City Sues Five Oil Companies

By CORINNE RAMEY  
AND MARA GAY

Mayor Bill de Blasio said Wednesday his administration had filed a lawsuit against five major oil companies and was pushing New York City pension funds to divest from fossil fuel, both part of an effort to fight climate change.

"This is a tragedy that was wrought by the fossil-fuel companies," Mr. de Blasio, a Democrat, said at a news conference. "We are going after those who have profited. And what a horrible, disgusting way to profit."

The pension fund divestment requires approval from the trustees of the city's five major pension funds. Some funds may choose to implement the proposal while others may not. The \$189 billion pension funds hold about \$5 billion in securities from fossil-fuel companies, officials said.

The lawsuit, filed late Tuesday in U.S. District Court in Manhattan, asks for billions of dollars to protect the city from climate change. San Francisco and Oakland, Calif., filed similar suits in September against the same five companies.

The city filed the suit against oil companies BP PLC, Chevron Corp., ConocoPhillips, Exxon Mobil Corp. and Royal Dutch Shell PLC.

A Shell spokesman said the company believes "climate change is a complex societal challenge that should be addressed through sound government policy and cultural change to drive low-carbon choices for businesses and consumers, not by the courts."

A Chevron spokesman called the lawsuit "factually and legally meritless." An Exxon Mobil spokesman said the company "welcomes any well-meaning and good faith attempt to address the risks of climate change," but that lawsuits such as this one aren't such efforts.

A ConocoPhillips spokesman said the company doesn't comment on pending litigation. BP declined to comment.



Elena Damiani's 'Fading Field n° 1' (2012), a print on silk chiffon, is among the artworks promised to the Museum of Modern Art.

## Museums Get Gift Of 100-Plus Works

By CHARLES PASSY

Two New York museums will collectively receive more than 100 works of contemporary Latin American art in a gift from a prominent program devoted to such work.

The Colección Patricia Phelps de Cisneros is donating 90 works to the Museum of Modern Art and 12 to the Bronx Museum of the Arts. The collection program, founded by Patricia Phelps de Cisneros, a longtime MOMA trustee, aims to integrate more Latin American art into museums.

"For too long Latin America was considered a marginal or derivative area of art and culture, but now people are realizing that this is not the case," Ms. Cisneros said via email.

The program didn't provide an estimated value of the contributed works.

This isn't the first time Ms. Cisneros has made a major

gift to a New York museum through her program. In 2016, the program contributed more than 100 works to MoMA, a gift that museum Director Glenn Lowry called "transformative" at the time.

Mr. Lowry said the new gift will be of significance as well. While the previous contribution focused on works from the 1950s and '60s by artists from a handful of Latin American nations, the current one emphasizes an eclectic array of more contemporary pieces by artists from countries including Brazil, Colombia, Guatemala, Mexico, Peru, Uruguay and Venezuela.

"It's much more pan-continental," said Mr. Lowry of the new gift.

Along with the contributions to MoMA and the Bronx Museum of the Arts, the program is donating about 100 other works to museums spread throughout the U.S., Europe and South America.

# LIFE & ARTS



THE MIDDLE SEAT | By Scott McCartney

## Which Airlines Soared in 2017?

Delta dethrones Alaska, American climbs out of the cellar and United shows improvement in the Journal's annual analysis of U.S. carriers

**DELTA AIR LINES** suffered multiple passenger-stranding messes last year, from a spring-break crew-scheduling fiasco to a nightmarish Atlanta airport power outage. And yet Delta performed better than any other U.S. airline in 2017.

It was that kind of year. Delta unseated Alaska Airlines as the top carrier in the annual Middle Seat scorecard ranking of eight major U.S. airlines. Alaska had been No. 1 for four straight years. But the airline, now combined with Virgin America, got hit hard by a one-two punch of West Coast storms and problems at its regional airline. Alaska's on-time rate dropped below that of United, a longtime laggard now getting its act together.

At the bottom of the airline performance ranking: JetBlue Airways. The airline has a team working on fixes, some of which are already rolling out.

It was a tough year for travelers. Runways were under construction at various times in Boston, New York, San Francisco and Los Angeles. Hurricanes and other intense storms hit hard. Air-traffic control slowdowns spiked.

But a year remembered for a United Airlines passenger bloodied and dragged off a flight actually

saw overall improvement at several big airlines.

The on-time arrivals rate for U.S. airlines increased to 79.6% from 78.3%, according to masFlight, the flight data analytics unit of Global Eagle, which supplies services to airlines, cruise ships and others. Major travel meltdowns did mean more planes ended up sitting on the tarmac for at least two hours, according to Transportation Department data. But fewer flights were canceled, fewer complaints registered at DOT and airlines lost fewer bags and bumped fewer passengers.

The annual Middle Seat scorecard ranks airlines on seven key operational metrics. The 10th year of the scorecard saw American Airlines climb out of the lowest ranks for the first time and United post significantly better operations, up to No. 2 in on-time arrivals, behind Delta. Even bare-bones, high-fee Spirit Airlines delivered improved service. Spirit did the best job handling baggage in 2017. Go figure.

Delta says when it wasn't dealing with storms and airport problems, it ran really well. On 242 days last year, Delta's main operation, not counting regional partners, had zero cancellations.

Dave Holtz, Delta's senior vice president of operations and customer center, says 2017 shows the airline is still improving in reliabil-



### 2017 Airline Scorecard

Rankings of major carriers in key operational areas, best to worst

Overall rank	On-time arrivals	Canceled flights	Extreme delays	2-hour tarmac delays	Mishandled baggage	Involuntary bumping	Complaints
1	Delta	Frontier	Southwest	Southwest	Spirit	Delta	Southwest
2	Alaska	United	Alaska	Alaska	JetBlue	Alaska	Delta
3	Southwest	Alaska	Southwest	Delta	Alaska	United	Alaska
4	United	American	Alaska*	American	Delta	Frontier	JetBlue
5	Frontier	Frontier	United*	United	United	American	American
6	American	Southwest	American	Frontier	United	American	Southwest
7	Spirit	Spirit	JetBlue	Spirit	JetBlue	Southwest	JetBlue
8	JetBlue	JetBlue	Spirit	JetBlue	American	Frontier	Spirit

Note: Alaska merged with Virgin America

\* United and Alaska both ranked fourth in canceled flights

THE WALL STREET JOURNAL.

Sources: On-time, canceled flights and extreme delays data for full year 2017 from Global Eagle's masFlight Analytics Platform; includes regional affiliate flights and international; two-hour tarmac delays, mishandled baggage and consumer complaints from Transportation Department, based on 12 months ended in Oct; DOT involuntary bumping based on 12 months ended September; DOT numbers do not include regional affiliates or international flights

### SOCIAL MEDIA

## WHAT HAPPENS WHEN YOU REACH 1 MILLION INSTAGRAM FOLLOWERS

BY ABBEY CRAIN

**PATRICK TA**, a makeup artist for celebrities such as Chrissy Teigen and Gigi Hadid, is on a social-media mission.

The Los Angeles-based 26-year-old currently has about 867,000 followers on Instagram. To reach the coveted 1 million mark, he is posting snapshots of famous faces bearing his makeup look, which he calls a "lit-from-within glow." In return, some stars tag him in their own red-carpet looks, leading their followers back to his account.

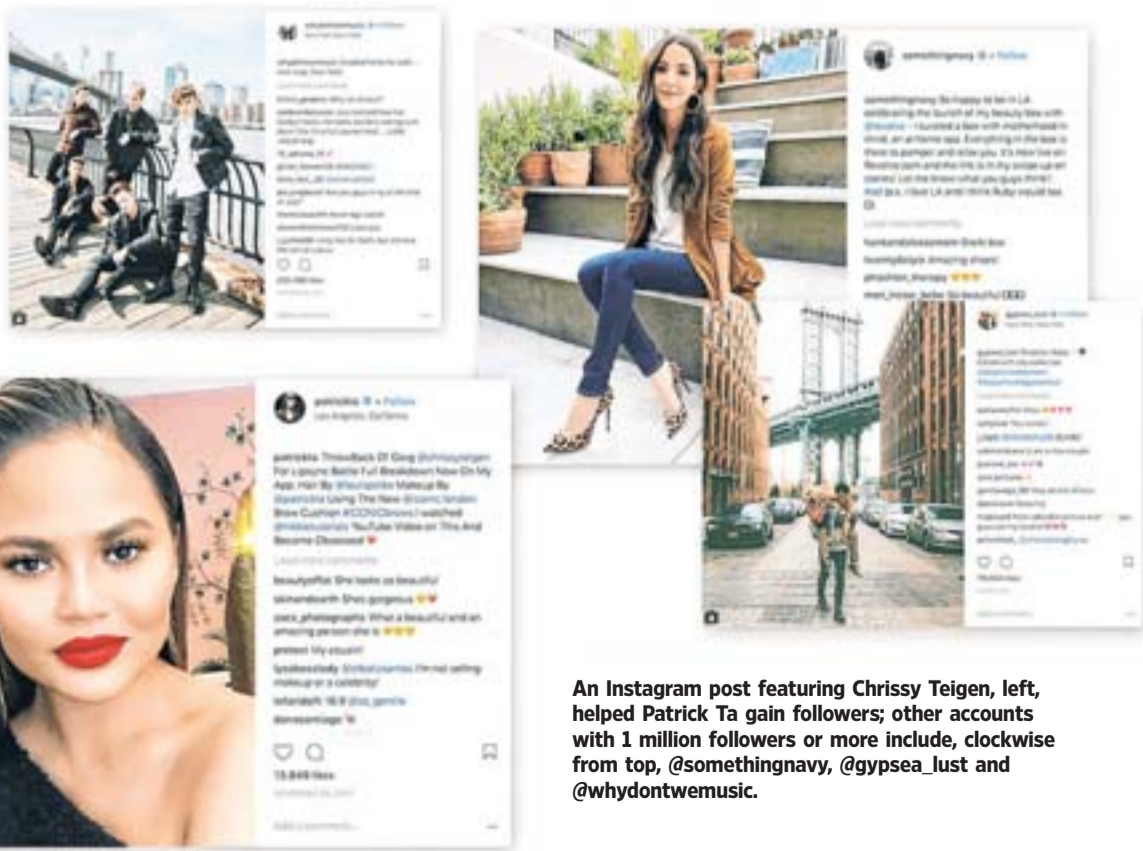
One million followers on Instagram used to be a level only celebrities could aspire to. Now, entrepreneurs, musicians, budding artists and regular people are aiming to win a capital M next to their follower count. While Instagram, owned by Facebook Inc., declined to say how many accounts have 1 million or more followers, the number is a benchmark that can change a new band's trajectory, encourage household-name status and provide an entree into the world of branded partnerships, fashion and product marketing and more.

At that number, "you're at celebrity

level when it comes to brand partnerships," said Mae Karwowski, founder and chief executive of Obvious.ly, which connects popular social-media users, sometimes called "influencers," with marketers. "You could have your own line with a beauty company. You can have your own line in a fashion store. You can be the celebrity face for campaigns."

While influencers with as few as 10,000 followers can score marketing partnerships, the compensation is typically free products or up to \$150. Once they reach 1 million followers, Ms. Karwowski said, the payments rise considerably, up to \$15,000 per post and sometimes equity in the company.

Mr. Ta was motivated to build up his social-media following after seeing *Please see MILLION page A11*



An Instagram post featuring Chrissy Teigen, left, helped Patrick Ta gain followers; other accounts with 1 million followers or more include, clockwise from top, @somethingnavy, @gypsea\_just and @whydontwemusic.

PATRICK TA: SOMETHINGNAVY; GYPSEA: JUST; WHYDONTWEMUSIC

LIFE & ARTS

MOVIES

# No Country for Young Men

The grizzled heroes of action movies find that age isn't an obstacle

BY MICHAEL SALFINO

**LIAM NEESON** has battled bad guys around the globe in his film career. But for "The Commuter," which opens Friday, the action veteran has a new advantage: At the age of 65, any injury he sustains is covered under Medicare. (Yes, the Irish-born actor is a U.S. citizen.)

It's been a while since a live-action Neeson movie reached nine figures at the box office—"Taken 2" grossed \$140 million in the U.S. in 2012, according to Box Office Mojo. That came out when Mr. Neeson was 60. But recent history suggests Mr. Neeson's best box-office days as a tough guy lie ahead.

Mark Hamill, 66, showed age doesn't matter when he was cast again as Luke Skywalker in "Star Wars: The Last Jedi," now approaching \$600 million in the U.S. alone. And when then-65-year-old Harrison Ford dusted off his whip and fedora in "Indiana Jones and the Kingdom of the Crystal Skull," audiences rewarded him with the third-highest grossing movie of 2008. Mr. Ford is slated to reprise the role in a fifth installment in 2020, the year he turns 78.

Clint Eastwood showed that you can play a convincing vigilante hero at 78 in 2014's "Gran Torino," which grossed nearly \$150 million. But 80 seems to be the cutoff. Wall Street Journal research was unable to turn up anyone who carried a hit action movie in a lead role past that age.

While Hollywood gives older men free rein to kick butt well past 60, such roles for women are much rarer. Sigourney Weaver last played her iconic Ripley role in 1997's "Alien: Resurrection," which opened when she was 48. Last year, Robin Wright portrayed a warrior queen in "Wonder Woman" at 51. Helen Mirren is the exception, starring in 2010's "RED" and 2013's "RED 2" as an aging assassin. (RED stands for Retired, Extremely Dangerous.) The first of those movies, which also featured then-73 Morgan Freeman, opened when Ms. Mirren was 65.

But for men, this trend looks as if it will last as long as aging action stars can stay limber. Arnold Schwarzenegger has been announced to play the Terminator again in 2019, when he'll be 72.

Among Bruce Willis action flicks in the pipeline: March's remake of "Death Wish." Mr. Willis may have been under 60 when he headlined the "RED" movies, but he'll be 62 when this vigilante thriller opens. That's a sign of how times have changed: When the curtain rose on the 1974 original, Charles Bronson was 52.



Liam Neeson stars in 'The Commuter.'

### Just a Number: How Movies Starring Veteran Actors Fared at the Box Office

**Actor:** Denzel Washington  
**Age at Movie Release:** 61  
**Film/Box Office:** 'The Magnificent Seven,' \$93.4 million



**Alec Guinness (63) ▲**  
'Star Wars,' \$322.7 million



**Sylvester Stallone (64) ▲**  
'The Expendables,' \$103.10 million



**Harrison Ford (65) ▲**  
'Indiana Jones and the Kingdom of the Crystal Skull,' \$317.10 million

**Samuel L. Jackson (65)**  
'Captain America: The Winter Soldier,' \$259.8 million

**Mark Hamill (66)**  
'The Last Jedi,' \$574.5 million



**Chuck Norris (72) ▲**  
'The Expendables 2,' \$85.0 million

**Harrison Ford (73)**  
'Star Wars: The Force Awakens,' \$936.7 million



**Morgan Freeman (73) ▲**  
'RED,' \$90.40 million

**Clint Eastwood (78)**  
'Gran Torino,' \$148.1 million  
**Sources:** IMDb, Box Office Mojo  
**Notes:** \*As of Jan. 8, 2018



Rita Hayek and Adel Karam in 'The Insult'

FILM REVIEW | By Joe Morgenstern

## A PIPE DREAM OF PEACE

**BY ANY REASONABLE** definition, the insult that sets "The Insult" in motion amounts to hate speech. It's only the beginning, though, of a conflict that escalates from a neighborhood quarrel about a gutter pipe into rageful expressions of grievances going back half a century. Ziad Doueiri's film, set in Beirut and framed as a courtroom drama, is a parable of life in contemporary Lebanon and the Middle East, where the past can intrude on any dispute. As such, it's weighed down by symbolic significance, yet powerful and instructive all the same, with a few flickerings of black comedy. And the instruction isn't limited by geography. The hot-headed antagonists behave as people do the world over—they're quick to feel aggrieved, though agonizingly slow to extend forgiveness.

Sometimes a cigar is just a cigar, and a pipe is just a pipe, but not this time. The pipe in question belongs to Tony Hanna (Adel Karam), a Lebanese Christian who owns an auto repair shop and harbors a deep store of anger that will be explained before the narrative has run its course. Since the pipe is broken, and sprays water from Tony's terrace onto the street below, it has been designated for repair by a municipal crew.

But the repair, a patch job accomplished in no time flat, provokes an argument between Tony and the crew's foreman, Yasser Salameh (Kamel El Basha). That's because Yasser is a Palestinian refugee, and Tony hates Palestinians. He hates them so fervently that he shouts, "I wish Ariel Sharon had wiped you all out!" At that point the argument turns physical, with Tony sustaining a couple of broken ribs, and then legal, when Tony decides, against the counsel of cooler heads in-

cluding his wife and father, to sue Yasser—not for assault and battery, as one might suppose, but for "acknowledgment," meaning nothing more or less than a formal apology.

Is there enough here to sustain the drama? No and yes. Mr. Doueiri and his co-writer, Joelle Touma, want us to see the precipitating event as trivial, almost silly—the sort of thing that sensible people would finally settle out of court. But the event also contains the ingredients for a cause célèbre, which the trial soon becomes, though not always convincingly. The movie's least successful scenes are its most grandiose—riots in the streets of a polarized Beirut, an attempt at mediation by Lebanon's president, who asks of Tony, "Do you want to start a war?"

What works gradually, cumulatively and quite brilliantly, though, is a kind of bigger-bang theory that depicts parallel universes of anger and hurt growing out of the gutter kerfuffle. Tony is a Christian who refuses to turn the other cheek. Yasser is a Muslim with Christ-like forbearance. Tony's attorney—a terrific performance by Camille Salameh—heaps scorn on liberals who leap to see Palestinians as victims, while Tony finds himself accused, in the court of public opinion, as a Zionist sympathizer. And all the present-day grief is overhung by dark clouds of history—a deadly attack in a refugee camp in Jordan 40 years ago; a notorious massacre during Lebanon's civil war, which ended in 1990 without national reconciliation. It's all the more pleasing, then—and fairly plausible to boot—that the film finds grounds for cautious hope in the trial's aftermath. "The Insult" doesn't end with a love feast, but it does reach a place of shared calm.

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## LIFE &amp; ARTS

## ART REVIEW

## A Playground for Folk Art

North Carolina's Whirligig Park showcases 31 of Vollis Simpson's kinetic, colorful sculptures

BY PETER PLAGENS

Wilson, N.C.

'Folk art' is perhaps the art world's most elastic term outside of "performance art" or "installation art." It can apply variously to small wood carvings from self-taught artists in Appalachia; to gorgeous, sophisticated products of quilting bees; and to paintings and drawings made by patients in mental institutions. Although the "Whirligigs" constructed by Vollis Simpson (1919-2013) were deemed North Carolina's official folk art a few years ago, they are none of the above. Not even close.

Whirligig Park, which opened in November in downtown Wilson, N.C., a small city of about 50,000 people an hour and a half's easy drive east of Raleigh, contains 31 such constructions—all made mostly of steel and with industrial-quality engineering, all brightly painted, and all of which spin and turn with the wind. Some of them required a crew of five and two cranes to put into place, and some stand 50 feet tall. Think of Watts Towers in motion, or Alexander Calder's "Circus" as remade by the Defense Department.

The park is a \$10 million civic project (peanuts compared to many recent art-auction prices), with professional landscaping by the Durham firm now known as Surface 678. Its layout alludes to Wilson's former status as the largest tobacco market in the country. Concrete squares 25 feet on a side allude to the tobacco palettes that used to occupy the town's magnificent brick warehouses, and the long furrows of the park's central grassy area signify local farming. The fetchingly modest two-acre park—entirely open to the public 24/7/365—is part of an attempt to lure tourists to Wilson. On the days I visited the park, the city was as sunny and hospitable as could be.

Vollis Simpson came from a large farming family, and enlisted in the Army Air Corps during World War II. On Saipan, where he was stationed, he constructed a windmill that operated a washing machine for the GIs. Mustered out and back at home, he made a living pulling farmers' tractors out of gullies and moving houses, and became an expert all-purpose rigger. He duplicated his Pacific windmill to move heat through his home, but his wife was afraid of the thing being so close to the house. So he moved it farther out on the property (on Wiggins Mill Road in Lucama, about 11 miles from the park's location). There's no documented Eureka! moment, but apparently seeing the contraption in isolation gave Simpson, who had



Whirligig Park (above), which opened in November, features Vollis Simpson's (right) works, deemed North Carolina's official folk art.

retired at 65, the idea of building similarly huge gadgets just—if not as "art"—for themselves. He did it for three decades.

Over the years, Simpson had collected a vast assortment of machinery and vehicle parts. (I mentioned the "midnight auto supply" of my youth and Simon Rodia's alleged leftover tiles, but Jeff Bell, a North Carolina sculptor who serves as the park's executive director, assured me that Simpson's inventory was on the up and up.) If Simpson was not a pilferer, neither was he a naïf. He once decorated a Christmas window for Bergdorf Goodman in Manhattan, traveled to install his work (including four pieces at the 1996 Olympic Games in Atlanta), and had his 55-foot-high and 45-foot-wide "Life, Liberty and the Pursuit of Happiness" placed in the Central Plaza of the American Visionary Art Museum in Baltimore.

The trouble was that on Simpson's rural patch, his Whirligigs weren't getting the attention they needed. That and the Wilson city leaders' desire for a tourist attraction led to the purchasing of the work by a public-private entity in



2010, a massive conservation effort (in a Southern climate, rust is the ultimate enemy), and the spectacle of Whirligig Park.

Simpson's Whirligigs employ everything from HVAC fans to stovepipes, I-beams to textile-mill rollers, milkshake mixers to all-

important ball bearings. Small fragments of reflective road signs give the work glitter at night, and the cleverly Constructivist imagery depicts airplanes from Simpson's past, his son playing guitar, and lumberjacks plying their trade. The total effect is joyous, jazzy and

terpsichorean—especially when the wind is up. Whirligig Park could be the Sara Lee of sculpture; it's hard to see how anybody couldn't like it.

Mr. Plagens is an artist and writer in New York.

## MILLION

Continued from page A9

success of other makeup artists on YouTube. He recognized the importance of Instagram in the image-obsessed beauty world early on, tagging makeup brands he used on clients in hopes of getting reposted. He got a taste of social-media fame in 2014 when he received an Instagram direct message from "Pretty Little Liars" actress Shay Mitchell. After he posted the photo of Ms. Mitchell to his account, he quickly gained 15,000 followers.

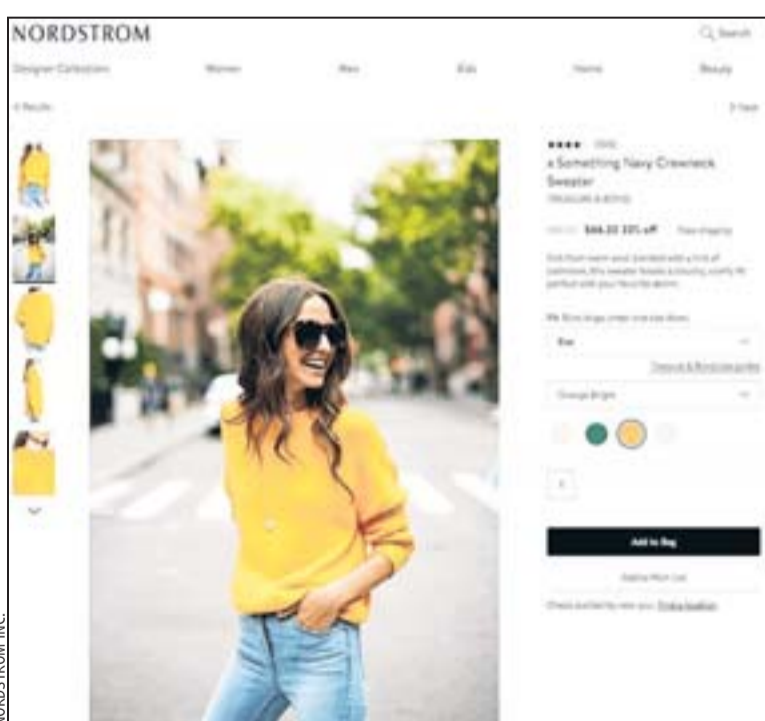
Now Mr. Ta posts one to three photos a day of his celebrity clients and interacts with followers through direct messages and comments—something he said is critical to boosting follower counts. He frequently answers questions about the products he uses and keeps active in the comments of his posts.

Ms. Karwowski pointed to fashion blogger Arielle Charnas, whose Instagram account is @somethingnavy, as an example of someone who has used the platform to maximum effect.

Ms. Charnas, 30, who has 1.1 million followers, in September began a campaign with Nordstrom Inc.'s private label Treasure & Bond in which she helped design shearling coats, mules and off-the-shoulder sweaters for the brand.

A Nordstrom spokeswoman declined to say how many items sold as a result of the campaign but said "we are very pleased with our partnership with Arielle Charnas. Our customers love her and the product we produced together."

Ms. Charnas began blogging in 2009, posting photos of her outfits



Arielle Charnas's following on Instagram led to a partnership with Nordstrom.

and New York City life, but she quickly developed a following when she joined Instagram by using popular hashtags like #ootd and #fashionblogger and engaging with her followers in the comments.

"Every time I got to another 100,000 I would do a dance video to celebrate it," said Ms. Charnas.

Other fashion accounts took notice and began reposting her images, further boosting her following and attracting attention from deodorant brand Secret, hair-care line Nexxus and activewear label Bandier. When she reached 1 million followers last March, she celebrated with family and friends with dinner and drinks.

"It was so cool to get that '1M'

showing up on there," said Ms. Charnas.

For musicians, Instagram provides another way to develop a following. The boy band Why Don't We attributes its latest spot on iHeartRadio's Jingle Ball tour to its 2.3 million Instagram followers.

The group, whose members include Jonah Marais, Corbyn Besson, Daniel Seavey, Jack Avery and Zach Herron, hit one million followers in July 2017 before releasing a complete album. Mr. Besson said the number encourages potential fans to hop on the bandwagon when they see how many other people already have.

"It's a new age, and it's not about record sales anymore or

## Getting to 1 Million: How the Influencers Do It

- Talk to your followers, engaging with them in the comments of your posts and responding to their questions through direct messages or comments.
- Find out what hashtags are popular for the kinds of content you post and use them.
- Get to know other popular Instagram users. Appearing in one of their posts or being tagged by them are surefire ways to boost your following.
- Tag brands and related accounts in your photos to encourage reposting.
- Post consistently and on a daily basis.
- Consider getting involved with an influencer marketing agency to connect you with brands.

how many albums you can sell. It's a lot about digital and online," he said.

Mr. Seavey said the most popular photos are what he calls "personality posts" where the band is goofing off, including a Halloween one showing Mr. Besson dressed as a cornucopia. The caption: "they call me cornbyn." It has been "liked" more than 250,000 times.

The Knot, a wedding website and magazine, said it became the first wedding brand to gain 1 million Instagram followers in July 2016. Kristen Maxwell Cooper, its editor in chief, said that having that many followers led to other opportunities, such as working with the bride-to-be behind @girl-withnojob, a popular Instagram

meme account, on her wedding.

Obviously's Ms. Karwowski said that being noticed and reposted by big Instagram accounts is crucial to gaining thousands of followers. Instagram users can tag clothing brands they are wearing or accounts they admire as well.

She warned against services that promise, for a fee, to add followers. Brands are checking for an "authentic" following, she said, and notice when the number of followers appears out of sync with the actual engagement and comments an account is receiving.

Buying or selling followers is against Instagram's policies. The Federal Trade Commission is also scrutinizing how influencers use social media, sending warning letters to 21 of them last year regarding the brands they mentioned and what their financial ties were.

Some social-media users find follower success by dating the right influencer.

Fashion and travel blogger Lauren Bullen (@gypsea\_just) met her boyfriend, photographer Jack Morris (@doyoutravel) when both of them were in Fiji on a trip sponsored by the country's tourism board. It has been a match made in influencer heaven: Travel agencies began sponsoring their trips, as well as companies such as Tiffany & Co., Walt Disney Co., and Land Rover, and they now have about 4.7 million Instagram followers between them.

It makes sense, Ms. Karwowski said. "Influencers date other influencers or other photographers because it's easier to get content."

Mr. Ta hasn't reached 1 million yet, but he is already aiming for more.

"I feel like one million these days is nothing. You need three to five [million]," he said.

# SPORTS

NFL

## Patriots, Eagles Hit a Bit of Turbulence

Big questions that will be answered this weekend—that could define which teams are best positioned to win the Super Bowl

BY ANDREW BEATON

**THERE ARE BIG** questions every week in the NFL: Which star will get injured next? What childhood game will become the next touchdown dance celebration? Does anybody know what a catch is?

But the Divisional Round of the playoffs is when more immediate issues come into focus, because now there are eight teams two wins away from the Super Bowl. The games kick off Saturday with the No. 6 seed Atlanta Falcons at the No. 1 Philadelphia Eagles, and then the No. 5 Tennessee Titans versus the No. 1 New England Patriots. On Sunday, the No. 2 Pittsburgh Steelers host the No. 3 Jacksonville Jaguars followed by the No. 2 Minnesota Vikings playing home to the No. 4 New Orleans Saints.

All of these matchups have juice for one reason or another: The Falcons are on a quest to come back after last year's Super Bowl fiasco. The Titans pulled off a dramatic comeback as underdogs a week ago. The Jaguars' defense beat and mercilessly vexed Ben Roethlisberger during the regular season. And the Vikings are on a quest to be the first team to play the Super Bowl in their home city—but face New Orleans, which has looked as good as any team in the entire league lately.

Out of these story lines, here are three big questions that will be answered this weekend—and that could define which teams are positioned best to still be playing football in February.

### Will Tom Brady Snap His Funk?

Tom Brady had a remarkable regular season: He threw for 32 touchdowns and a league-high 4,577 yards. He led the Patriots to a 13-3 record and the No. 1 seed in the AFC. He's a favorite to win Most Valuable Player and take New England to yet another Super Bowl. All of which is even more astonishing because he's 40 years old.

But Tom Brady's numbers in December didn't look like they belonged to Tom Brady. He threw six touchdowns and five interceptions over his final five games. His passer rating in December (81.6) was more than 30 points lower than it was over the rest of the season (111.7). His yards per attempt and completion percentages were down significantly, too. In one stretch, from Nov. 26 to Dec. 24, he threw at least one pick in five straight games. It was categorically un-Tom-Brady like.

Brady, who has dealt with Achilles and shoulder injuries this year without missing a game, has conceded it isn't up to form: "I can certainly do a better job than I've done protecting it," he said, "and



Clockwise from top, New England Patriots quarterback Tom Brady reacts after being knocked down on Dec. 31; Atlanta Falcons receiver Julio Jones catches a touchdown pass against the Los Angeles Rams on Jan. 6; Philadelphia Eagles quarterback Nick Foles recovers his own fumble against the Dallas Cowboys on Dec. 31.



playoffs. Also: They are underdogs against the conference's sixth seed.

This rare phenomenon has a straightforward explanation: The Eagles no longer have Carson Wentz. Once a contender to win MVP, Wentz went down with an ACL injury—and Philadelphia's Super Bowl hopes tanked alongside it.

Now it's up to Nick Foles, who once had a Pro Bowl season in 2013 under Chip Kelly but hasn't inspired much confidence as Wentz's replacement this year. He has completed 56.4% of his passes with five touchdowns and two interceptions. The most telling drop-off: Wentz averaged 8.3 yards per attempt this season; Foles has averaged more than 2 yards fewer.

But there are reasons to believe Philadelphia can grind on, even without its best player. The team's defense gave up the fourth fewest points in the NFL. At the trade deadline, the Eagles added to its stable of running backs by acquiring Jay Ajayi. And with an extra week to prepare, there's hope Doug Pederson can fine tune the offense to suit what once made Foles so successful—which is what Philadelphia's coach said he was planning to do in preparation for this weekend.

### Which Falcons Will Show Up?

In the Wild-Card round, Atlanta put on one of the more impressive displays of this season: On the road, the Falcons went to Los Angeles and dispatched a Rams team that spent the season torching the NFL.

Atlanta has had a strange year: After having one of the most prolific offenses in NFL history last season, it returned this year to being simply good. (In between, there was that Super Bowl collapse.) But almost all of the key pieces are back from a year ago, and that showed against the Rams. Matt Ryan was efficient, Julio Jones made big plays, and they didn't turn the ball over.

The most encouraging sign from last week, though, may have been on the other side of the ball. The Falcons' defense also had its ups and downs this year. But facing the team that scored the most points in the NFL this year, Atlanta held Los Angeles to 13 points.

This also wasn't an anomaly. Over the season's last five weeks, the Falcons gave up 17 points per game. Four of those five games were against playoff teams: Two against the Saints, and one apiece against the Vikings and Panthers. And with a juicy matchup against the Wentz-less Eagles, this unit could pick up even more steam heading to the NFC Championship.

it's going to be really important."

It isn't only bad news in New England, though. The bye week could have been just what Brady needed to nurse his injuries. And the Patriots are overwhelming favorites to advance to the AFC Championship for the second straight year. Last season, they were huge favorites against the Texans in one of the largest spreads in playoff history. This

year isn't too different: They are favored by nearly two touchdowns to beat the Titans.

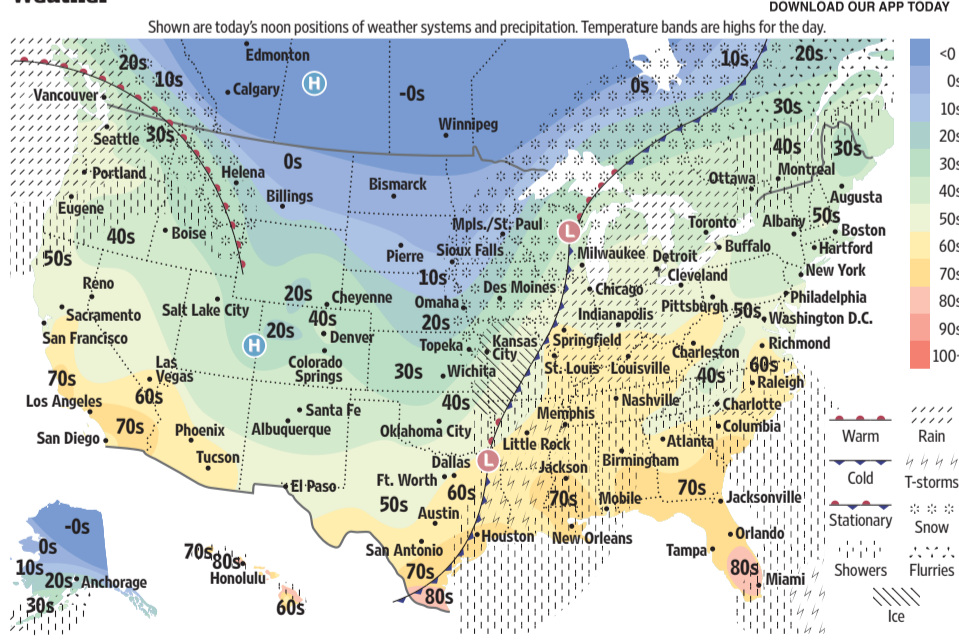
Still, Brady's late-season struggles are especially notable compared to last season, when he was fresh as ever down the stretch—down to the last minutes of a historic comeback to win the Super Bowl. But there's a reason Brady may have been sprier this time a year ago: He sat out the first four games of the season as a

result of his Deflategate suspension, which may have been the greatest unintentional gift ever for New England because it forced the team to rest its aging star.

### Can the Eagles Win Without Carson Wentz?

The Philadelphia Eagles went 13-3 this season. They are the top seed in the NFC. They have home field advantage throughout the

### Weather



### U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; L...tstorms; r...rain; sf...snow flurries; sn...snow; L...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	23	21	sf	27	24	sn
Atlanta	60	56	r	63	29	r
Austin	66	35	pc	57	29	s
Baltimore	51	46	c	63	42	r
Boise	43	34	c	45	28	pc
Boston	48	44	pc	57	49	r
Burlington	47	44	c	53	18	r
Charlotte	59	54	r	66	43	r
Chicago	56	20	r	25	12	sf
Cleveland	55	48	r	48	18	sn
Dallas	60	29	pc	49	28	s
Denver	41	25	s	49	23	pc
Detroit	50	36	r	36	16	s
Honolulu	82	65	pc	82	67	s
Houston	71	35	t	52	12	s
Indianapolis	59	30	r	32	16	i
Kansas City	41	8	sn	24	10	pc
Las Vegas	61	45	s	63	46	s
Little Rock	63	28	r	41	24	pc
Los Angeles	71	53	s	75	55	s
Miami	81	71	c	82	62	sh
Milwaukee	51	17	r	23	10	c
Minneapolis	18	-5	sn	6	10	c
Nashville	66	42	sh	45	24	i
New Orleans	73	48	sh	49	33	pc
New York City	49	46	c	58	50	r
Oklahoma City	46	19	c	39	18	s

### International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	46	37	sh	43	35	sh
Athens	59	48	sh	59	51	sh
Baghdad	65	43	pc	70	42	s
Bangkok	81	67	s	80	64	s
Beijing	30	9	s	38	13	s
Berlin	38	33	r	38	30	sh
Brussels	46	37	sh	41	34	sh
Buenos Aires	94	75	c	91	69	t
Dubai	75	59	s	75	61	s
Dublin	43	37	c	47	41	c
Edinburgh	40	30	pc	42	33	sh

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	45	36	c	42	35	c
Geneva	45	36	c	42	31	pc
Havana	81	64	sh	81	62	pc
Hong Kong	61	49	c	61	55	s
Istanbul	53	48	sh	52	44	r
Jakarta	89	79	sh	89	77	sh
Jerusalem	64	44	pc	59	43	s
Johannesburg	76	56	pc	82	59	s
London	45	39	sh	44	38	sh
Madrid	48	27	pc	48	30	pc
Manila	86	73	s	81	72	pc
Melbourne	93	73	pc	89	57	t
Mexico City	75	41	pc	69	40	pc
Milan	49	37	pc	49	33	pc
Moscow	28	15	c	20	9	c
Mumbai	89	75	pc	88	76	pc
Paris	46	38	c	43	34	c
Rio de Janeiro	90	75	pc	91	76	c
Riyadh	68	39	s	74	42	sh
Rome	55	42	sh	58	40	sh
San Juan	84	73	sh	84	74	pc
Seoul	19	4	s	22	15	s
Shanghai	41	22	s	37	26	s
Singapore	80	74	r	79	74	r
Sydney	77	71	pc	83	75	pc
Taipei	58	47	pc	56	49	pc
Tokyo	49	33	s	44	34	s
Toronto	48	43	c	44	10	i
Vancouver	42	36	r	43	40	r
Warsaw	37	25	c	34	22	c
Zurich	43	35	c	40	32	c

### The WSJ Daily Crossword | Edited by Mike Shenk

1 2 3 4 5 6 7 8 9 10 11 12

13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33

34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69

### CORNER CASES | By Alex Eaton-Salners

- Across**
- 1 Help wanted ad shorthand
  - 4 Restless desires
  - 10 Drilling target
  - 13 Final frame of a perfect game
  - 14 Crunch maker
  - 15 First-class
  - 16 Manti \_\_\_ of the New Orleans Saints
  - 17 Pan producer
  - 18 Oscar winner for "Ray"
  - 19 Sweep a thumb across
  - 21 Personae non gratae
  - 23 Biblical mountain
  - 25 Miscalculate, say
  - 26 Short distance
  - 28 Italian motorcycle maker
  - 31 Shakespeare's "poor venomous fool"
  - 34 Prep chef's tool
  - 36 With 40- and 43-Across, game that's been played in each of this puzzle's corners
  - 37 "I Love Lucy" sponsor
  - 39 Hammer of "Call Me by Your Name"
  - 40 See 36-Across
  - 41 NBC News chief foreign correspondent
  - 42 Youngest of Chekhov's "Three Sisters"
  - 43 See 36-Across
  - 44 Capital in the Willamette Valley
  - 45 Site of the U.N.'s HQ
  - 46 Without worth
  - 49 A heap
  - 50 Snider of Twisted Sister
  - 51 Investor George
  - 53 It overlooks the Moskva River
  - 57 "Orchestra Musicians" artist
  - 59 Fall in winter
  - 60 You can count on it
  - 62 Indicated a choice, in a way
- Down**
- 1 Phone no. add-on
  - 2 Clumsy fellows
  - 3 Releasing energy, as a chemical reaction
  - 4 Run up
  - 5 Called
  - 6 Procedural premiere of 2000
  - 7 Start of an address bar entry
  - 8 "East of Eden" director Kazan
  - 9 Dossier stamp
  - 10 Fireworks reaction
  - 11 "Need You Tonight" band
  - 12 Sometime kidnapper of Lois
  - 15 Way off
  - 20 Lure successfully
  - 22 Some biometric screening targets
  - 24 Fit up against
  - 26 Segovia setting
  - 27 Dawdle
  - 29 Some byes for A.C. Milan?
  - 30 Microsoft database program
  - 31 Battle of Hastings loser
  - 32 Olympic target sport
  - 33 Conceals in a magic act
  - 35 Prepare to weep?
  - 38 Comparable thing
  - 47 Some have four legs
  - 48 "Psst!"
  - 50 Like early-morning lawns
  - 52 Tend a failing lawn
  - 53 Fort for gold
  - 54 Art-rock's \_\_\_ Music
  - 55 "Uh-huh, whatever you say"
  - 56 Curiosity org.
  - 58 Hot
  - 59 Airport across the bay from OAK
  - 61 Smoke
  - 63 Publish identifying info about online

### Previous Puzzle's Solution

O	H	S	O	A	C	L	I	U	R	T	P	E		
C	A	I	P	O	S	L	E	E	P	L	U	K	E	S
T	R	I	P	R	E	P	L	A	C	E	M	E	N	T
E	S	C	I	P	O	S	U	R	B	A	N	E		
T	H	E	F	B	I	A	R	E	A					
T	R	E	A	T	A	D	V	I	S	O	R	I		
M	O	R	A	O	B	O	E	V	E	E				
A	D	A	G	E	R	I	E	N	T	I	M	E	A	N
S	O	D	A	A	A	A	A	N	O	R	M	S		
T	R	E	A	T	O	T	H	E	C	H	I	E	F	
T	H	E	T	I	S									
S	U	B	T	L	E									
S	T	R	I	L	L	E								
U	S	E	R											
D	A	Z	E											
C	A	S	A											
M	G	R	I	S										

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

## OPINION

## Trump Proves He's Sane



WONDERLAND  
By Daniel Henninger

By putting it out there that the U.S. president is an “idiot,” a “dope,” “dumb as sh—” and basically insane, Michael Wolff may have ensured the success and

continuation of Donald J. Trump's improbable presidency. That's right, Michael Wolff, who admitted on “Meet the Press” that “this is 25th Amendment kind of stuff,” did President Trump a favor. It's impossible to know which half of Mr. Wolff's book is more-or-less true and which half is second-level hearsay (similar to many of the Russian collusion stories). So it follows that among those uncertain about what's fake is Donald Trump. After all, someone did allow Mr. Wolff, a well-known stab-in-the-back specialist, to hang around the White House for six months. A lot of White House courtiers, including the exiled Steve Bannon, seem to have spent most of their working hours the first six months speed-dialing dirt to White House reporters. We all watched the muck leak into the Oval Office.

So if you are Donald Trump, and like any normal person don't want the world to think you're cuckoo, what do you do? You prove they are wrong. Which is what Mr. Trump did twice this week with conscious intent in public forums. Both events not only

showed the president acting, in his word, “stable,” both also offered a successful model for a post-Bannon, post-Wolff presidency.

People who have a job that requires them to make a living by doing something other than watch Donald Trump in real time most likely didn't see either of these events. The first was Mr. Trump's speech Monday to the American Farm Bureau in Nashville, Tenn. The other, which is worth a look if you didn't see it, was a nearly hour-long session on immigration legislation Mr. Trump held at the White House with about 24 members of Congress, TV cameras rolling and the press taking notes.

What struck me most about the farm speech was how relaxed Mr. Trump was. Most Trump speeches to large audiences are generally delivered in a simmering anger, the president gripping both sides of the podium and launching words like grenades at a still-doubting world. Not this one. He was at ease throughout.

That would have been about as noteworthy as a passing cloud if not for the next day's immigration meeting on the Dreamers and DACA legislation. Mr. Trump presided over this meeting like some previously undiscovered Buddha. He talked but didn't dominate. He methodically elicited views from Republicans (among them Lindsey Graham, Kevin McCarthy, David Perdue and Carlos Curbelo) and Democrats (Dick Durbin, Steny Hoyer, Dianne Feinstein).

Once you realized it wasn't a brief photo-op before the doors closed, the meeting was sort of weird, with reporters and their notebooks looming over the legislators' backs, but it was also weirdly impressive. They looked like politicians doing real work, and afterward the White House announced the framework of a deal on the Dreamers.

### The president may have to invite Michael Wolff to attend the second inauguration.

Contrast this with how Barack Obama invited congressional Republicans and Democrats to a public, televised forum on health-care reform at Blair House in early 2010, listened to a series of GOP policy proposals from serious people such as Lamar Alexander and Tom Coburn, and then smirked it all away as nothing new. It was a setup that poisoned the well.

Or how in 2011 Mr. Obama blew up the deficit-reduction deal Joe Biden had worked out in meetings and dinners with a bipartisan supercommittee. Mr. Obama then descended on the group to lecture it on his demand that they raise taxes on “the wealthy” and corporations. “I will not support any plan that puts all of the burden for closing our deficit on ordinary Americans,” Mr. Obama

magisterially intoned. The bipartisan deal collapsed.

The Trump-Republican-Democratic DACA deal, if it succeeds, will be a major bipartisan accomplishment.

But back to the Trump-is-Dr. Strangelove thesis. Mr. Trump himself contributed to the mania with a tweet, days before the Wolff book's release, about his nuclear button being bigger than Kim Jong Un's. That tweet put the president's mental capacity in play, even among supporters, which is not where he should want it to be.

Instead, the Trump immigration negotiation session with Congress is the sort of public presidential face the world should see more of. In fact, that meeting's productive content is a template for broadening the president's Twitter account, an underutilized asset.

The morning after the immigration summit, a grudging consensus formed that Mr. Trump had confounded critics of his basic competence. A parallel consensus snorted that this positive moment won't last.

And maybe it won't. If this week's impressive Trump performance gets buried beneath petty feuds, Mr. Wolff's dumpster diving inside the Bannon-era White House will be seen as prescient and accurate enough.

But if the president running that meeting is the one seen by voters going forward, Mr. Trump should invite Mr. Wolff to the second inauguration.

Write [henninger@wsj.com](mailto:henninger@wsj.com).

BOOKSHELF | By Bryan Burrough

## The Other Green Revolution

Grass Roots

By Emily Dufton

(Basic, 311 pages, \$28)

First, a confession. I have become part of the marijuana economy. Well, kind of. I mean, I don't partake myself. But last month I walked into a head shop to buy what friends describe as the “iPhone of vape pens,” that is, a sleek little silver tube that allows one to “vape” marijuana without any visible smoke or vapor.

It was a Christmas gift. The red-eyed young clerk who waited on me was like a refugee from a 1978 Cheech and Chong film. He kept calling me “man.” As I plunked down my credit card, I realized that I was experiencing, in a way, the past and future of marijuana's mainstreaming, a legal, moral and cultural sea change whose origins and development the author Emily Dufton ably chronicles in “Grass Roots: The Rise and Fall and Rise of Marijuana in America.”

Ms. Dufton, a writer who lives outside Washington, tells the story of the motley battalion of marijuana advocates who, beginning in 1964, pushed first for the drug's decriminalization and ultimately for the legalization we have seen in recent years in Colorado, California and other states.

“Grass Roots” began as her dissertation, and it shows. A sober primer, the book feels like a missed opportunity to tell a larger, more colorful story. There are at least a dozen people in its pages, such as the wholesale smuggler who founded High Times magazine, whose stories might have taken flight. Instead, Ms. Dufton briskly sketches them in two or three paragraphs.

Which is fine. It's a good tale by itself. It begins with a man named Lowell Eggeimer, who on Aug. 16, 1964, walked into the San Francisco Hall of Justice, approached a group of policemen and lit up a joint. “I am starting a campaign to legalize marijuana smoking,” he announced. “I wish to be arrested.” The officers obliged, booking Eggeimer on a felony charge of possession, for which he eventually served nearly a year in jail.

But not before his attorney, James R. White III, a libertarian, held a rally in his defense and afterward formed the first significant legalization organization, Lemar (a contraction of “legalize marijuana”). It vanished after a few years, but not before its mantle was taken up by countercultural figures such as the poet Allen Ginsberg, who planted its seed in New York and inspired the formation of similar groups. By 1970 the two most important were Washington-based Norml, a more-or-less traditional lobbying organization, and San Francisco-based Amorphia, which raised funds by selling rolling papers. A proposed merger went awry when there was a bit too much merging, the Amorphia founder sleeping with the Norml founder's wife.

As pot use spread from campuses to suburbs, decriminalization campaigns, most of which sought to reduce marijuana convictions to fines, began sprouting organically. An effort in Oregon in the early 1970s, spearheaded by, of all people, an elderly pig farmer, was the first to pass into law and pushed the issue into the national spotlight; by 1978 10 more states had followed. With the wind behind them, marijuana advocates reasonably expected that the rest of the nation would be next.

### After Oregon became the first state to decriminalize pot, others quickly followed suit. But then came the ‘Just Say No’ movement.

Which is when the trouble began. At this point Ms. Dufton's narrative, heretofore as slack as some of her subjects, picks up speed and focus. During the late 1970s marijuana use among teenagers began to spike; the press, meanwhile, started running stories about the ease with which teens could buy bong and roach clips. In Atlanta, a woman named Marsha “Keith” Schuchard, alarmed at the drug debris she found after her daughter's birthday party, formed an anti-marijuana group that quickly went national. By 1980 more than 300 parent groups had formed around the country.

Enter Nancy Reagan. The new first lady, searching for a cause to offset press coverage that portrayed her as imperious and out of touch, partnered with the parent groups' umbrella organization, which dutifully dumped its liberal board members for conservatives. Her “Just Say No” campaign became a cultural touchstone of the 1980s, alternately lauded and mocked. Pro-marijuana laws and lobbying efforts began winking out like broken taillights. The irony, Ms. Dufton shows, is that new, stricter drug laws had already helped cut marijuana use.

Then, in the late 1980s, the pendulum swung once more. Two things sidelined the parent groups and reinvigorated legalization efforts. The first was the crack-cocaine epidemic. “Crack made marijuana seem tame in comparison,” Ms. Dufton says, “and parent activists appeared overly fixated on an issue and a substance that just didn't seem like a problem anymore.”

The second was Mary Jane Rathbun, aka “Brownie Mary,” an elderly San Francisco woman who handed out marijuana brownies to AIDS patients. Rathbun's pro-weed campaigns in California, Ms. Dufton writes, “changed the face of marijuana activism” and transformed Rathbun into “the Florence Nightingale of Medical Marijuana.” Once California legalized marijuana use for medicinal purposes in 1996, the legal door was ajar.

How activists subsequently knocked it down, leading to formal legalization starting with Colorado and Washington in 2012, is the subject of Ms. Dufton's frustratingly scant final chapter. It would seem to be a fascinating story, how social-justice activists laid the groundwork for legalization by portraying American anti-drug efforts as a campaign to oppress African-Americans. “Despite blacks and whites using the drug at roughly equal rates,” she writes, “blacks were up to four times more likely to be arrested for marijuana than whites.” Yet Ms. Dufton races through these developments in 23 pages.

That said, “Grass Roots” is worth the time for anyone interested in the evolution of American drug laws. It's organized effectively, the writing is clear and crisp, and you can read it all in maybe two long flights, assuming your head is clear.

Mr. Burrough is the author, most recently, of “Days of Rage: America's Radical Underground, the FBI, and the Forgotten Age of Revolutionary Violence.”

## Psychiatrists With Press Passes

By Karl Rove

Long before the presidential election, the populist candidate's mental state was under attack. The New York Times ran a series over several days suggesting he was unfit for office. It included a letter from an anonymous psychiatrist diagnosing the candidate's “megalomania” and saying he “presents in speech and action striking and alarming evidence of a mind not entirely sound.” Another piece said the political outsider was “laboring under the delusion he is persecuted” and possessed “an enormous passion for haranguing every time he sees a crowd gathered.” One psychologist refused to call the candidate “ordinarily crazy,” but added “I would like to examine him,” while another said he was “beset with what I believe to be delusions.”

But, dear reader, hold your amusement or your rage. These articles appeared in 1896. The victim of the Times's insanity assault was not Donald Trump but William Jennings Bryan, the Democratic presidential nominee. It is a reminder that the media frenzy this week about Mr. Trump's mental acuity isn't the first time the question has been raised about a White House occupant or a presidential candidate. It won't be the last.

The current conflagration was set off by Michael Wolff's

“Fire and Fury,” a lengthy tabloid gossip article masquerading as a book. It includes the genre's usual collection of anonymous quotes, unsourced descriptions and clever insinuations, all heavily influenced by the author's liberal biases.

The book contains little that will change the opinions of either Trump haters or Trump lovers. Some of the material is obvious score settling by West Wing adversaries. Some of it is spicy and

### A dubious new book starts a long national dialogue on whether Trump is crazy.

sensational gossip. A good portion of it can never be confirmed, and some of it already has been credibly denied. My assessment is that much of the book is probably untrue, and most of what is correct Americans knew already.

Portions of the text undermine the author, not his target. Consider Chapter 8, where Mr. Wolff writes at length about the conflicting approaches of three top White House aides. In Mr. Wolff's telling, Chief of Staff Reince Priebus was “cultivating” congressional Republicans to advance the Trump agenda; son-in-law Jared Kushner was

“concentrating on presidential bonhomie and CEO roundtables”; and senior adviser Steve Bannon was focused on “a succession” of executive orders “that would move the new administration forward without having to wade through Congress.” The president, according to Mr. Wolff, “didn't understand why he couldn't have them all.”

But why couldn't he? One can criticize the effectiveness of Messrs. Priebus, Kushner and Bannon, but every Oval Office occupant wants Congress to pass his agenda, seeks support among outside constituencies to advance his program, and uses his powers as chief executive to advance his policies as much as that authority allows. If someone here doesn't understand how the presidency functions, it is Mr. Wolff, not Mr. Trump.

The book leaves many questions unanswered. Who was the PR genius who allowed Mr. Wolff, a writer of dubious accuracy and scandal-mongering tastes, to visit the West Wing 20 times, notepad and recorder in hand? Why the heck did Mr. Bannon belch out every profane thought he had about everyone else in the West Wing, including the president? The book's most revealing quotes come from Mr. Bannon in extended interviews where Mr. Wolff's recorder was clearly running so long that its lithium batteries must have almost caught fire.

Mr. Bannon's political self-immolation was newsworthy enough, but the hubbub around “Fire and Fury” would have been much smaller except that Mr. Trump tweeted in response and even threatened to sue the publisher. The president has obvious and alarming deficiencies in his behavior and tone, but they are a long way from Mr. Wolff's imputations that a madman works in the Oval Office. Still, Mr. Trump's response helped turn a minor story that would have lasted a day or two into a weeklong national conversation about whether he is crazy. There was a better way.

Witness Mr. Trump's televised 45-minute negotiating session Tuesday on immigration with Republican and Democratic congressional leaders. If the president wants to ease concerns about his fitness for office, he should show the nation more moments like that—and fewer tweets claiming he is “a very stable genius” and “like, really smart.” He can't erase Mr. Wolff's book; what he *can* do is display more acts of leadership that disprove its central thesis. The choice is entirely up to him.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of “The Triumph of William McKinley” (Simon & Schuster, 2015).

## Drilling in Alaska Is Good for the Earth

By Thomas Landstreet

It has been a good month for American energy development. The tax reform signed by President Trump contained a provision allowing for oil exploration in the Arctic National Wildlife Refuge. Last week the Interior Department proposed opening up wide swaths of territory offshore.

This is good policy for a lot of reasons, but the least obvious is that it will help the environment. Despite howls from the green lobby, the truth is that it's less hazardous to drill for oil on land and in shallow waters using conventional rigs.

BP's Deepwater Horizon was drilling in about 5,000 feet of water when it exploded in 2010. If the accident had occurred on land or in shallow seas, the spill could have been contained in three days instead of three months.

The company took the blame for the disaster, paying \$19 billion, but I blame U.S. environmental policy for chasing

oil producers further and further out on the risk curve. For more than 40 years, the U.S. government has had a moratorium on drilling in shallow water, putting nearly 100 billion barrels out of reach.

This overregulation has been neither prudent nor partisan. President George H.W. Bush, a

### It's greener than fracking and less risky than deep-water rigs.

former oilman, enacted a separate and redundant moratorium in 1990; Bill Clinton extended it in 1998. And approval rates for drilling permits on federal lands plummeted during the Obama administration.

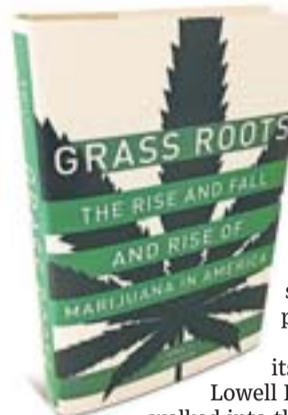
The ANWR is thought to hold at least 10 billion barrels of crude oil, according to the U.S. Geological Survey. The actual number is likely greater. The nearby Trans-Alaska Pipeline is ready to go, with the capacity to move ANWR oil 800 miles to

the Port of Valdez. That pipeline operates at 25% of capacity and could use the extra flow for efficiency's sake.

Drilling in the ANWR poses less risk to the environment than fracking. It would also be cheaper. Fracking was invented in response to drilling restrictions, as a way to produce oil from shale formations on private land, where government restrictions don't apply.

But fracking is no walk in the park. A fracked well consumes an average of 4.2 million pounds of sand and between two million and nine million gallons of water. The sludge created as a byproduct requires careful handling and underground disposal. From an environmental standpoint, drilling in the ANWR ought to be attractive by comparison.

Environmentalists have long believed that high oil prices drive down demand, so restricting drilling will reduce overall energy consumption. This view would be realistic in a free market. But the global oil market is not free. Asian nations



## OPINION

## REVIEW &amp; OUTLOOK

## The Fusion Transparency Rap

California Senator Dianne Feinstein is getting media raves for flouting Judiciary Committee rules Tuesday and releasing the testimony of Fusion GPS founder Glenn Simpson without committee approval. Mrs. Feinstein's disrespect for procedure aside, she has the right idea. Let's make all of the Russian-Trump-FBI record public.

Democrats seem interested in revealing only what adds to their hope that Donald Trump canoodled with the Kremlin. This includes Mr. Simpson's self-serving account of the origins of the infamous dossier about Mr. Trump that he hired British ex-spy Christopher Steele to compile. Mr. Simpson, a political gun for hire, spun a heroic tale of noble intentions and praise for Mr. Steele, calling him a "Boy Scout" with "quality" intelligence-gathering skills.

Yet Mr. Simpson couldn't corroborate the dossier's claims and had to backtrack on his newsiest allegation. Democrats and the media seized on his claim that the dossier supported information the FBI already had from "a human source from inside the Trump organization." The Fusion CEO used the same language about a source "inside the Trump camp" last week in a New York Times op-ed.

Yet Fusion waited until after the testimony was released to inform its media friends that this was a "mischaracterization" by Mr. Simpson. Turns out he wasn't referring to a confidential informant from within Team Trump, but to the fact the FBI had been tipped off by a foreign diplomat about a Trump staffer, George Papadopoulos. Mr. Simpson has a hard time telling a straight story.

The bigger point is that the public is in an evidence-free zone in which Democrats spin the dossier's unproven claims, while Republicans speculate about the FBI's partisan motives. The way out is to release to the public the documents the FBI used to justify spying on Trump officials during a presidential campaign. The good news is that Congressional investigators have finally obtained those documents from the FBI and Justice Department.

First up for declassification should be the eight-page memo Republican Senators Charles Grassley and Lindsey Graham last week sent to Justice. The Senators want Justice to begin a criminal investigation into whether Mr. Steele made false statements to the government. Mr. Steele has refused numerous requests to testify to Congress, so the Senators must be referring to his interactions with the FBI, to which he brought his dossier and for which he later worked as an informant.

## More Libel Law Bluster

Donald Trump keeps baiting the press, and the press keeps biting. In remarks before a Cabinet meeting Wednesday, Mr. Trump returned, in a familiar if tedious non sequitur, to American libel law.

"On a separate front, we are going to take a strong look at our country's libel laws so that when somebody says something that is false and defamatory about someone, that person will have meaningful recourse in our courts," Mr. Trump said. He can look all he wants, but he can't do anything about it. Cue cable news fainting anyway.

Our contributor Floyd Abrams takes us to task nearby for being too nonchalant about Mr. Trump's libel rants, and we respect Mr. Abrams as much as anyone on First Amendment law.

## Children's Health-Care Myths

By now perhaps you've heard that Republicans in Congress are denying health care to poor children, because what else would those robber barons do? The debate over funding the children's health-insurance program could benefit from a fact or two, not least about political cynicism.

The program known as CHIP was passed in the 1990s to offer health insurance to children in low- and middle-income families that earn too much to qualify for Medicaid. CHIP expired Sept. 30, but states have had unspent money in the interim, and Congress freed up for more in last month's budget deal. None of the some nine million beneficiaries have lost insurance, and the program enjoys bipartisan support. This has not stopped press stories about children who will be denied care.

The hold up for long-term funding has been finding ways to pay for the program's extension, and Democrats claim that the GOP put a tax bill for the wealthy ahead of children's health care. Irony alert: House Republicans suggested paying for part of the program with slightly higher premiums for affluent Medicare beneficiaries. Democrats refused.

Irony two: Last week the Congressional Budget Office reduced the cost of a five-year extension to \$800 million over 10 years from more than \$8 billion. Here's why: Republicans as part of tax reform zeroed out the ObamaCare penalty for declining to buy health insurance.

CBO says that repealing the individual mandate will make coverage on the ObamaCare exchanges more expensive, and without CHIP more children and families would end up on the exchanges. By this logic the government "saves" money by spending on CHIP instead of the alternative. In other words, the Republican tax bill made it easier to pass a bill for children's health care, though the GOP can expect no political credit.

Some media outlets have reported the FBI used the Steele dossier to get the Foreign Intelligence Surveillance Court to issue a warrant to eavesdrop on Trump officials who were then private citizens. This is important to know because Mr. Steele has since claimed in court that he shared his dossier allegations with the media before the election—even as he was working with the FBI.

Such political maneuvering would surely give a FISA court pause. Did the FBI know? Did it ask? Did it tell the court? The question is whether Mr. Steele misled the FBI on this or anything else, and whether the FBI wittingly or unwittingly presented false information to the court. The Grassley-Graham memo suggests the answers.

Also in need of declassification are records the House Intelligence Committee has extracted from an unwilling FBI, including interview transcripts and reports filed by Mr. Steele's FBI handlers about meetings with him. These can answer some pressing and straightforward questions.

Did the FBI know Mr. Steele was working with Fusion, which had been hired by associates of the Clinton campaign? Did it know the identity of Mr. Steele's Russian sources? Did or does the FBI have solid evidence to corroborate the dossier's claims? Did it share confidential information with Mr. Steele that was relayed back to Mr. Simpson and thus to the Clinton campaign? The fact that Mr. Simpson knew about the Papadopoulos tip suggests it did.

If the FBI has evidence that Mr. Trump was cavorting with prostitutes in a Russian hotel room (which he has denied), the country deserves to know. But if Congress has evidence that the FBI used unproven opposition-research as an excuse to spy on a presidential campaign, or was in any way duped by Russian disinformation, Americans also should know.

Florida Rep. Ron DeSantis has called on House Speaker Paul Ryan to declassify all the documents, and Congress could do so. The better precedent would be for the executive branch to retain the declassification power, and for the White House to step in and order an immediate process for public transparency. President Trump has declassification authority and can deputize a national security professional to work with Congress to protect sources, methods and current investigations.

Speculation over the Trump-Russia probe, the dossier and Robert Mueller's investigation has become politically polarizing, and the country needs the real facts. Now that Senator Feinstein has set the disclosure precedent, Republicans should see her transparency bet and raise.

But on Mr. Trump's comments, we associate ourselves, to our astonishment, with Brian Hauss, an attorney with the American Civil Liberties Union, who issued the following statement Wednesday: "President Trump's threat to revise our country's libel laws is, frankly, not credible. There is no federal libel law, and the president does not have the authority to change state libel laws. Furthermore, the First Amendment provides strong protections against libel liability, particularly with respect to statements about public figures or matters of public concern. Whatever President Trump might think, he has no power to override these constitutional protections."

Exactly right. Worry about genuine threats, not more feckless bluster.

This magic math continued this week with a CBO projection leaked to Politico that if Congress reauthorized the program for a full decade, the government would save \$6 billion. No doubt the purpose is to make CHIP look like a deal for the government, which actually spent more than \$14 billion on the program in 2017. If Republicans

extend the program for 100 years, will they save \$60 billion?

The GOP will reauthorize CHIP with de minimis changes, but there are reasons to reform this entitlement on the merits, even if Republicans don't have the capital to do so in a mid-term year. One problem is that CHIP crowds out private insurance. States can also set eligibility requirements that reach up to 405% of the poverty level, which means fewer resources for the truly needy. The program started as a partnership but in 2016 states pitched in less than \$2 billion of the \$15.6 billion total, according to the Heritage Foundation.

Someone should track down Henry Waxman, the former Democratic Congressman who during the Affordable Care Act debates of 2009 told Kaiser Health News that "once health care reform is in place, however, the case for a separate program for children" that excludes parents is "less compelling." The exchanges will offer "solid coverage" that is affordable for parents and kids, Mr. Waxman said. Democrats never have to answer for these failures because the press prefers to pump stories about Republican meanness.

The only CHIP question in Washington is whether to extend it as part of a new budget deal or by itself, and Democrats appear to be holding up the process by demanding a deal on immigration first. That Republicans don't care if poor children lose medical care is one more falsehood you can dismiss this week.

## LETTERS TO THE EDITOR

## On Building Careers While Rearing Children

Regarding Rebecca Johnson's "If You Want Women to Move Up, You Have to Accommodate Mothers" (op-ed, Jan. 5): Why does this argument keep coming up? Children have gone to work with their parents for thousands of years: to the fields, to the shops and the throne room. We learned hard work, negotiation and leadership.

Today we have a society mired in a drug crisis, with failing schools and young people in doubt about the grown-ups running the country. That's because we don't let them inside our world. We have shut them out. Yes, children should be permitted in safe workplaces. They will learn to be quiet, focus on tasks (their own work) and discover the not-so-mysterious adult world. Children are permitted at our company when schools are closed or they aren't feeling well. They are always well behaved and never cause problems.

Our company also allows parents to work from home or get a loaner laptop. Together the job gets done.

KARI SOKOLOW  
Houston

Ms. Johnson lays out a wholesale reorganization of the workplace, including a sweeping cultural change, all for the purpose of facilitating working motherhood at the highest levels. Among numerous remedies to a lack of workplace diversity, she suggests that harried, distracted women, juggling work and home responsibilities, be singled out for team leadership.

As I read, I wondered what high-level business executive with real-world experience would seriously suggest such fundamentally unworkable ideas. The answer is at the end of her piece: Ms. Johnson is a career academic administrator at an exclusive college. But of course.

STEVE BOEHME  
Peebles, Ohio

Ms. Johnson's piece on her per-

ceived need for the world to accommodate working mothers is so typical of the current generation's position that it is the responsibility of others to satisfy them. I can't believe that anyone with any concern for others would bring a six-month-old child to a professional conference. For that matter, it might even qualify as cruelty to a child.

ROBERT KITZINGER  
Carmel, Ind.

I applaud Ms. Johnson for bringing her baby to a professional conference, although I can't imagine much work gets done with a six-month-old on your hip.

Why don't organizations pay young women professionals more than the salary of a nanny? Women are driven out of the workplace simply because of the math. Lower pay (than their husbands) combined with the high cost of child care results in women staying home because it's "not worth it" to work. If you can't bring home substantially more money than the nanny, you might as well become one.

MIMI FARMER, M.D.  
St. Petersburg, Fla.

Ms. Johnson underscores that the glass ceiling impeding women's ability to "move up" is at home, not in the workplace. I have yet to see an article titled "If You Want Men to Move Up, You Have to Accommodate Fathers." For all the progress in the equality of women and men in the workplace, women and men often remain in separate, different and not always equal roles at home.

SUZANNE FRANKS  
Austin, Texas

Ms. Johnson is almost right. Companies need to support working parents, not just working mothers. My responsibility as a father didn't end at conception.

BRUCE WEBER  
Bremerton, Wash.

## Most Online Travel Sites Help Their Patrons

Regarding your editorial "Google-Hotel Travelopoly" (Dec. 28): Consumers need to be able to trust the information they are getting from travel search websites. It's troubling that the Journal is acting as a cheerleader for hotel-room resellers that have a history of deceiving consumers.

Consumers rely on websites like Expedia, Google, Orbitz, Travelocity and others because they allow travelers to easily compare prices and amenities. Unfortunately, some hotel-room resellers use confusing URLs and websites, misleading ads and call-center scripts that can deceive consumers. The harm is real. When consumers book through a reseller which deceptively mimics a hotel chain, they often forego benefits like

reward points, special rates or better cancellation and refund policies. The Federal Trade Commission recently found such conduct to be deceptive. This appears to be the very conduct Google was prohibiting—a practice that the Journal suggests is being used to "stifle competition."

The FTC found that a consumer looking for a Hilton hotel in Birmingham, Ala., was likely to see ads with titles like "Hilton Birmingham Alabama" and "Hilton Birmingham" pointing to URLs like "Reservation-Counter.com/Hilton," or "Reservation-Desk.com/Hilton." Clicking on such ads would take the consumer to websites that appear to be associated with Hilton. Reserving a room through such a channel could come with significant limitations that don't apply to reservations booked through the hotel or a trusted online travel agent. So-called "meta search" travel websites like TripAdvisor and Kayak enforce rules that require the inventory they advertise to be made available in a clear, nonmisleading manner.

Instead of pillorying travel search companies that are trying to do the right thing, the Journal should investigate why misleading hotel websites continue to proliferate.

JOHN BREYVAULT  
National Consumers League  
Washington

## The Bard Prophesied a Wolff

After reading Barton Swaim's excellent review of Michael Wolff's instant best seller "Fire and Fury" (Bookshelf, Jan. 8), I couldn't help but think of how prescient William Shakespeare was when Macbeth says, "It is a tale told by an idiot, full of sound and fury, signifying nothing." How could he have so well anticipated "Fire and Fury"? Amazing.

FRED EHRMAN  
New York

## Pepper ... And Salt

THE WALL STREET JOURNAL



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## OPINION

## NATO's Problem in Europe Is Mobilization

By Jeffrey Rathke

Donald Trump has consistently called on America's fellow members of the North Atlantic Treaty Organization to shoulder more of the alliance's defense burden. He often portrays other countries as freeloaders enjoying America's costly protection. This description of the alliance is incomplete, damaging and counterproductive—especially since there are significant areas where the Trump administration could push for change.

### What good is buying more tanks without the bridges and rail lines to get them to a flashpoint?

Well before Mr. Trump entered the Oval Office, every NATO country committed to spend 2% of its gross domestic product on defense by 2024. Most of America's allies have increased spending, but the president is right that they should spend more. The gap between underfunded NATO allies' budgets today and the agreed target is about \$116 billion a year, according to NATO data. But military spending alone will not solve NATO's problems.

The alliance's most pressing challenge is to spend new resources wisely—in ways that generally improve trans-Atlantic security and specifically make NATO's deterrence

of Russia more effective. The Trump administration is overlooking other substantial contributions Europe could make.

Start with rapid military mobilization and deployment. Since 2013, NATO has watched Russia conduct multiple large military exercises in and around Europe. These training missions demonstrate Moscow's ability to move its forces rapidly to the frontier with NATO and the European Union. At the same time, Russia has employed disruptive tactics below the threshold that would provoke a NATO military response.

To counter Russia's attempts at coercion in Europe, NATO allies agreed in 2014 to position "tripwire" forces in the Baltic states and Poland. The alliance has also deployed multinational forces in the Black Sea region. But those forces are relatively small. They are meaningful only if, during a crisis, NATO is able to reinforce them promptly with larger forces. That is a crucial weakness in NATO's strategy: Since the end of the Cold War, the alliance has failed to ensure that large-scale reinforcement can happen quickly and efficiently.

Studies by the Center for Strategic and International Studies and others have highlighted Europe's readiness problems. Lt. Gen. Ben Hodges, who commanded U.S. Army forces in Europe until his retirement last year, frequently stressed the need to expedite border crossing arrangements. Since 2015, Gen. Hodges had called for a "military Schengen zone" akin to the agreement that allows unchecked movement of people



American forces during NATO exercises in southern Germany, May 11, 2017.

and goods across most of the EU's internal borders.

The U.S. needs a two-pronged strategy to address these shortcomings and make deterrence in Europe credible and effective. The first element is to address regulatory impediments and expedite national approvals so that NATO military forces and equipment can move across European borders rapidly.

But border-crossing bureaucracy is not the biggest obstacle. The more crucial shortcoming is Europe's logistical capacity to move heavy military equipment and troops at scale. This requires adequate rail connections, rolling stock, ports, reinforced bridges and other infrastructure meeting the technical requirements for military transport. It makes little sense to spend billions on tanks

without the means to get them to a flashpoint in time. Military commanders and defense ministers are unable to fix this problem. Improving infrastructure is the responsibility of national transportation authorities, the EU and private companies across NATO nations.

As NATO approaches a summit meeting in July, Washington should engage with Europe to rebuild the Continent's logistics infrastructure. This means addressing the EU effectively and seriously as a partner on political and security initiatives, something the Trump administration has seemed unwilling to do. Secretary of State Rex Tillerson, after December meetings in Brussels with his EU and NATO colleagues, had little to say publicly about this crucial civilian burden-sharing.

Currently, the EU's central budget devotes some \$19 billion a year on key transport corridors across Europe. Meanwhile the national governments of EU member states invest more than \$120 billion annually, according to Organization for Economic Cooperation and Development data. Washington should work with the EU to ensure that infrastructure meeting NATO requirements is prioritized in the EU's military-mobility review, which is due in March. In exchange the U.S. should explore a formula under which European countries can count toward their 2% spending target a portion of dual-use infrastructure spending, which enhances military deterrence while also supporting economic growth.

The U.S. should elevate this to an initiative that President Trump and his counterparts in Brussels can endorse in July. This would greatly improve NATO and EU cooperation, a longtime trans-Atlantic goal.

Mr. Trump has made clear he wants America's allies to shoulder more of the defense burden, and he has won that argument. Now he should find meaningful ways for these allies to meet their commitments. By focusing on mobilization and rapid deployment, and not only on spending numbers, NATO would strengthen its collective defense. This would bring NATO and the EU closer together—making conflict less likely and the trans-Atlantic community more secure.

*Mr. Rathke is a senior fellow at the Center for Strategic and International Studies.*

## Oprah's 'Truth' and Its Potentially Deadly Consequences

By Julie Gunlock

Former daytime television superstar and rumored Democratic presidential candidate Oprah Winfrey won the Cecil B. DeMille Award at Sunday night's Golden Globes. In the "complicated times" we live in, she said during her acceptance speech, "speaking your truth is the most powerful tool we all have."

While such bromides may play well with an audience of entertainers, Ms. Winfrey's applause lines should be a warning to those who take her political ambitions seriously. She built her media empire by crafting pleasing narratives. She isn't interested in boring things like data and facts. She has difficulty acknowledging that some things are true and some things are not.

Like President Trump, who for years made inflammatory remarks about vaccines and even flirted with the idea of appointing noted skeptic Robert F. Kennedy Jr. to a vaccine safety commission, Ms. Winfrey has a penchant for promoting the myth that vaccines are dangerous.

While she claims publicly to be provocative, she has allowed antivaccine megastars a platform to share "their truths." Yet those "truths" aren't true at all. They are a collection of unsubstantiated and conspiratorial charges linking vaccines to autism—never mind the mountain of evidence to the contrary.

Ms. Winfrey's biggest gift to the antivaccine movement came in September 2007 when she invited the actress Jenny McCarthy to appear on her top-rated talk show. Ms. McCarthy proceeded to explain that her son Evan's autism symptoms appeared only after he received the vaccine for measles, mumps and rubella, known as MMR. That vaccine has long been associated with autism because of a flawed 1998 study. The prestigious journal *Lancet* eventually retracted the study, and a British government commission determined that its author, Andrew Wakefield, had acted "dishonestly and irresponsibly" in his research. Mr. Wakefield lost his license to practice medicine in the United Kingdom.

Yet the safety record of the MMR

vaccine, along with details of Mr. Wakefield's downfall, weren't mentioned on the show. Instead, Ms. McCarthy made outrageous claims about the vaccine's dangers while promoting equally ungrounded theories about "cures" for autism, including a diet she found on the internet.

### She gave Jenny McCarthy a platform to promote the discredited idea that vaccines cause autism.

In a brief moment of responsible journalism, Ms. Winfrey read a statement from the Centers for Disease Control and Prevention stating—accurately—that autism's cause is unknown and that vaccines "protect and save lives." This brief statement carried none of the emotional punch provided by the testimony of a struggling mom.

Despite employing dozens of producers and support staff, Ms. Winfrey failed to challenge Ms. McCarthy's

data or inform her viewers about the substantial body of scientific studies showing vaccines to be safe. Ms. Winfrey also failed to mention that major medical organizations such as the American Academy of Pediatrics and the American Medical Association affirm the safety of vaccines. Instead, the famous tastemaker put her trust in the famous actress, who, when asked about her own expertise, answered, "My science is [my son] Evan. . . . That's my science."

In Ms. Winfrey's world of personal truths, this approach makes sense. Ms. McCarthy's "truth" defied truths showing the opposite. She believed her son had been harmed by a vaccine. Therefore all vaccines are bad. Her "truth" didn't have to make room for facts, such as a steady decrease in world-wide mortality rates because of widely available vaccines for diseases that once killed millions of people.

Ms. McCarthy benefited greatly from being a regular guest on "The Oprah Winfrey Show." She used her association as a springboard to other programs—"The Doctors," "The Larry

King Show," "Ellen," "The Rosie Show" and others. Ms. Winfrey's blessing also helped Ms. McCarthy land a season-long spot on "The View," where she continued to promote her antivaccine message. The support of her beloved benefactress may have allowed Ms. McCarthy to convince thousands of parents to forgo vaccinating their children, which could be to blame for the resurgence of measles and other infectious diseases in the U.S.

While many Democrats seem thrilled that Ms. Winfrey could run for president, her vague and shifting sense of the truth is the very thing they often claim to despise about Republicans. The left was quick to criticize President George W. Bush's "truthiness" and decries Mr. Trump's use of "alternative facts." But the antivaccine hysteria Ms. Winfrey helped incubate was more dangerous than mere "fake news." It actually put people's lives at risk.

*Ms. Gunlock is a senior fellow at the Independent Women's Forum and leads the organization's Culture of Alarmism Project.*

## The U.N. Agency That Keeps Palestinians From Prospering

By Alex Joffe  
And Asaf Romirowsky

Frustrated by Palestinian intransigence, the Trump administration has reportedly frozen \$125 million of the American contribution to the internationally funded welfare agency for Palestinian "refugees," the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

Mr. Trump had expressed his irritation with the agency, known by the acronym Unrwa, in a characteristic tweet, noting that the U.S. provides "HUNDREDS OF MILLIONS OF DOLLARS a year" and gets "no appreciation or respect" from Palestinians. Nikki Haley, the U.S. ambassador to the U.N., echoed the sentiment, saying the U.S. would use funding as leverage "until the Palestinians are agreeing to come back to the negotiation table."

This approach is unprecedented. The U.S. is Unrwa's largest single donor, contributing more than

\$360 million of the agency's annual \$1.25 billion budget. Historically, U.S. support to Unrwa has been untouchable despite the agency's role keeping Palestinians in social stasis, providing health, education and welfare services while undermining resettlement efforts and fomenting rejectionism—thereby perpetuating the Palestinians' "refugee" status for decades.

The Trump administration is not the only factor militating for change. The titanic crisis created by the Syrian civil war, which has produced millions of actual refugees (along with half a million civilian deaths), puts the Palestinian issue in a new and dramatically diminished light. Unrwa's own mismanagement—such as reports that the agency has dramatically overcounted the Palestinians it serves in Lebanon—also makes the status quo more difficult to sustain.

The U.S. supported Unrwa for decades largely because it did not wish the Palestinian issue to

threaten other policy imperatives. During the Cold War, that meant containing communism and maintaining the flow of oil from Arab states. Since the end of the Cold War, U.S. policy has revolved around containing the Arab-Israeli conflict in order to prevent regional conflagration and preventing nuclear proliferation in the Middle East, especially Iran.

American diplomatic support for a Palestinian state began in these contexts but was routed through the Oslo process and the Palestinian Authority, which has deliberately failed to create stable foundations for a functioning state. The Trump administration's Middle East policy is not yet formally wedded to any existing diplomatic process, whether with Iran or in the Israeli-Palestinian arena. While stability is a long-term American political goal, shifting funds from Unrwa and addressing other refugee crises has become likelier than at any time in the past 60 years.

So how can the Trump administration move forward regarding Unrwa? The first step needs to be a clear presidential policy statement on the question, made with the support of key congressional leaders:

### The administration's freeze on funds for Unrwa is a first step in breaking the Mideast stalemate.

Unrwa has outlived its usefulness; the Palestinians are not "refugees" but are entitled to citizenship in the countries where they've lived for decades, and the Palestinian Authority must assume its responsibilities toward its own population.

This must be followed by detailed plans to shift funds and responsibilities from Unrwa to the Palestinian Authority, with equally detailed mechanisms for oversight

and auditing. And a long-term plan should be developed to take Palestinians off welfare and to make them self-sufficient, while shifting international funds to real refugee crises.

Given the State Department's long support of Unrwa's agendas, implementing such plans will require political will. The positions of other U.S. agencies, such as the Defense Department and the National Security Council, are difficult to predict. Congressional pressure has historically been unable to move any bureaucratic parties from their long-held positions regarding the Palestinian status quo and Unrwa.

A carefully developed political program simply to bring American officials on board is thus required. But the old adage that failure to support Unrwa and the Palestinian refugees would undermine Arab allies and lead to radicalization can no longer be taken seriously. Nor can the claim that the Palestinian issue is the most important refugee problem in the world.

By confronting the problem of Unrwa, the Trump administration has the rare opportunity to disrupt dysfunctional patterns that are long entrenched and fantastically expensive. It also has the opportunity to confront the Palestinian Authority with a choice: If it wishes to be regarded as a state, then it must assume its responsibilities and act like a state. Western donors should demand nothing less. Otherwise, more pressing problems await, and the Palestinians will have missed another opportunity to take control of their own destinies.

*Mr. Joffe is a fellow at the Middle East Forum. Mr. Romirowsky is executive director of Scholars for Peace in the Middle East. They are co-authors of "Religion, Politics and the Origins of Palestine Refugee Relief" (Palgrave Macmillan, 2013).*

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## Notable &amp; Quotable: Chains

From a Jan. 9 report by Geoff Herbert of Syracuse.com:

Last year, there were more than 40 Mark's Pizzeria locations in Upstate New York. Today, there are exactly 29—a number aimed at avoiding the higher minimum wage.

The Auburn Citizen reports the Mark's Pizzeria in Skaneateles quietly changed its name to Mike's Pizzeria last month. Technically, it's a new business, but Mike Harvard and Jamie Schneider are still slinging pizzas in the same location they've owned since 2003.

Harvard told the publication that they reached a mutual agreement with Mark's Pizzeria Inc. to re-open as a separate business because of the state's rising minimum wage require-

ments. Fast food establishments, defined by the Department of Labor as a chain with 30 or more locations, must pay workers at least \$15 an hour by the end of the year in New York City and by 2021 in the rest of the state.

Fast food wages in New York went up \$1 to \$11.75 on Dec. 31, but Mark's is avoiding that hike because it now has just 29 locations—one less than the number that would define them as a fast food chain. . . .

Another Mark's Pizzeria in Central New York closed last month and quickly re-opened with a new name. Mike Haynes, a 21-year veteran at Mark's, opened up his own pizza shop—Uncle Mike's Hometown Pizza—in a former Mark's site in Camillus on Milton Avenue.

# The new tax law just passed.

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, January 11, 2018 | B1

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## Xerox in Deal Talks With Fujifilm

Possible options may include change of control of pioneering document-copier firm

Xerox Corp. is in talks to potentially do a major deal with Japan's Fujifilm Holdings Corp. as the U.S. document pioneer struggles to reinvent itself.

The companies, which already have a joint venture, are discussing an array of possible deals that may or may not include a change of control of Xerox, according to people fa-

miliar with the matter.

A full takeover of the Norwalk, Conn., company isn't on the table, one of the people said.

By David Benoit, Dana Cimilluca and Dana Mattioli

No deal appears imminent and one may not be reached.

Should there be a change of control of Xerox, it would mark the end of the independence of a stalwart of American industry that was an early technological trailblazer but has been bedeviled by a drop-

off in demand for office printing. It is also facing a new battle with activist investor Carl Icahn.

A deal would give both Fujifilm and Xerox a chance to root out costs and make their legacy businesses more efficient, some of the people said.

Xerox shares, which topped out at more than \$150 in the late 1990s, now trade at just over \$30 amid a continued slump in sales and profit. Xerox's market value stands at roughly \$7.7 billion; it also has more than \$4 billion of net debt.

The company was founded

in 1906 in Rochester, N.Y., as the Haloid Co., a maker of photography paper. In 1947, Haloid entered an agreement that gave it a license to develop a xerographic machine, the invention of patent attorney Chester Carlson. Haloid introduced its first machine, the XeroX, in 1949, and the company officially changed its name to Xerox in 1961 and listed on the New York Stock Exchange.

Xerox and Fujifilm have a long history together. They struck a joint venture 55 years ago that is known as Fuji Xerox and sells copiers and

printers in the Asia-Pacific region. Fuji Xerox is 75% owned by Fujifilm and now has about \$10 billion in annual sales.

Xerox dominated the copier market for decades but by the 1970s new competitors from Japan chipped away at its empire after U.S. antitrust regulators forced it to license its patent portfolio. The Fuji Xerox joint venture helped the U.S. company fend off Canon Inc. and other rivals with low-end copiers, but by the end of the 1990s the rise of email and desktop printers had upended its market and forced several

Please see XEROX page B2

## Treasury Yields Climb for Fifth Day

By Daniel Kruger

U.S. Treasuries sold off again on Wednesday, raising expectations that higher bond yields will affect everything from asset prices to mortgage rates.

The yield on the benchmark 10-year U.S. Treasury note, which rises as bond prices fall, approached its 52-week closing high of 2.609% early Wednesday, before paring its gains and settling higher for the fifth consecutive session. Bank stocks soared, as rising yields tend to boost lenders' profits, while high-dividend stocks fell as their payouts faced greater competition from bonds.

The 10-year yield is a critical benchmark for global finance, influencing everything from borrowing costs to demand for riskier assets, such as stocks. For years, investors and analysts have expected a rise in yields, long depressed by extraordinary stimulus measures adopted by central banks in order to spur growth and inflation after the financial crisis.

If inflation is behind the rise in yields, "it could change the relationship between stocks and bonds," said James Bianco, head of the Chicago-based advisory firm Bianco Research. Inflation poses a threat to the value of long-term government bonds because it erodes the purchasing power of their fixed payments, while also depressing the value of corporate earnings over time.

Concerns about foreign demand for Treasuries spurred the latest bout of selling, as central banks from Europe to Asia signal that they may be preparing to scale back stimulus. The

Please see BONDS page B2



A symbolic wall in Berlin showing hate messages taken from Facebook and other networks is dismantled as part of a campaign for more tolerance toward immigrants.

## Germany Forces Social Media to Police Itself

By Zeke Turner

BERLIN—Germany has gone live with one of the most onerous laws aimed at forcing Facebook Inc., Twitter Inc. and YouTube to police content on their platforms.

The verdict after 10 days in effect? It's complicated.

Since Jan. 1, companies face fines up to €50 million (\$60 million) if they fail to delete illegal content, from slander and libel to neo-Nazi propaganda and calls to violence. The law applies to most social-media networks in Germany.

The banned content was always illegal. What's new is that social networks with more

than two million users in Germany now are responsible for cleaning it up themselves.

The new law pushes U.S.-based social-media platforms in Germany one step closer to the level of responsibility that newspapers and media here have long faced—a level far higher than what the platforms have faced domestically. Under U.S. law, tech platforms aren't liable for user content shared on their services.

Many Silicon Valley giants affected by the rules have pushed back publicly. The law has also raised alarm among free-speech watchdogs and legal experts. "In a democracy, it has to be a state organization

that enforces the law," said Dieter Frey, a lawyer and media expert in Cologne.

Social-media companies typically rely on software and a mix of in-house and third-party content moderators to sift through posts users have flagged as problematic and delete those that violate local law. In certain cases, the companies' legal teams jump in. The law often has companies working under time pressure to determine whether a post breaches one of 24 paragraphs of the criminal code.

Ahead of the new law, Facebook contracted with providers for 1,200 moderators in Germany, a number that com-

pares with 7,500 moderators world-wide. Just 1.5% of Facebook's 2.07 billion monthly users are in Germany.

Tech companies, facing increased pressure after the U.S. election and terror attacks around the globe, have taken some voluntary steps to monitor content on their platforms. Facebook, for instance, is figuring out how to monitor and analyze the more than one million user reports of potentially objectionable content that it says it receives every day.

At YouTube, a unit of Alphabet Inc.'s Google where users watch more than a billion hours of video a day, the company has used both software

and humans to screen for content that warrants removal, such as extremist videos. In the U.S., Google has said it instructs human reviewers to mark violent or hateful content as low quality, which will likely move it lower in Google search results. Twitter has been using internal technology to flag accounts that promote terrorism.

This month, Twitter temporarily suspended the account of a German satire magazine, Titanic, demanding that it delete a parody tweet mocking a German nationalist lawmaker, Beatrix von Storch.

Tim Wolff, Titanic editor in

Please see RULES page B2

## Boards Scramble To Defuse Cyber Risks

Corporate boards are seeking greater insight into cybersecurity risks in the aftermath of the recent breach at Equifax Inc.

By Kim S. Nash, Joann S. Lublin and AnnaMaria Andriotis

The hacking attack on the credit-reporting firm last summer was a defining moment for directors, technology and corporate-governance experts say.

As cybercriminals damage company reputations and cause tens of millions in remediation and legal costs, some boards are increasing cybersecurity oversight and weighing how to delegate responsibilities among directors. Others are pushing for more meetings with corporate security chiefs.

Directors at HD Supply Holdings Inc. reviewed the company's entire cybersecurity program after learning of Equifax's breach—and discovered a glaring hole, said Betsy Atkins, lead independent director of the industrial-products distributor. She said the company had no formal procedure for dealing with ransomware attacks, in which hackers stymie computers or freeze access to data and then demand payment for release.

"Equifax triggered a reactive review of the thoroughness of our oversight and compliance and of our gaps, and we acted," Ms. Atkins said. HD Supply's board and management

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### HEARD ON THE STREET | By Aaron Back

## Earnings Season May Temper Bank Rally

Bank shares have been riding high, seen by investors as among the biggest beneficiaries of tax reform and a strengthening economy. But this enthusiasm could soon collide with just mediocre fundamentals.

Two of the nation's largest lenders, JPMorgan Chase and Wells Fargo, will report fourth-quarter earnings on Friday, followed by several more next week. The results will be noisy as banks take multibillion-dollar write-downs related to the tax package.

For the most part, investors should look past these one-time movements. For instance, banks' deferred tax assets, which are credits against future tax bills leftover from crisis-era losses, are now worth less.

But this is more than outweighed by the fact that

their future tax bills will be lower.

There are exceptions, however: For some banks, these write-downs could meaningfully hit capital levels, making it harder to keep up share buybacks. One bank that could be tripped up by this is Goldman Sachs. In recent notes, analysts at Nomura, Credit Suisse and Keefe, Bruyette & Woods all warned that Goldman could have to reduce planned buybacks after taking a tax-related write-down of around \$5 billion.

But investors will be focusing more on the fundamental drivers of the banking business.

This means loan growth, particularly business lending, which was anemic in 2017. The cause still isn't entirely clear, but for much of the year many bank executives blamed the policy uncertainty that prevailed in Washington.

### Hoping for a Rebound

Total commercial and industrial loans by U.S. banks, change from year earlier



Source: Federal Reserve THE WALL STREET JOURNAL.

This would suggest that loan demand is set to rebound now that tax reform has passed, but analysts remain cautious.

UBS analyst Saul Martinez says in a note that average loan growth could rise to roughly 3% to 4% over the next couple of years, from 1% to 2% in 2017.

A return to the high-single-digit loan growth that prevailed from 2014 to 2016 seems unlikely.

Over the long run it is difficult for overall loan growth to exceed the rate of economic growth plus inflation, or roughly around 4%, notes Mr. Martinez.

Similarly, while further rate increases by the Federal Reserve in 2018 still would be positive for banks, there will be diminishing returns each time to bank profits as deposit costs creep up.

Since the end of September, shares of the six largest banks in the U.S. have risen an average of 11.6%, compared with a 9.4% climb for the S&P 500.

Heading into a messy earnings season with many long-term issues still uncertain, banks may be due for a breather.

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Continued from the prior page chief, said Twitter notified him of the suspension by email on Jan. 2 and asked him to delete the tweet. Later, other users piled on and flagged four other tweets on Titanic's account, including one that made fun of German police and another about Austrian Chancellor Sebastian Kurz, whom Titanic has called "Baby Hitler" and said should be killed.

Twitter asked Mr. Wolff to delete those four tweets as well. Then, after an internal review that included input from legal professionals on its support team in Germany, Twitter dropped that request and reversed Titanic's suspension. The tweet about Ms. von Storch remains offline.

Mr. Wolff said, "Our suggestion is to let us at Titanic decide what is satire and what isn't."

In another case, on Dec. 22, before the law had taken full effect, Facebook blocked the account of Mike Samuel Delberg, a 28-year-old political representative of Berlin's Jewish community, after he posted a video of an Israeli restaurant owner in Berlin being threatened on the street.

Facebook content monitors thought the video violated its community standards. "It went viral," Mr. Delberg said. Then "all of a sudden Facebook deleted the video and blocked me and said that I broke their guidelines." Facebook has

since apologized to Mr. Delberg for deleting the video and he is back online.

"It can't be true that...while raising awareness in public of anti-Semitism, an account gets deleted," Mr. Delberg said.

"We should not be the ones who judge if a post is illegal or not," said Semjon Rens, Facebook's public-policy manager in Germany. "This is the responsibility of courts." He said Facebook is "working hard to put the right processes in place and to comply."

A spokesman for Google's YouTube said it would "continue to invest heavily in teams and technology" to be able to remove "content that breaks our rules or German law" more quickly.

A representative for Twitter declined to comment on the record or to disclose the size of the team reviewing content.

German enforcement officials are still finding their way. Ulf Willuhn, a senior public prosecutor in Cologne, spent the beginning of the year considering whether his office would have to pursue legal action based on a tweet from an anti-immigrant lawmaker—the real Ms. von Storch, not a parody this time—who had referred to the local Arabic-speaking community as "group rapists." After some research, Mr. Willuhn decided his office wasn't responsible. Separately, Twitter had already asked her to delete her tweet.

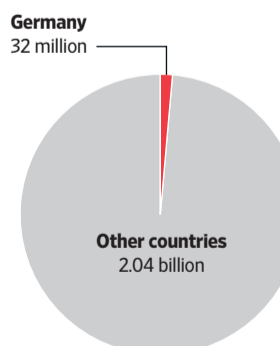
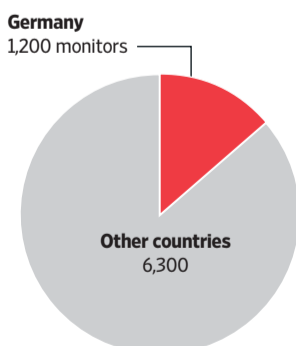
"At the end of the day...it's not as easy as it seems at first glance," Mr. Willuhn said. "Yeah, it's very, very difficult."

## Das Ist Verboten

Germany is now host to an outsized proportion of Facebook's content monitors.

**Germany has 16% of Facebook content monitors...**

**...but only 1.5% of Facebook users are based in Germany.** Monthly active users



Note: German content monitors are employed by services companies that contract to Facebook. Source: the company

THE WALL STREET JOURNAL.

# BUSINESS & FINANCE

## FCC Seeks Pinpoint Safety Alerts

By JOHN D. MCKINNON

WASHINGTON—Federal regulators are expected to push wireless carriers to improve the targeting of local emergency alerts, in hopes that public-safety officials will use the system more.

Local officials say they sometimes don't issue wireless alerts—which produce a distinctive buzzing and squawking in mobile devices—lest they needlessly alarm people who aren't in immediate danger.

Federal Communications Commission Chairman Ajit Pai proposes to adopt new standards requiring wireless carriers such as Verizon Communications Inc. and AT&T Inc. to narrow the area affected by many alerts.

In localized emergencies such as severe weather or wildfires, public-safety officials provide the information for determining the alert area.

"Pinpointing these alerts will encourage more local officials to use these alerts with confidence during emergencies," Mr. Pai wrote in a blog post announcing the move on Tuesday. "They'll also lead Americans to take more seriously the alerts they receive on their mobile devices."

The FCC is expected to approve Mr. Pai's proposal at its meeting on Jan. 30.

The program known as Wireless Emergency Alerts, or WEA, was launched in 2012 with alerts targeted to areas no larger than the county or counties affected by an emer-



Emergency alerts were credited in saving lives in the Southern California regional wildfires.

gency. In 2016, the FCC narrowed the targeting standard to better approximate the emergency zone.

Industry officials say the current targeting system has worked well and helped save lives in numerous emergency situations, including some recent wildfires in Southern California.

But some local emergency managers believe that in practice even the current standard winds up being too broad.

In addition, there were complaints that the system wasn't used in some wildfires in Northern California last

year that caused numerous deaths.

California's two senators, Dianne Feinstein and Kamala Harris, both Democrats, criticized the FCC last year for not moving more quickly to improve the system.

The proposed standard would narrow targeting of messages to wireless devices located within one-tenth of a mile of the affected area.

While the new system won't be technology-specific, it likely would rely on individual devices to determine whether they are located in the alert area and suppressing the emergency message if they aren't.

The emergency-alert system is based on broadcasting from local cell towers to nearby devices.

Industry officials expressed cautious support for the overall FCC effort, while expressing concern about moving too fast to a technically challenging new standard.

"We support Chairman Pai's efforts to enhance the WEA system's geo-targeting capabilities through device-based solutions, and believe the FCC should adopt new rules that are technically feasible along an achievable timeline," said Matt Gerst, an official of CTIA, the wireless trade association.

## XEROX

Continued from the prior page painful restructurings.

Last year, the company broke itself in half, spinning its business-services operations into a new company dubbed Conduent Inc. The legacy company returned to its roots of making printers and copiers, an industry facing upheaval and an uncertain future.

The talks come as Xerox faces a second fight with Mr. Icahn over its board and Chief Executive Jeff Jacobson. Mr. Icahn, Xerox's biggest shareholder, with a 9.7% stake, last month canceled a previous agreement with the company by pulling off his board repre-

sentative to campaign for more board seats.

Mr. Icahn has warned Xerox is at risk of losing ground it staked out with decades of research and development. He worries the company could face a fate akin to Eastman Kodak Co., once one of America's former corporate titans, which filed for bankruptcy in 2012 and emerged a year later after selling assets and shedding unprofitable business lines.

Fujifilm, based in Tokyo, got its start in film and cameras and now derives most of its revenue from document services—copiers—and health-care, from in-vitro diagnostic systems to pharmaceuticals and skincare products. Its market value is about \$22 bil-

lion.

Xerox trades at a discounted price/earnings valuation compared with most of its peers, and while its stock popped on the first day of trading after splitting from Conduent, it was largely flat the rest of 2017 while the broader market soared.

Xerox has been cutting costs to try to make the remaining business more profitable. Meanwhile, it and rivals are hunting for more revenue in faster-growing fields.

Xerox touts its 11,500 patents and talks about innovation changing how companies and people communicate and share work.

It is working on buzzy topics like automation, artificial intelligence and the internet of

things, as physical paper becomes less and less the chosen mode of office communication.

It has said it is ahead of plan on refocusing its business toward markets that are gaining, and it increased its 2017 profit forecast in October. The company typically reports fourth-quarter results near the end of January.

JPMorgan analysts said in October that they didn't expect the company to return to earnings growth until 2023, adding "there remains an ever-present risk of secular decline in printing documents."

Still, JPMorgan recommended the stock for its dividend and potential to gain after recent slumps.

—Nathan Becker contributed to this article.

## Urban Outfitters Misses the Mark

Urban Outfitters Inc. knew sales of record players and vintage film cameras would be down this holiday season. They just didn't think they would fall this much.

The company reported this week that sales at Urban Outfitters stores open at least a year rose 1% in the November-and-December period, a slowdown from 3.6% growth the prior year. Executives attributed the weak numbers to a drop-off in sales of Crosley record players and vintage film cameras.

"Apparently, cameras and record players were less popular gift items this year," said Robert W. Baird analyst Mark Altschwager in a research note.

The disappointing holiday sales report sent the stock down 4.1% on Tuesday before recovering somewhat on Wednesday to finish up 1.8%.

Vinyl records and film cameras became trendy a few years ago as '80s and '90s nostalgia swept the retail world. The colorful Crosley record players and Polaroid film cameras sold by Urban Outfitters were particularly popular among its core base of hipster millennials and teens.

In 2014, a company executive claimed Urban Outfitters was



the top seller of vinyl in the world, with a vast offering of classics like Beatles albums to the latest Kendrick Lamar.

But sales of those products have been slowing lately, leaving Urban Outfitters up against tough comparisons to previous holiday seasons when sales were booming.

Sales of vinyl records slowed to 2% in the first half of 2017, compared with growth of 38% in

2015, according to Nielsen Music.

In a presentation this week, Urban Outfitters Finance Chief Frank Conforti said the company had expected sales of those products to be "challenging" this holiday season. But the decline in sales, he said, was "worse than what we had anticipated."

The drop-off dragged comparable sales for the overall company—which also owns the Free

People and Anthropologie brands—down to 2%, below the 3.4% increase analysts had expected.

Baird's Mr. Altschwager isn't too worried about the decline.

Outside of those products, he said Urban Outfitters saw strength in apparel sales for both men and women, while sales at Free People and Anthropologie also were encouraging.

—Chelsey Dulaney

## BONDS

Continued from the prior page Bank of Japan surprised markets Tuesday by reducing the amount of its bond purchases by 5%, after the European Central Bank began the year by lowering its monthly buying to €30 billion from €60 billion.

Fresh selling began Wednesday after reports that Chinese officials have recommended reducing or stopping purchases of U.S. Treasury debt. The 10-year yield rose

sharply, reaching as high as 2.597%, according to Tradeweb, then pared those gains after robust demand for the debt at the U.S. government's afternoon auction of \$20 billion of 10-year notes.

Analysts and investors questioned whether China has suitable alternatives to Treasuries, given the size of their reserves. Several said the comments could signal criticism of recent sweeping tax cuts, which are projected to raise deficits by more than \$100 billion annually through 2027, or as a warning to President Don-

ald Trump before the next round of trade negotiations between the U.S. and China.

The benchmark Treasury 10-year yield rose to 2.551% Wednesday, its highest closing level since March 14, from 2.542% Tuesday.

"If China really wanted to move its reserves around for financial reasons, they'd keep it quiet," said Brad Setser, a senior fellow at the Council on Foreign Relations and a former senior U.S. Treasury official in the Obama administration.

China typically maintains

about 40% of its reserves in Treasury debt, and with \$1.2 trillion of U.S. government debt is near that level, given \$3.1 trillion in reserves, Mr. Setser said. Should reserves remain stable, there would be no reason for China to add more bonds anyway, he said.

Whichever factor pushes yields upward, investors said higher Treasury yields may prompt a re-examination of the competing valuations of stocks versus bonds. That could attract a cohort of aging individual investors, who invest in fixed-income as part of

retirement-savings strategies, said Jack McIntyre, who manages global bond portfolios at Brandywine Global Investment Management.

Investors on Wednesday sold shares of utilities and real-estate companies. Known as bond proxies because they typically pay hefty dividends, the two sectors tend to become less appealing when bond yields rise. Shares of real-estate companies in the S&P 500 fell 1.5% Wednesday, while shares of utilities lost 1.1%, making the two sectors the biggest decliners in the index.

The KBW Nasdaq Bank Index of large U.S. commercial lenders rose 1.3% even as the S&P 500 declined. Rising interest rates tend to boost bank profits.

Demand from individual investors and questions about the Fed's commitment to its current pace of interest-rate increases could cap yields for some time, some analysts said. "Investors will be looking back in three, six, nine months and saying it wasn't a bad idea to be maintaining or increasing bond exposure," said Robert Tipp, chief investment strategist at PGIM Fixed Income.

## BUSINESS NEWS

## Fox Nears Deal to Buy Local Stations

By KEACH HAGEY

**21st Century Fox** is nearing a deal to buy about 10 television stations that **Sinclair Broadcast Group** is shedding as it seeks regulatory approval for its purchase of **Tribune Media Co.**, according to people familiar with the matter.

The transaction comes as Fox prepares to sell the bulk of its assets to **Walt Disney Co.**, leaving behind a new Fox focused on broadcast television, live news and sports.

The stations Sinclair is selling include major football markets such as Seattle, which will help Fox maximize its rights to NFL games, the people said.

The Financial Times first reported the pending deal.

When Fox's deal with Disney was announced last month, 21st Century Fox Executive Chairman Rupert Murdoch signaled that the "new Fox" would be interested in acquiring more stations, and would have financial flexibility to do deals. "We'll be in a mood to expand and do new things and we'll have the ability," Mr. Murdoch said.

The deal doesn't necessarily signal a strategic direction for Fox. Talks were under way as part of the Sinclair-Tribune deal before Fox began contemplating selling its international, studio and cable assets to Disney, and likely would have continued regardless of that deal, according to one of the people familiar with the matter.

Broadcasting giant Sinclair owns many stations affiliated with the Fox network, meaning the two sides must agree in periodic negotiations how to divvy up revenue from cable TV subscriptions. At one point last year, Fox had teamed up with private-equity firm Blackstone Group to go after all of Tribune Media, because it was worried about Sinclair owning such a large portion of Fox affiliates.

The Federal Communications Commission, which must approve the deal, has regulations limiting the concentration of media ownership in a local market.

21st Century Fox and The Wall Street Journal parent News Corp share common ownership.

—Joe Flint  
contributed to this article.

## 'Fire and Fury' Sales Are Smoking

Buyers snap up a million copies of the unflattering look at Trump White House

By JEFFREY A. TRACHTENBERG

Sales of Michael Wolff's book "Fire and Fury: Inside the Trump White House" have gotten off to a sizzling start.

The book about President Donald Trump and his administration has sold out in many bookstores across the country and is out of stock on Amazon.com and BarnesandNoble.com. According to new data provided Wednesday by book tracker NPD BookScan, the title sold 29,000 hardcover copies in its first two days, topping its print best-seller list for the reporting week.

By comparison, Hillary Clinton's "What Happened" sold an average of 33,000 copies a day in its first week, according to NPD BookScan, but the title was well stocked in stores, the book tracker noted.

"Fire and Fury" was published last Friday, four days sooner than Macmillan imprint Henry Holt & Co. had originally scheduled, as criticism from the White House helped stoke interest.

NPD BookScan only had data on the first two days of the book's sales. While it tracks 85% of retail book sales in the U.S., it doesn't report e-book or audiobook sales.

John Sargent, Macmillan's chief executive, said in an interview Monday that Henry Holt originally printed about 150,000 hardcover copies but is now reprinting as quickly as it can.



A display in a London book shop of 'Fire and Fury,' whose harsh narrative President Donald Trump dismisses as 'a work of fiction.'

On Wednesday, Mr. Sargent confirmed a report in the New Yorker magazine in which Mr. Wolff said a million copies had been sold by the close of business Monday. Mr. Sargent said that figure includes e-books, audiobooks and hardcover editions that have been sold or are on order by consumers.

The hardcover book is priced at \$30, though many re-

tailers have been selling it at a discount. The e-book is \$14.99 at Amazon and elsewhere.

Mr. Wolff's book, which focuses on the early months of the Trump administration, offers a harsh view of the president and his family.

The president on Saturday called it "a work of fiction, and I think it's a disgrace that somebody's able to...do some-

thing like that."

"The libel laws are very weak in this country," he added. His lawyer, Charles Harder, sent a cease-and-desist letter to Henry Holt last week that threatened legal action and demanded a retraction and apology.

The publisher proceeded with publication, and Mr. Sargent called the demand to

cease publication "flagrantly unconstitutional" in a memo to staffers.

Steve Bannon, the former chief strategist in the Trump White House, stepped down as executive chairman of Breitbart News Network on Tuesday after he was harshly criticized for his comments in the book about the president, his family and the administration.

## Trump's Lawyer Sues BuzzFeed Over Dossier

By LUKAS I. ALPERT



Michael Cohen, center, says the site acted 'with reckless disregard.'

President Donald Trump's personal attorney filed a defamation suit against **BuzzFeed Inc.**, claiming his reputation was damaged when the news site published an unsubstantiated intelligence dossier alleging he played a role in working with Russia to help Mr. Trump become president.

In the lawsuit filed electronically late Tuesday in New York Supreme Court, Michael Cohen argued that BuzzFeed acted with "reckless disregard" when it chose to publish the dossier in its entirety a year ago. When it posted the document, BuzzFeed acknowledged that it couldn't confirm whether the allegations in the

dossier were true. In a statement, BuzzFeed noted that the dossier remains the subject of active investigations by Congress and intelligence agencies. "Its interest to the public is obvious," the privately held site said. "This is not the first time Trump's personal lawyer has attacked the free press, and we look forward to defending our First Amendment rights in court."

The suit also names BuzzFeed News Editor-in-Chief Ben Smith, reporter Ken Bensinger and editors Miriam Elder and Mark Schoofs as defendants.

The 35-page dossier was compiled in 2016 by former British intelligence officer Christopher Steele, working on behalf of political firm **Fusion**

GPS. It purported to contain information indicating that Russian officials have compromising personal and financial information about Mr. Trump and that the Kremlin colluded with members of his team to help get him elected.

Separately, Mr. Cohen filed a similar defamation suit late Tuesday against Fusion GPS in federal court in Manhattan alleging the firm was reckless in allowing the dossier "to fall into the hands of media."

A representative for Fusion GPS, a research firm made up of several former Wall Street Journal reporters, didn't respond to a request for comment. Both Mr. Trump and the Russian government have dismissed the allegations.

## France's Macron Touts Airbus in China

By JEREMY PAGE  
AND TREFOR MOSS

BEIJING—China will finalize orders for 184 Airbus A320 aircraft soon, French President Emmanuel Macron said following talks with his Chinese counterpart at the end of a three-day visit.

Chinese President Xi Jinping pledged to maintain order volumes and parity between Airbus SE and rival Boeing Co., Mr. Macron told a news conference Wednesday. He said his government hopes to see deals struck as well to sell Airbus A350 and A380 models to China in the coming weeks or months.

Airbus, which is based in Toulouse, France, said Tuesday it would increase production at its A320 final-assembly line in the northeast Chinese city of Tianjin and promised to deepen its industrial cooperation with China.

Mr. Macron didn't specify when the deal for the new planes would be finalized.

An order for 184 A320s would be worth around \$20 billion at list prices, though discounts typically accompany large deals.

The A320 is the company's best-selling single-aisle passenger jet. The A350 is a new long-range twin-aisle jet.

Mr. Macron's boost for Airbus comes as the company is struggling to find buyers for the superjumbo A380, making the fast-growing China market crucial for its success. At the same time, trade tensions are on the rise between China and the U.S., home to Airbus rival Boeing.

Chicago-based Boeing is



The European aircraft maker does some final assembly of its A320 passenger jets in Tianjin, China.

due to open its first overseas production facility in eastern China this year, though it will only put the finishing touches on jets assembled in the U.S. The company announced \$37 billion in Chinese orders during President Donald Trump's visit to China in November, though some of those orders appeared to have been disclosed before.

Expanding opportunities for French businesses was a key part of Mr. Macron's China mission as his government tries to reorient France's trade toward Asia. He brought along a delegation of corporate leaders and praised Mr. Xi's plan for massive infrastructure spending to promote trade and economic development across Eurasia and Africa.

Securing A380 sales in China has become a priority for Airbus, after the aircraft's main buyer, Dubai's Emirates Airline, failed to close an expected order for 30 new jets late last year.

China has ordered only five A380s to date. Airbus's former China head, Eric Chen, told reporters last year that he expected local demand for up to 70 superjumbos given the surge in Chinese air travel.

An Airbus spokeswoman declined to say whether the company would agree to doing some A380 production in China with the aim of landing more orders.

Buying A380s to secure an industrial partnership may be attractive to China, which has a strategic goal of becoming a

world aerospace power, but "if it was up to management at Chinese airlines, they wouldn't order more A380s," said Will Horton, senior analyst at the CAPA Center for Aviation, a provider of aviation intelligence.

Chinese airlines are focused on boosting revenue and don't want an expensive jet that is hard to fill, he said.

Chinese commercial aviation has also moved away from the hub-and-spoke model for which the A380 was designed, choosing instead to connect regional airports directly with foreign cities, said Richard Aboulafia, vice president at Teal Group Corp., an aerospace consultancy. "The A380 is the perfect jet for China in 1993," he said.

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TECHNOLOGY

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# Videogame League Kicks Off

Teams compete in Activision Blizzard's 'Overwatch' in an early test of esports' business prospects

By SARAH E. NEEDLEMAN

Activision Blizzard Inc.'s "Overwatch" videogame league launched Wednesday, in a crucial test of whether esports can join their traditional counterparts in the quest for eyeballs and advertising dollars.

By wrapping videogame contests in a format sports fans appreciate—city-based teams backed by owners of major pro teams—Activision Blizzard hopes it can build a franchise that eventually mirrors the success of professional athletics.

Wall Street analysts, though, think the company faces significant challenges in converting casual players into dedicated spectators, whether in arenas or on screens.

"Overwatch," a cartoonish shooter game, is more difficult to follow than football or basketball, said Evan Wingren, an analyst at KeyBanc Capital Markets Inc. There is no ball to track, for example, and a dozen characters with unique abilities battle across numerous maps rather than a consistent field of play such as a baseball diamond, he said.

Activision Blizzard said it has taken steps to make competitions watchable, including hiring broadcasters, some from traditional sports, to explain the on-screen action.



An attendee at trade fair in Cologne, Germany, last year toted a play gun in a portrayal of an 'Overwatch' character.

If the closely watched Overwatch League fizzles, it could rattle other esports endeavors. Take-Two Interactive Software Inc. is building a pro league for its NBA 2K series in partnership with the National Basketball Association.

Also at stake is a growth streak that has helped Activision Blizzard's stock price more than triple in the past

three years.

"There is some value built into Activision's stock for esports," said Cowen & Co. analyst Doug Creutz. "If people think the Overwatch League is a failure, the stock will trade off on that."

Activision Blizzard, the largest videogame publisher in the U.S. by market value, said "Overwatch" has 35 mil-

lion players. For its league to succeed, it will need to convince those gamers and beyond to watch others play.

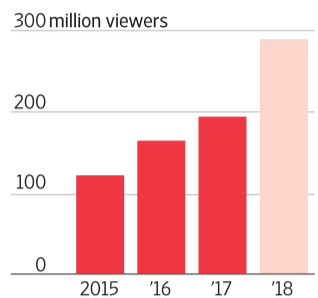
In an age of cord-cutters, though, the company doesn't necessarily need to conquer traditional media, analysts say. Much of the growth in viewership is online, fueled by platforms such as Amazon.com Inc.'s Twitch and Al-

phabet Inc.'s YouTube.

An estimated 191 million spectators world-wide watch esports competitions at least once a month, more than double the number from 2012, according to Newzoo BV. Revenue from sponsorships, media rights, ticket sales and other sources is expected to eclipse \$1 billion by 2019, it estimates.

## Game On

The number of people world-wide who watch esports at least once a month.



Note: 2018 is projected. Source: Newzoo BV THE WALL STREET JOURNAL.

On Tuesday, Activision Blizzard announced a two-year deal to stream Overwatch League matches on Twitch.

For now, the matches will take place at the former "Tonight Show" studio in Burbank, Calif., while the teams work to secure their own facilities for home games. Still, Activision Blizzard is convinced it can fill seats in its league's respective cities.

"It will be just as common in the future to take your family to an 'Overwatch' game as it is to a Major League Baseball game," Nate Nanzer, commissioner of the Overwatch League, said in an interview.

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The power went out for more than an hour at the Las Vegas consumer-technology conference.

## CES Unplugged, for a Bit

By KATHERINE BINDLEY

LAS VEGAS—The lights went out at the nation's premier consumer-technology conference, leaving thousands of attendees and a legion of shiny gadgets in the dark.

The culprit was a power outage at the Las Vegas Convention Center, where tech enthusiasts, corporate vendors and members of the media were on hand for the annual CES show.

The illumination from scores of smartphones equipped with bright screens and flashlight-camera apps filled the large central hall, home to the booths of Samsung Electronics Co., Intel Corp., Huawei Technologies Co. and dozens of other companies.

The Consumer Technology Association, which runs the conference, said the outage

began around 11:15 a.m. PST and affected the central and south halls of the convention center. It lasted for more than an hour.

Power since had been fully restored, the organization said.

Heavy rainfall the day before drenched the streets around the convention center—buckets were still scattered throughout the halls collecting water from leaks. According to a preliminary assessment, condensation from the rain affected a facility transformer, the CTA said.

Josiah Nuzum was standing near an area where people could sit and experience an automated-driving demo. "This indeed does require power," Mr. Nuzum, a sports-marketing manager with Intel, said sarcastically.

"Most technology" does, he added.

About 10 minutes after the power went out, a musician who goes by the name Häana and slated to perform live on Intel's stage got up and began playing her electric violin unplugged. A crowd formed around the musician, cheering when she finished.

Around the fringes of the great hall, the normally low-profile vendors of boomboxes and DJ equipment switched to battery power and fired up the dark venue with booming bass and laser lights. Klipsch, a speaker maker, had a boat at its booth.

With the lights out and music still playing, it was among the few signs of activity. Vlad Grodzinskiy, who works for the company, hadn't seen anything like the power outage in his 11 visits to CES.

Still, he was unfazed. "We work better with the lights off," he said.

## Apple Bends to Chinese Data Law

By YOKO KUBOTA

BEIJING—Apple Inc. said it would turn over its cloud operations in China to a state-owned local partner at the end of February, complying with a new Chinese mandate that customer data collected on the mainland be stored here.

With the handover, photos, documents and messages uploaded by Apple users throughout China will be stored at a data center in the southwest province of Guizhou operated by the local partner, Guizhou-Cloud Big Data Industry Co.

Customers who log on to the Chinese iCloud service are told of the change and informed they can either keep using iCloud or deactivate it.

Apple said that over the next seven weeks it will seek to make sure customers know about the coming changes, adding that the company "has strong data-privacy and security protections in place and no backdoors will be created into any of our systems."

China has tightened its cloud-computing oversight,



Customer data collected in the country must be localized under a new rule. A shopper at an Apple showroom in Beijing last year.

saying it needs to ensure the privacy of its citizens' data. Late last year, complying with the new rules, Amazon Inc.'s Amazon Web Services unit sold computing equipment used for its cloud services in China to its local partner.

Apple announced its plans to transfer the cloud data to its Guizhou partner last summer. This week's announcement set the date and other details.

Last year, following Beijing's requests, Apple shut down hundreds of virtual private network apps, or VPNs, that allow users to access blocked websites. Apple chief Tim Cook defended that action at a business forum last month in Guangzhou, saying Apple needs to abide by Chinese laws so it can participate in the market.

—Yang Jie and Xiao Xiao contributed to this article.

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MANAGEMENT

WORKAROUND

# Payouts Rise For Settling Worker Suits

U.S. employers are shelling out more money than ever to resolve legal fights over their treatment of workers.

Settlements from the 10 biggest class-action suits reached a record \$2.72 billion last year, reports Seyfarth Shaw LLP. That is up from \$1.75 billion in 2016 and represents the highest amount since the Chicago law firm began tracking these workplace cases in 2003.

Many 2017 settlements involved wage-and-hour violations such as insufficient pay, alleged employment bias or underfunded pension plans, according to the firm's 885-page report. Among the largest was a \$227 million payment by FedEx Corp. following a fight over whether its delivery drivers were employees or independent contractors.

"Several longstanding private plaintiff class actions and government enforcement law-

## \$227M

A FedEx settlement was among the largest cases tracked in 2017

suits initiated by the Obama administration coalesced into some blockbuster settlements in 2017," said Gerald Maatman Jr., co-chairman of the class-action defense group at Seyfarth Shaw.

And "2018 is shaping up to be another year of profound change in workplace litigation," Mr. Maatman said. Management and plaintiffs' attorneys anticipate a rise in suits over sexual harassment, for instance.

Litigation over employment practices often drags on for years, and costly class-action settlements can hurt companies' market share and reputation.

The FedEx case was the largest 2017 wage-and-hour settlement tracked by Seyfarth Shaw. Drivers hired as independent contractors had sued the delivery company, arguing they were employees. Contractors usually don't get overtime wages or benefits.

Top settlements from federal government enforcement litigation hit a high of \$485.3 million—a nearly 10-fold increase from \$52.3 million the prior year. The U.S. Equal Employment Opportunity Commission alone brought 184 suits, up from 86 in 2016.

"You will not see these numbers in 2018," Mr. Maatman predicted. As Trump administration appointees deliver on promises of less government intervention and reduce federal enforcement efforts, those types of cases are likely to be reduced. Still, he expects plaintiffs' attorneys and state attorneys general will become more aggressive about pursuing workplace class-action cases.

"We already are very busy," says Joseph M. Sellers, chair of the civil rights and employment practice group at Cohen Milstein, a Washington, D.C.-based law firm. Still, "it will be very hard to fill what I expect to be that [U.S. government] void."

—Joann S. Lublin

# Bigger Company but Not Big Pay

U.S. workers moving from smaller firms no longer get as big a boost in compensation

By THEO FRANCIS

The significant pay premium that Americans would receive for working at larger companies has shrunk rapidly in recent decades, especially for lower-wage workers, a new study finds.

Over the last century, economists say, workers doing similar jobs tended to earn significantly more at large firms than at small ones. The premium amounted to nearly 50% higher pay in the early 1980s for an employee who went from a company employing fewer than 100 people to one employing 10,000 or more.

But more recently, that premium has shrunk to just 20%, Stanford University economist Nicholas Bloom and his co-authors found in an analysis of federal income data from the late 1970s through 2013.

"This large-firm pay premium that's been around for over 100 years, in the last 30 or 40 years, it seems to have collapsed in the U.S.," Prof. Bloom said.

It has essentially disappeared for lower-paid workers and those without college degrees, he said. The bottom 50% of workers, as ranked by pay, received almost no premium for working at large companies in 2013, while the premium remained steady for college graduates.

"Almost all of the drop is large firms are paying the same types of people less," Prof. Bloom said. "It isn't that they're hiring worse employees; they just seem to be pay-



Employees leaving a Ford factory in Michigan, circa 1915. For U.S. workers, bigger companies once meant a much bigger paycheck.

ing less of a bonus."

The trend meshes with others, including the rising dominance of large firms and a rapid increase in pay among the top earners at large companies. At smaller firms, by contrast, pay for employees has tended to rise and fall together, Prof. Bloom's research has found.

Lower-paid jobs are increasingly outsourced at large companies, which makes it easier to push wages down for those still directly employed. In addition, low union membership—already pronounced in the private sector in the

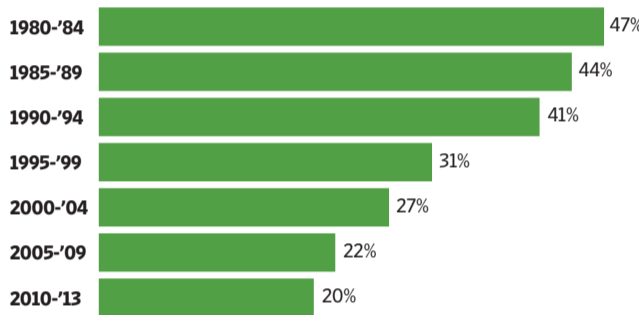
1980s—likely has contributed modestly, he said.

Finally, activist shareholders and other factors have put pressure on managers to reduce costs, Prof. Bloom noted. "You could almost see it as an unpleasant side effect of capitalism, that it's led to a shift of compensation from low-paid to high-paid," he said. "It's what tends to maximize stock prices."

Other research has chronicled how large companies have shifted functions through outsourcing, contracting and franchising, said David Weil, a dean at Brandeis University.

## A Bigger Pond

Percentage increase in pay received when moving from a 100- to a 10,000-employee firm.



Source: Nicholas Bloom, Stanford University

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## BOARD

Continued from page B1

ment devised a response plan, including creation of a bitcoin account from which to pay ransoms, she said.

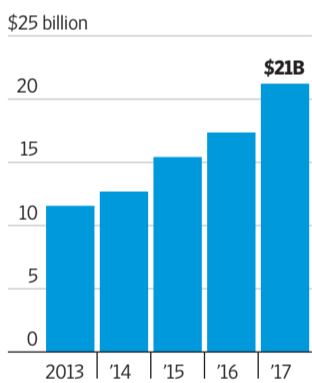
The boards of Volvo Car AB and Schneider Electric SE, on which Ms. Atkins also serves, are considering reallocating cybersecurity oversight duties among board committees this year, she said. Currently, the audit committees of both boards are mainly responsible for cybersecurity, she said. The topic could get more attention if it is also assigned to the governance committee or a new digital committee, she said. Ms. Atkins said she plans to push her boards to request two comprehensive cybersecurity reviews a year instead of one.

Disclosure of the Equifax breach kicked off "an immediate analysis" of the attack by management at Options Clearing Corp., said Mark Morrison, chief information security officer at the clearinghouse operator. Findings were sent to Craig Donohue, board chairman and OCC chief executive. Members of the board's technology committee also received the report, Mr. Morrison said. The board wanted to know whether OCC was vulnerable to a similar attack, he said, adding that he also provided a more detailed analysis in October at OCC's quarterly board meeting.

More than one in five directors say they are dissatisfied with the quality of cyberrisk

## The Cost of Hacks

The average cost for a company to respond to cyberattacks—not including loss of sales or damaged business relationships—has nearly doubled since 2013.



Note: Based on annual surveys of 250 to 400 U.S. companies per year. Sources: Ponemon Institute LLC; Accenture

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information that the board gets from management, according to a 2017 survey of 583 directors and executives with governance duties by the National Association of Corporate Directors. Those who feel confident the company they serve is properly secured against a cyberattack fell to 37% last year from 42% in 2016.

Equifax said in its third-quarter earnings call in November that it incurred \$87.5 million in expenses tied to the breach it revealed in September. The incident involved personal information of up to 145.5 million Americans.

Richard Smith, Equifax's chairman and chief executive, resigned in late September. Equifax's board recently



Betsy Atkins, lead independent director of HD Supply, said the board acted to fix cybersecurity gaps.

made changes to the membership of some of its committees. Scott McGregor, former CEO of networking vendor Broadcom Corp., joined the board in October and was added to its technology committee, which has duties that include oversight of cybersecurity. Mark L. Feidler, a private-equity executive, was a member of the committee at the time of the breach but is no longer on it. He succeeded Mr. Smith as Equifax chairman and joined the board's compensation committee.

Board committees dedicated to information-technology risks and strategy are still rare. Just four Fortune 100 companies operate one, according to a review of the latest proxy statements by The

Wall Street Journal.

It isn't clear how closely Equifax directors oversaw cybersecurity. According to congressional testimony from Mr. Smith, the board didn't know about the hack for more than

## A breach at Equifax led corporate boards to seek a greater role in fending off hackers.

three weeks after suspicious activity was discovered by Equifax and well after the company hired a cyber investigations firm and contacted the Federal Bureau of Investigation.

An Equifax spokeswoman said the company wouldn't comment on the length of time that passed before the board was informed. She said the board receives regular updates from management on issues facing the company.

Boards must better prepare to respond to a crisis quickly, said David DeWalt, former CEO of cybersecurity firm FireEye Inc. Equifax hired FireEye's cyber investigations unit to look into previous incidents.

Boards need to be "prepared with proper talent, proper technology and proper process," said Mr. DeWalt, who is vice chairman of the board safety and security committee at Delta Air Lines. "Most boards fail on most or all of these components."

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## Borrowing Benchmarks | WSJ.com/bonds

### Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

	Week Latest	Week ago	-52-WEEK- High	-52-WEEK- Low
<b>Inflation</b>				
Nov. index level				
Chg From (%)				
Oct. 17				
Nov. '16				
<b>U.S. consumer price index</b>				
All items	246.669	0.002	2.2	
Core	253.492	-0.06	1.7	
<b>International rates</b>				
	Week Latest	Week ago	-52-Week- High	-52-Week- Low
<b>Prime rates</b>				
U.S.	4.50	4.50	4.50	3.75
Canada	3.20	3.20	3.20	2.70
Japan	1.475	1.475	1.475	1.475
<b>Policy Rates</b>				
Euro zone	0.00	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50	0.50
Britain	0.50	0.50	0.50	0.25
Australia	1.50	1.50	1.50	1.50
<b>Overnight repurchase</b>				
U.S.	1.36	1.56	1.62	0.48
<b>U.S. government rates</b>				
<b>Discount</b>				
	2.00	2.00	2.00	1.25
<b>Federal funds</b>				
Effective rate	1.4200	1.4200	1.4400	0.6000
High	1.5625	1.5625	1.6125	0.8125
Low	1.3000	1.3000	1.3900	0.4500
Offer	1.4100	1.4100	1.4100	0.5600
Bid	1.4200	1.4200	1.4400	0.5800
<b>Treasury bill auction</b>				
4 weeks	1.280	1.270	1.300	0.400
13 weeks	1.430	1.435	1.445	0.505
26 weeks	1.575	1.575	1.575	0.590
<b>Secondary market</b>				
<b>Fannie Mae</b>				
30-year mortgage yields				
30 days	3.631	3.501	3.865	3.253
60 days	3.662	3.535	3.899	3.281
<b>Other short-term rates</b>				
	Week Latest	Week ago	-52-WEEK- High	-52-WEEK- Low
<b>Call money</b>				
	3.25	3.25	3.25	2.50
<b>Commercial paper (AA financial)</b>				
90 days	1.65	1.68	1.68	0.72
<b>Libor</b>				
One month	1.55375	1.55688	1.56900	0.76722
Three month	1.70911	1.69593	1.70911	1.02178
Six month	1.87144	1.84269	1.87144	1.33156
One year	2.15552	2.11782	2.15552	1.69400
<b>Euro Libor</b>				
One month	-0.405	-0.408	-0.381	-0.420
Three month	-0.381	-0.385	-0.341	-0.387
Six month	-0.325	-0.325	-0.237	-0.325
One year	-0.244	-0.252	-0.093	-0.261
<b>Euro interbank offered rate (Euribor)</b>				
One month	-0.369	-0.368	-0.366	-0.375
Three month	-0.329	-0.329	-0.325	-0.332
<b>DTCC GCF Repo Index</b>				
Treasury	1.339	36.100	1.836	0.489
MBS	1.376	100.090	1.852	0.496
Open Implied				
Settle				
Change				
Interest				
Rate				
<b>DTCC GCF Repo Index Futures</b>				
Treasury Jan	98.570	0.015	3107	1.430
Treasury Feb	98.560	unch.	1198	1.440
Treasury Mar	98.460	unch.	288	1.540
<b>Notes on data:</b>				
U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective December 14, 2017. Other prime rates aren't directly comparable; lending practices vary widely by location. Discount rate is effective December 14, 2017. DTCC GCF Repo Index is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. Federal funds rates are Tullett Prebon rates as of 5:30 p.m. ET. Futures on the DTCC GCF Repo Index are traded on NYSE Life US.				
Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; Tullett Prebon Information, Ltd.				

JOSH RITCHE FOR THE WALL STREET JOURNAL

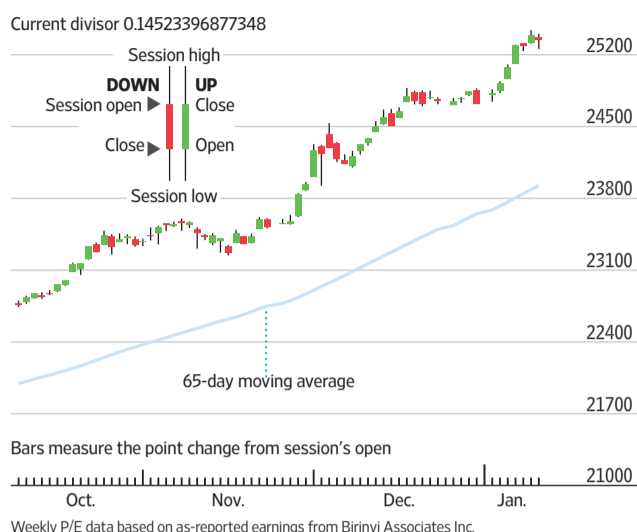


# MARKETS DIGEST

## EQUITIES

### Dow Jones Industrial Average

**25369.13** ▼16.67, or 0.07%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio 22.97 21.76  
 P/E estimate\* 20.04 18.68  
 Dividend yield 2.06 2.40  
 All-time high 25385.80, 01/09/18



### S&P 500 Index

**2748.23** ▼3.06, or 0.11%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio 22.09 25.02  
 P/E estimate\* 19.25 17.65  
 Dividend yield 1.86 2.06  
 All-time high: 2751.29, 01/09/18



### Nasdaq Composite Index

**7153.57** ▼10.01, or 0.14%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio\* 27.15 24.57  
 P/E estimate\* 21.01 18.54  
 Dividend yield 1.03 1.22  
 All-time high: 7163.58, 01/09/18



### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	YTD	% chg 3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	25404.92	25256.99	<b>25369.13</b>	-16.67	-0.07	25385.80	19732.40	<b>27.1</b>	2.6	<b>12.7</b>
Transportation Avg	11093.54	10991.94	<b>11030.10</b>	11.64	0.11	11030.10	8783.74	<b>20.1</b>	3.9	<b>7.6</b>
Utility Average	699.32	692.05	<b>693.14</b>	-7.84	-1.12	774.47	654.98	<b>5.5</b>	-4.2	<b>3.6</b>
Total Stock Market	28426.09	28270.29	<b>28396.00</b>	-33.30	-0.12	28429.30	23526.88	<b>20.0</b>	2.6	<b>10.1</b>
Barron's 400	730.55	726.05	<b>729.28</b>	-0.48	-0.07	729.77	600.24	<b>19.5</b>	2.6	<b>11.0</b>

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	YTD	% chg 3-yr. ann.
<b>Nasdaq Stock Market</b>										
Nasdaq Composite	7154.24	7111.52	<b>7153.57</b>	-10.01	-0.14	7163.58	5538.73	<b>28.6</b>	3.6	<b>15.0</b>
Nasdaq 100	6663.51	6619.35	<b>6662.66</b>	-15.28	-0.23	6677.94	5041.43	<b>31.9</b>	4.2	<b>16.5</b>

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	YTD	% chg 3-yr. ann.
<b>S&amp;P</b>										
500 Index	2750.80	2736.06	<b>2748.23</b>	-3.06	-0.11	2751.29	2263.69	<b>20.8</b>	2.8	<b>10.4</b>
MidCap 400	1939.15	1929.10	<b>1933.26</b>	-9.24	-0.48	1946.11	1667.44	<b>14.6</b>	1.7	<b>10.3</b>
SmallCap 600	949.81	944.44	<b>948.33</b>	-1.27	-0.13	950.19	815.62	<b>12.5</b>	1.3	<b>11.7</b>

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	YTD	% chg 3-yr. ann.
<b>Other Indexes</b>										
Russell 2000	1561.91	1551.52	<b>1559.80</b>	-0.30	-0.02	1561.81	1345.24	<b>13.6</b>	1.6	<b>9.6</b>
NYSE Composite	13131.11	13070.84	<b>13106.60</b>	-14.24	-0.11	13120.84	11148.85	<b>16.7</b>	2.3	<b>7.0</b>
Value Line	573.19	570.03	<b>571.85</b>	-1.34	-0.23	574.84	503.24	<b>11.2</b>	1.7	<b>5.0</b>
NYSE Arca Biotech	4433.53	4373.11	<b>4431.09</b>	6.01	0.14	4431.09	3134.03	<b>38.1</b>	4.9	<b>7.8</b>
NYSE Arca Pharma	557.65	554.96	<b>557.43</b>	-1.39	-0.25	560.52	469.13	<b>15.1</b>	2.3	<b>0.7</b>
KBW Bank	112.24	110.24	<b>111.37</b>	1.44	1.31	111.37	88.02	<b>19.4</b>	4.4	<b>16.6</b>
PHLX <sup>S</sup> Gold/Silver	86.71	85.63	<b>86.07</b>	1.12	1.32	96.72	76.42	<b>-0.4</b>	0.9	<b>4.2</b>
PHLX <sup>S</sup> Oil Service	160.39	158.06	<b>159.39</b>	0.20	0.13	191.34	117.79	<b>-15.9</b>	6.6	<b>-7.1</b>
PHLX <sup>S</sup> Semiconductor	1312.01	1296.10	<b>1306.22</b>	-16.35	-1.24	1341.69	909.48	<b>41.0</b>	4.2	<b>24.0</b>
Cboe Volatility	10.85	9.82	<b>9.82</b>	-0.26	-2.58	16.04	9.14	<b>-12.8</b>	-11.1	<b>-17.6</b>

<sup>S</sup>Nasdaq PHLX Sources: SIX Financial Information; WSJ Market Data Group

### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	14,879.7	274.26	0.14	<b>0.05</b>	274.44	273.85
SPDR Bloomberg HY Bd	JNK	11,894.8	36.83	...	<b>unch.</b>	36.83	36.80
General Electric	GE	8,263.1	18.96	0.03	<b>0.16</b>	18.97	18.46
CenturyLink	CTL	7,760.5	17.48	...	<b>unch.</b>	17.49	17.26
iShares iBoxx \$ HY Cp Bd	HYG	7,179.9	87.44	...	<b>unch.</b>	87.44	87.34
iShares Russell 1000 Val	IWD	5,892.7	126.60	0.02	<b>0.01</b>	126.66	126.56
Altaba	AABA	5,006.8	76.80	0.29	<b>0.38</b>	76.97	76.33
SPDR Bloomberg ST HY Bd	SJNK	4,730.8	27.62	-0.02	<b>-0.07</b>	27.64	27.62

#### Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Progress Software	PRGS	41.6	47.05	3.38	<b>7.74</b>	47.70	43.67
Ballard Power Systems	BLDP	8.7	4.38	0.17	<b>4.04</b>	4.38	4.21
Arena Pharmaceuticals	ARNA	8.6	40.99	1.58	<b>4.01</b>	40.99	39.23
KB Home	KBH	454.8	35.54	1.19	<b>3.46</b>	35.99	33.00
SunOpta	STKL	24.1	8.20	0.25	<b>3.14</b>	8.20	8.15

#### ...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Orchid Island Capital	ORC	20.3	8.20	-0.49	<b>-5.64</b>	8.70	8.20
Xtrackers MSCI Japan	DBJP	273.1	43.42	-2.29	<b>-5.01</b>	45.73	43.42
CareTrust REIT	CTRE	8.8	15.22	-0.65	<b>-4.10</b>	15.87	15.22
Halozyne Therapeutics	HALO	120.3	18.95	-0.79	<b>-4.00</b>	19.83	18.95
Immugen	IMGN	44.7	7.25	-0.24	<b>-3.20</b>	7.49	7.25

### Trading Diary

#### Volume, Advancers, Decliners

	NYSE	NYSE Amer.
<b>Total volume*</b>	810,238,061	18,549,837
<b>Adv. volume*</b>	416,524,818	7,418,899
<b>Decl. volume*</b>	384,338,313	10,572,893
<b>Issues traded</b>	3,059	336
<b>Advances</b>	1,141	133
<b>Declines</b>	1,800	181
<b>Unchanged</b>	118	22
<b>New highs</b>	176	5
<b>New lows</b>	62	5
<b>Closing tick</b>	159	27
<b>Closing Arms<sup>1</sup></b>	0.56	1.19
<b>Block trades*</b>	6,938	196

\*Total volume\* 2,070,171,953 244,130,836  
 Adv. volume\* 1,090,211,625 89,475,322  
 Decl. volume\* 915,037,924 152,458,349

	Nasdaq	NYSE Arca
<b>Issues traded</b>	3,096	1,343
<b>Advances</b>	1,403	431
<b>Declines</b>	1,530	881
<b>Unchanged</b>	163	31
<b>New highs</b>	136	118
<b>New lows</b>	43	48
<b>Closing tick</b>	44	18
<b>Closing Arms<sup>1</sup></b>	0.77	0.93
<b>Block trades*</b>	9,103	1,401

\*Primary market NYSE, NYSE American NYSE Arca only.  
<sup>1</sup>(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

### International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
<b>World</b>	<b>The Global Dow</b>	<b>3189.01</b>	5.38	0.17	3.3
	<b>DJ Global Index</b>	<b>408.35</b>	-0.18	-0.04	2.8
	<b>DJ Global ex U.S.</b>	<b>274.54</b>	0.12	0.04	2.9
<b>Americas</b>	<b>J Americas</b>	<b>658.85</b>	-1.17	-0.18	2.6
Brazil	<b>Sao Paulo Bovespa</b>	<b>78200.57</b>	-662.97	-0.84	2.4
Canada	<b>S&amp;P/TSX Comp</b>	<b>16247.95</b>	-71.29	-0.44	0.2
Mexico	<b>S&amp;P/BMV IPC</b>	<b>48785.25</b>	-916.12	-1.84	-1.2
Chile	<b>Santiago IPSA</b>	<b>4295.93</b>	-23.99	-0.56	2.0
<b>EMEA</b>	<b>Stoxx Europe 600</b>	<b>398.60</b>	-1.51	-0.38	2.4
Eurozone	<b>Euro Stoxx</b>	<b>398.53</b>	-1.55	-0.39	3.4
Belgium	<b>Bel-20</b>	<b>4157.55</b>	15.91	0.38	4.5
France	<b>CAC 40</b>	<b>5504.68</b>	-19.26	-0.35	3.6
Germany	<b>DAX</b>	<b>13281.34</b>	-104.25	-0.78	2.8
Israel	<b>Tel Aviv</b>	<b>1516.89</b>	-12.02	-0.79	0.5
Italy	<b>FTSE MIB</b>	<b>23157.42</b>	152.44	0.66	6.0
Netherlands	<b>AEX</b>	<b>560.44</b>	-2.60	-0.46	2.9
Russia	<b>RTS Index</b>	<b>1234.64</b>	5.49	0.45	6.9
Spain	<b>IBEX 35</b>	<b>10428.30</b>	1.80	0.02	3.8
Sweden	<b>SX All Share</b>	<b>589.07</b>	-2.02	-0.34	3.6
Switzerland	<b>Swiss Market</b>	<b>9524.96</b>	-86.65	-0.90	1.5
U.K.	<b>FTSE 100</b>	<b>7748.51</b>	17.49	0.23	0.8
<b>Asia-Pacific</b>	<b>S&amp;P/ASX 200</b>	<b>6096.70</b>	-39.10	-0.64	0.5
China	<b>Shanghai Composite</b>	<b>3421.83</b>	7.93	0.23	3.5
Hong Kong	<b>Hang Seng</b>	<b>31073.72</b>	62.31	0.20	3.9
India	<b>S&amp;P BSE Sensex</b>	<b>34433.07</b>	-10.12	-0.03	1.1
Japan	<b>Nikkei Stock Avg</b>	<b>23788.20</b>	-61.79	-0.26	4.5
Singapore	<b>Straits Times</b>	<b>3520.45</b>	-4.20	-0.12	3.5
South Korea	<b>Kospi</b>	<b>2499.75</b>	-10.48	-0.42	1.3
Taiwan	<b>Weighted</b>	<b>10831.09</b>	-83.80	-0.77	1.8

Sources: SIX Financial Information; WSJ Market Data Group

### Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	Low	% chg
Ameri Holdings	AMRH	5.88	2.46	<b>71.93</b>	13.50	1.27	-10.2
SemiLEDs	LEDS	6.55	2.73	<b>71.47</b>	10.49	1.61	74.2
National Holdings	NHLD	5.30	2.09	<b>65.11</b>	6.26	2.08	94.1
Eastman Kodak	KODK	10.70	3.90	<b>57.35</b>	15.50	2.95	-30.5
Helios Matheson Analy	HMNY	9.17	2.01	<b>28.07</b>	38.86	2.20	150.5
AmTrust Financial	AFSI	12.69	2.54	<b>25.02</b>	27.93	8.80	-53.6
DST Systems	DST	79.89	14.74	<b>22.62</b>	81.20	50.22	44.5
Biomerica	BMRA	5.30	0.90	<b>20.45</b>	9.32	1.93	139.8
Tandem Diabetes Care	TNDM	3.43	0.57	<b>19.93</b>	30.00	2.15	-85.1
TSR	TSRI	7.01	1.16	<b>19.74</b>	11.10	3.80	20.8
Epizyme Inc.	EPZM	14.90	2.40	<b>19.20</b>	20.45	9.30	29.6
GigaMedia	GIGM	3.98	0.63	<b>18.77</b>	4.18	2.78	34.0
IZEA	IZEA	6.15	0.95	<b>18.27</b>	7.85	1.37	16.0
Global Blood Therapeutics	GBT	55.45	8.30	<b>17.60</b>	55.6		

# COMMODITIES

WSJ.com/commodities

## Futures Contracts

Metal & Petroleum Futures						
	Open	Contract High	Low	Settle	Chg	Open interest
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	3.2265	3.2265	3.2235	3.2150	0.0205	905
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1,205	1,205	1,217.5	1,235.5	0.0195	167,208
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	...	...	...	...	...	...
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	63.41	63.67	63.09	63.57	0.61	347,408
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.	2.0778	2.0844	2.0632	2.0807	-0.145	128,928
<b>Gasoline-195 RBBO (NYM)</b> -42,000 gal.; \$ per gal.	1.8451	1.8513	1.8200	1.8327	-0.035	103,359
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMBtu.	2.962	2.989	2.869	2.906	-0.17	241,484
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.	348.00	348.00	348.00	349.00	...	829,896
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.	249.00	254.00	247.00	251.00	2.00	4,437
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.	953.25	954.00	944.50	947.00	-8.75	622
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton	313.00	313.10	312.10	312.90	-1.60	336
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.	33.61	33.62	33.16	33.29	-26	257
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.	119.50	119.70	118.50	119.50	-4.00	8,931
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.	432.25	435.00	431.50	434.25	2.00	284,555
<b>Wheat (KC)</b> -5,000 bu.; cents per bu.	445.00	448.00	444.50	447.75	2.50	92,963
<b>Wheat (MPLS)</b> -5,000 bu.; cents per bu.	439.00	441.00	437.25	440.50	1.50	175,899
<b>Cattle-Feeder (CME)</b> -50,000 lbs.; cents per lb.	145.875	146.850	144.000	144.375	-1.100	6,096
<b>Cattle-Live (CME)</b> -40,000 lbs.; cents per lb.	117.850	118.525	116.550	116.875	-8.00	95,219
<b>Hogs-Lean (CME)</b> -40,000 lbs.; cents per lb.	73.500	73.675	71.575	72.525	-6.50	66,146
<b>Lumber (CME)</b> -110,000 bd. ft.; \$ per 1,000 bd. ft.	472.00	484.50	472.00	480.20	8.70	239
<b>Milk (CME)</b> -200,000 lbs.; cents per lb.	13.80	13.87	13.76	13.78	-0.2	3,302
<b>Cocoa (ICE-US)</b> -10 metric tons; \$ per ton	1,906	1,956	1,900	1,941	42	138,349

Agriculture Futures						
	Open	Contract High	Low	Settle	Chg	Open interest
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.	348.00	348.00	348.00	349.00	...	829,896
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.	249.00	254.00	247.00	251.00	2.00	4,437
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.	953.25	954.00	944.50	947.00	-8.75	622
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## Macro & Market Economics

### Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended January 5. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import and demand data are available monthly only.

Inventories, 000s barrels					
	Current	Expected change	Previous week	Year ago	4-week avg
<b>Crude oil and petroleum prod</b>	1,219,747	...	1,225	1,335	1,226
<b>Crude oil</b>	419,515	-2,500	424	483	428
<b>Gasoline</b>	237,322	...	233	240	232
<b>Finished gasoline</b>	24,375	2,500	25	29	25
<b>Reformulated</b>	44	...	0	0	0
<b>Conventional</b>	24,331	...	25	29	25
<b>Blend. components</b>	212,948	...	208	212	207
<b>Natural gas (bcf)</b>	3,126	...	3	3	3
<b>Kerosene-type</b>	...	...	...	...	...
<b>jet fuel</b>	41,353	...	41	43	40
<b>Distillates</b>	143,088	1,100	139	170	135
<b>Heating oil</b>	9,005	...	10	13	10
<b>Diesel</b>	134,083	...	129	157	126
<b>Residual fuel oil</b>	31,092	...	30	42	31
<b>Other oils</b>	262,976	...	267	257	269
<b>Net crude, petroleum products, incl. SPR</b>	1,883,494	...	1,889	2,030	1,889

Weekly Demand, 000s barrels per day					
	Current	Expected change	Previous week	Year ago	4-week avg
<b>Total petroleum product</b>	20,639	...	19,947	18,606	20,618
<b>Finished</b>	8,814	...	8,650	8,470	9,094
<b>motor gasoline</b>	1,585	...	1,898	1,689	1,850
<b>Distillates</b>	3,655	...	3,588	3,198	3,874
<b>Residual fuel oil</b>	264	...	406	332	343
<b>Propane/propylene</b>	1,892	...	1,691	1,591	1,610
<b>Other oils</b>	4,428	...	3,713	3,327	3,848

Note: Expected changes are provided by Dow Jones Newswires' survey of analysts. Previous and average inventory data are in millions. Sources: SIX Financial Information via WSJ Market Data Group; U.S. Energy Information Administration; Dow Jones Newswires

## Exchange-Traded Portfolios | WSJ.com/ETFResearch

Largest 100 exchange-traded funds, latest session					
Wednesday, January 10, 2018					
ETF	Symbol	Closing Price	Chg (%)	YTD (%)	ETF Symbol
Alerian MLPETF	AMP	11.47	0.53	6.3	ISHMSCIEurozone
CnsmrDiscSelSector	XLY	102.03	-0.07	3.4	ISHMSCJapan
CnsStapleSelSector	XLP	56.71	-0.49	-0.3	ISHMSCAsia
EnSelectSectorSPDR	XLE	75.14	-0.12	4.0	ISHMSCBrazil
FinSelectSectorSPDR	XLF	28.83	0.84	3.3	ISHMSCIndia
GuggS&P500EW	RSP	103.22	-0.30	2.2	ISHMSCItaly
HealthCareSelSector	XLV	85.79	-0.17	3.8	ISHMSCMexico
IndSelectSectorSPDR	XLI	78.43	-0.01	3.6	ISHMSCRussia
ISHIntermCredBd	CIU	108.91	0.04	-0.3	ISHMSCSouthAfrica
ISH1-3YCreditBond	CSJ	104.49	...	-0.0	ISHMSCUK
ISHCoreMSCIEAFE	IEFA	67.98	-0.18	2.9	ISHMSCUS
ISHCoreMSCIEAFE	IEMG	98.78	-0.64	3.3	ISHMSCEurozone
ISHCoreMSCITotInt	IXUS	64.93	-0.31	2.9	ISHMSCJapan
ISHCoreMSCP500	IVV	276.13	-0.16	2.7	ISHMSCAsia
ISHCoreMSCP500	IYV	193.00	-0.47	1.7	ISHMSCIndia
ISHCoreMSCP500	UR	77.77	-0.17	1.2	ISHMSCItaly
ISHCoreMSCP500	UJ	113.39	-0.04	-0.6	ISHMSCMexico
ISHCoreMSCP500	UUP	108.71	...	-0.6	ISHMSCRussia
ISHCoreMSCP500	DVY	99.04	-0.16	0.5	ISHMSCSouthAfrica
ISHCoreMSCP500	EFV	73.92	-0.20	1.3	ISHMSCUK
ISHCoreMSCP500	USMV	53.40	-0.49	0.8	ISHMSCUS
ISHCoreMSCP500	IAU	12.66	0.24	1.2	ISHMSCEurozone
ISHCoreMSCP500	LQD	120.52	0.07	-0.9	ISHMSCJapan
ISHCoreMSCP500	HYG	87.44	-0.22	0.2	ISHMSCAsia
ISHCoreMSCP500	EMB	115.81	-0.29	-0.2	ISHMSCIndia
ISHCoreMSCP500	ACWI	74.12	-0.23	2.8	ISHMSCItaly
ISHCoreMSCP500	EWZ	42.31	-0.07	4.6	ISHMSCMexico
ISHCoreMSCP500	EFA	72.27	-0.19	2.8	ISHMSCRussia
ISHCoreMSCP500	SCZ	66.10	-0.35	2.5	ISHMSCSouthAfrica
ISHCoreMSCP500	EEM	48.74	-0.63	3.4	ISHMSCUK

Coffee (ICE-US)-37,500 lbs.; cents per lb.						
	Open	Contract High	Low	Settle	Chg	Open interest
March	125.45	125.95	123.00	123.95	-1.20	115,129
May	127.85	128.30	125.40	126.35	-1.20	51,389
<b>Sugar-World (ICE-US)</b> -112,000 lbs.; cents per lb.	14.70	14.85	14.53	14.65	-0.08	363,272
March	14.77	14.86	14.58	14.72	-0.05	172,769
<b>Sugar-Domestic (ICE-US)</b> -112,000 lbs.; cents per lb.	27.00	27.00	26.73	26.83	-10	3,537
March	27.00	27.00	27.00	27.19	-19	2,165
<b>Cotton (ICE-US)</b> -50,000 lbs.; cents per lb.	78.35	79.93	78.33	79.65	1.30	168,016
March	78.35	79.93	78.33	79.65	1.30	168,016
<b>Orange Juice (ICE-US)</b> -15,000 lbs.; cents per lb.	134.50	134.50	134.50	134.85	-55	140
Jan	135.80	137.20	135.55	136.90	.45	8,445

Interest Rate Futures						
	Open	Contract High	Low	Settle	Chg	Open interest
<b>Treasury Bonds (CBT)</b> -\$100,000; pts 32nds of 100%	150.010	150.060	149.030	150.020	-5.0	771,283
March	148.230	149.010	148.040	149.010	-5.0	247
<b>Treasury Notes (CBT)</b> -\$100,000; pts 32nds of 100%	122.315	123.030	122.225	123.000	-1.5	3,349,503
March	122.205	122.220	122.115	122.195	-2.5	11,782
<b>5 Yr. Treasury Notes (CBT)</b> -\$100,000; pts 32nds of 100%	115.192	115.212	115.155	115.200	-5	3,166,521
March	115.122	115.122	115.102	115.127	-1.2	1,127
<b>2 Yr. Treasury Notes (CBT)</b> -\$200,000; pts 32nds of 100%	106.287	106.295	106.280	106.290	-2	1,851,906
March	106.287	106.295	106.280	106.290	-2	1,851,906
<b>30 Day Fed Funds (CBT)</b> -55,000,000; 100 - daily avg.	98.585	98.588	98.585	98.588	...	253,468
Jan	98.585	98.588	98.585	98.585	...	200,163
<b>10 Yr. Del. Int. Rate Swaps (CBT)</b> -\$100,000; pts 32nds of 100%	96.594	97.047	96.594	97.016	...	25,624
March	96.594	97.047	96.594	97.016	...	25,624
<b>1 Month Libor (CME)</b> -\$3,000,000; pts of 100%	98.4575	98.4575	98.4550	98.4550	-0.025	4,652
Feb	98.4575	98.4575	98.4550	98.4550	-0.025	4,652
<b>Eurodollar (CME)</b> -\$1,000,000; pts of 100%	98.3000	98.3025	98.2875	98.2900	-0.100	251,026
Jan	98.3000	98.3025	98.2875	98.2900	-0.100	251,026
<b>1 Month Libor (CME)</b> -\$3,000,000; pts of 100%	97.6500	97.7000	97.6500	97.6500	-0.050	1,521,268
Dec19	97.6500	97.7000	97.6500	97.6500	-0.050	1,521,268

Currency Futures						
	Open	Contract High	Low	Settle	Chg	Open interest
<b>Japanese Yen (CME)</b> -¥12,500,000; \$ per 100¥	8903	8980	8878	8984	0.103	2,311
Jan	8903	8980	8878	8984	0.103	2,311
<b>Canadian Dollar (CME)</b> -CAD 100,000; \$ per CAD	8023	8041	7956	7953	-0.074	1,179
Jan	8023	8041	7956	7953	-0.074	1,179
<b>British Pound (CME)</b> -£62,500; \$ per £	1.3532	1.3563	1.3484	1.3511	-0.023	2,904
Jan	1.3532	1.3563	1.3484	1.3511	-0.023	2,904
<b>Swiss Franc (CME)</b> -CHF 125,000; \$ per CHF	1.0220	1.0301	1.0204	1.0272	0.0056	76,960
March	1.0220	1.0301	1.0204	1.0272	0.0056	

BIGGEST ,000 STOCKS WSJ.com/stocks

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities.

Table with columns: Stock, Sym, Close, Net Chg. Lists top 1000 stocks including Citigroup, Concho Resources, ConocoPhillips, etc.

Table with columns: Stock, Sym, Close, Net Chg. Lists top 1000 stocks including Intel, Infosys, Ingersoll Rand, etc.

Table with columns: Stock, Sym, Close, Net Chg. Lists top 1000 stocks including Telextron, TransCanada, TransDigm, etc.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldface quotations highlight those issues whose price changed by 5% or more from their previous closing price was 2% or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Table with columns: Stock, Sym, Close, Net Chg. Lists various stocks under 'A B C' categories.

DEF

Table with columns: Stock, Sym, Close, Net Chg. Lists various stocks under 'D E F' categories.

J K L

Table with columns: Stock, Sym, Close, Net Chg. Lists various stocks under 'J K L' categories.

M N O

Table with columns: Stock, Sym, Close, Net Chg. Lists various stocks under 'M N O' categories.

New Highs and Lows WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session.

Table with columns: Stock, Sym, 52-Week High/Low, Chg. Lists stocks with new highs and lows.

Low

Table with columns: Stock, Sym, 52-Week High/Low, Chg. Lists stocks with new lows.

Dividend Changes

Dividend announcements from January 10.

Table with columns: Company, Symbol, Yld, Amount, Frq, Payable/Record. Lists dividend announcements.

Mutual Funds WSJ.com/fundresearch

Explainer Notes
Top 250 mutual-funds listings based on total net assets for Nasdaq-published share classes.

NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses.

Table with columns: Fund, NAV, Chg, YTD, Ret. Lists top 250 mutual funds.

Dividend Changes

Dividend announcements from January 10.

Table with columns: Fund, NAV, Chg, YTD, Ret. Lists mutual funds.

IPO Scorecard

Performance of IPOs, most-recent listed first

Table with columns: Company, SYMBOL, IPO date, Offer price, 1st-day close, % Chg From. Lists IPO performance.

MONEY & INVESTING

# For ETFs, in Bitcoin They Trust

By ASJLYN LODER AND DAVE MICHAELS

Bitcoin boosted the returns of two of the top-performing exchange-traded funds last year, signaling that some fund companies aren't waiting for U.S. regulators to approve an ETF devoted exclusively to the cryptocurrency.

Bitcoin is the largest holding of two ETFs from **Ark Investment Management LLC**, a New York-based investment firm that owns shares in a trust that holds bitcoin. Both funds have returned more than 97% since the end of 2016, according to FactSet. The funds each had about 6% of their assets in bitcoin, which has soared 1,446% since the end of 2016.

At least nine companies have applied to the Securities and Exchange Commission for permission to offer an ETF that tracks returns on bitcoin. Investors can already buy bitcoin directly through a private account, though it can be hard to buy or sell the digital currency during periods of heavy trading activity. Other cryptocurrency funds are available to qualified investors or in the lightly regulated over-the-counter market.

An ETF on a U.S. exchange would offer investors a way to bet on the cryptocurrency through existing brokerage accounts.

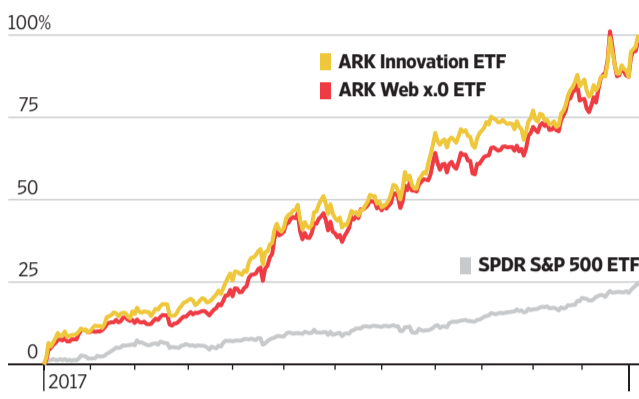
While the SEC hasn't approved any applications, some fund companies hoped that might change after two Chicago exchanges late last year became the first in the U.S. to list futures contracts on bitcoin. The SEC has indicated that a liquid and regulated fu-



A sign at Foxbit, a bitcoin exchange in São Paulo, nods to the unknown creator of the cryptocurrency.

## Loading Up

Bitcoin is the largest holding of two ETFs that were among the best performing funds of 2017.



Source: FactSet

THE WALL STREET JOURNAL.

tures contract could strengthen the case to allow bitcoin ETFs, but regulators still haven't given the green light to any applicant.

The latest setback came this week, when the SEC asked several firms to withdraw applications to launch ETFs backed by

bitcoin futures contracts.

Last year, the SEC rejected two proposed ETFs that would directly own bitcoin, including one from Cameron and Tyler Winklevoss, arguing that the global market for the digital currency wasn't transparent enough to support sufficient

oversight.

The SEC wants more time to monitor how bitcoin futures trade before it approves futures-backed ETFs, said Garrett Stevens, chief executive officer of **Exchange Traded Concepts LLC**, which has proposed ETFs that bet on either rising or declining values of bitcoin futures.

With so much money flooding into cryptocurrencies, the SEC wants to make sure bitcoin ETFs are linked to markets that are efficient enough to avoid "something drastic happening," he said.

Mr. Stevens said his company already withdrew one application in the fall, when SEC staff said it wouldn't consider approving an ETF until after bitcoin futures started trading. **Cboe Global Markets Inc.** launched trading in bitcoin futures in early December, and **CME Group Inc.** started trading similar contracts a week later.

"You had two contracts that

had been approved on two separate exchanges. That gave us a high degree of confidence," Mr. Stevens said. "So this kind of a ground stop is surprising, to be honest."

The SEC declined to comment

Ark began investing in the cryptocurrency in 2015 by purchasing shares in **Grayscale Investment LLC's Bitcoin Investment Trust**, which bills itself as a way to own the digital currency "without the challenges of buying, storing, and safekeeping bitcoins." The trust returned 1,561% last year.

"We are not investing in bitcoin or bitcoin futures," said Tom Staudt, Ark's chief operating officer and director of product development.

The trust is open only to accredited investors who must invest a minimum of \$50,000 and hold the shares for at least one year before they can be resold in the over-the-counter market.

The restrictions limit the supply of publicly available shares, and the trust trades at a premium to bitcoin when demand exceeds supply.

Grayscale withdrew its own application to launch a bitcoin ETF last year.

The Bitcoin Investment Trust is the largest holding of two ARK ETFs, accounting for 5.9% of the holdings of the \$422 million **ARK Innovation ETF** and 6.4% of the \$261 million **ARK Web x.O ETF**, according to Ark's website.

Other large holdings include **Amazon.com Inc.**, **Twitter Inc.** and **Tesla Inc.** A third Ark fund, the **Ark Industrial Innovation ETF**, has 3.15% of its portfolio invested in the bitcoin trust.

# SEC Aims For Its Own Fiduciary Regulation

By DAVE MICHAELS

WASHINGTON—The Trump administration's threat to dismantle Obama-era rules that cracked down on conflicted advice from stockbrokers won't mean no rules at all. Instead, they could emerge from a different regulator that Wall Street knows a little better.

The Securities and Exchange Commission is accelerating work on its own version of the fiduciary rule, a regulation issued by the Labor Department that puts restraints on brokers handling retirement accounts. The SEC's effort would affect all brokerage accounts—not just those for retirement funds—and could ban brokers from calling themselves financial advisers unless they accept a strict duty of loyalty to clients.

The SEC hopes to vote to propose its rules by the second quarter, according to people familiar with the matter. That would be a first step toward creating consistent federal standards for all brokerage accounts, because the Labor Department's rules covered only 401(k)s and individual retirement accounts, or IRAs.

The Labor Department last year delayed some parts of the fiduciary rule until July 2019, saying the rule has reduced



The SEC, under chief Jay Clayton, hopes to vote on a proposal by the second quarter.

choices for investors and imposed huge compliance duties on the industry.

Consumer groups that backed the fiduciary rule, introduced at the end of the Obama administration, are likely to oppose the SEC proposal if they believe it would give Wall Street an end run around Labor's stricter approach. Those groups will watch for how the SEC goes after conflicts of interest such as bonuses and perks that brokerage firms provide to employees for selling particularly lucrative products, said Barbara Roper, director of investor protection for the Consumer Federation of America.

"It's difficult to see how they can come up with a solution that does not land them in court," Ms. Roper said. "If they propose a rule we like, industry will sue them. If they give industry a disclosure-based best interest standard that they want, we'll sue them."

Brokers such as **Fidelity Investments** say existing regulations enforced by the SEC sufficiently protect clients. Any changes, Fidelity wrote in a recent letter to SEC Chairman Jay Clayton, should focus on disclosures that explain a broker's conflicts, such as how much they earn from recommending different products.

Groups such as Ms. Roper's say disclosures aren't enough because many investors don't understand a broker's financial incentives. Similarly, the trade group for investment advisers wants the SEC to impose a standard on brokers that is "as robust as" the fiduciary duty its members face.

SEC staff has held meetings in recent weeks with brokerage firms, as well as trade groups such as the Securities Industry and Financial Markets Association, according to regulatory filings and people familiar with the matter.



High-speed computers on display in a Hong Kong store. Bitcoin miners use the computers to solve math problems to generate and verify units of the cryptocurrency.

# China Closes Down Shaft on Crypto 'Miners'

By CHAO DENG

**BEIJING**—Chinese authorities ordered the closing of operations that create a large share of the world's supply of bitcoin, tightening a clamp-down that has already shut exchanges for the trading of cryptocurrencies in China.

A multiagency government task force overseeing risks in internet finance issued a notice last week ordering local authorities to "guide" the shutdown of operations that produce, or "mine," cryptocurrencies, according to the notice and people familiar with the information.

While the notice called for an orderly exit without setting a deadline, far-flung areas of China where cryptocurrency mining operations have flourished are complying. A local

regulatory official in the far western region of Xinjiang said Wednesday that his agency received the notice and is doing "what the country wants."

The central bank, the lead agency in the task force on internet financial risk that issued the notice, didn't respond to a request to comment.

Miners use powerful computer systems to solve complex math problems to generate and verify units of cryptocurrencies. The miners have thrived in sparsely populated areas of China where electricity is plentiful and inexpensive.

Their winding down is the latest blow for bitcoin and other cryptocurrencies in what was a promising market but where the government is concerned about money launder-

ing and risks in the financial system. China accounted for nearly 80% of computer power devoted to global bitcoin mining over the past 30 days, a rough approximation of its share of new units created in

*Nearly 80% of computer power for global bitcoin mining in the past 30 days came from China.*

the period, according to calculations based on data from **Chainalysis Inc.**, a New York-based research firm.

A loss of a large-scale mining operation would disrupt the creation and verification of cryptocurrency units, said

Philip Gradwell, chief economist at Chainalysis. He said it usually takes about 14 days for the bitcoin system to adjust before the rate of creating new coins stabilizes. If China were to wipe out 80% of global mining power in one go, recovery could take weeks, possibly months, he said. "If China really does switch off all the miners suddenly, there could be a very high level of disruption," Mr. Gradwell said.

Such an across-the-board shutdown is unlikely, Mr. Gradwell and other analysts said, given that the Chinese government has been tightening the regulatory noose for months, prompting many operators to move equipment elsewhere.

"I don't think miners have been sitting on their hands," said Arthur Hayes, who runs a

peer-to-peer cryptocurrencies exchange called BitMEX. "Some people have already moved their hardware out of China."

The founder of Chinese mining pool F2Pool, which accounts for 9% of the bitcoin mined over the past month, said his operations in Inner Mongolia and Xinjiang received directives from local authorities, though he declined to provide details.

The government notice to shut down miners began circulating on social media last week and may have added to the factors that have seen prices of bitcoin drop from a high in December of about \$19,000 after soaring for much of the year. Late Wednesday, bitcoin was trading at about \$14,470, according to research site CoinDesk.

# Beijing Chides Ant Financial About Use of Customer Data

By JOSH CHIN AND CHUIN-WEI YAP

**BEIJING**—Internet regulators scolded the country's leading mobile-payments company for compromising its customers' privacy, putting pressure on firms to better protect personal data even in a society subject to heavy state surveillance.

The Cyberspace Administration of China said Wednesday

that it had summoned representatives of **Alibaba Group Holding Ltd.** affiliate **Ant Financial Services Group** to dress them down for automatically enrolling users in its credit-scoring system.

The action followed complaints that people using Ant's Alipay mobile-payment platform weren't properly notified that enrollment in the credit-scoring system would give Ant sweeping rights to their per-

sonal financial data, allowing the information to be shared with third parties. This included data on income, savings and shopping expenditures.

The regulator said Ant's action violated new national standards on the protection of personal data, and broke a pledge it signed late last year to protect such information.

At a meeting with regulators Saturday, Ant was ordered to fix the system and ensure simi-

lar incidents don't occur again, according to a statement on the agency's website. Alipay has about 520 million active users; it isn't known how many people were affected.

Ant last week publicly apologized for the action, and on Wednesday said it was reviewing its privacy-protection policy and would implement the regulator's demands.

China's rising middle class is taking on more household debt,

but the bulk of borrowers don't have conventional lending histories for evaluating credit risk.

Ant's Sesame Credit is one of the new rating systems to emerge in response, using online-shopping habits and social-media activity to evaluate risk. Such systems depend heavily on a large user base for refining its analysis.

Controversy over automatic enrollment in the service grew after Yue Shenshan, a lawyer

and legal commentator for state media, criticized the practice in a Jan. 3 social-media post. "Sesame, you secretly help me select 'agree' in tiny characters. If I wasn't more careful I would have fallen for it. Who are you trying to deceive?" Mr. Yue wrote on the Twitter-like Weibo service. The post had attracted more than 22,000 likes by Wednesday.

—Xiao Xiao contributed to this article.

MARKETS

# Yen Gains After Bank of Japan Surprise

Central bank's signal that it is tapering its asset buying jolts the currency higher

By Kenan Machado and Suryatapa Bhattacharya

The yen's upward momentum continued Wednesday, a day after the Bank of Japan re-ignited speculation that it is effectively tapering its asset buying.

**CURRENCIES** The bank's surprise cutback in its purchase of Japanese government bonds hit market participants just as talk of a yen-boosting increase in interest rates this year was fading. Adding to their edginess, analysts said, is the continuing question of who will lead the central bank after the current terms of Gov. Haruhiko Kuroda and his deputies expire in the spring.

The yen has risen by as much as 1% against the dollar since the BOJ bought 5% less Japanese government debt than usual in its buyback operation, which is part of its effort to spur inflation by keeping long-term interest rates around zero. As traders in Europe jumped on the bandwagon at the start of their trading day Wednesday, the dollar was around ¥111.65, down from ¥112.77 early in the Asian session. The dollar was at ¥111.43 in late New York trading.

It all caught some speculators off guard, just as they had settled back into betting against the yen.

"If you had asked me two days ago if the BOJ would ta-



The central bank's unexpected cutback in its purchase of Japanese government bonds caught yen bears off-guard. A Tokyo market.

per, I would have dismissed that to 2019," said Matt Simpson, a senior market analyst at Faraday Research in Singapore.

The central bank has repeatedly said it aims to buy sufficient bonds to keep the yield on the benchmark 10-year government bond around zero, and that variance in the amount doesn't mean its policy has changed.

While the BOJ still has a symbolic commitment to buy around ¥80 trillion of JGBs annually, since its switch in September 2016 to a strategy of controlling a range of interest rates the pace has fallen to

around ¥60 trillion—tapering by stealth, some analysts call it.

The latest reduction—though so far isolated to a single operation—rekindled talk of tapering and put some yen bears out of position.

As of Jan. 2, bets on a weaker yen by larger traders—including institutions and hedge funds—were the highest since mid-November, U.S. Commodity Futures Trading Commission data showed. That reflected the calming of earlier speculation that the BOJ planned to tighten policy, which had been inflamed by Mr. Kuroda's November speech

highlighting the harm of too-low interest rates.

Mr. Kuroda, still favored by market participants to start a second term as governor in April, has since reiterated his determination to stick with the bank's current policy, given that inflation is still far from the BOJ's 2% goal.

Masashi Murata, currency strategist at Brown Brothers Harriman, said the market should look past the latest BOJ purchase and remember that the messages from the Fed and the BOJ remain unchanged.

"I don't believe in these tapering ideas, but taper sentiment seems to be moving the

currency market," he said.

The central bank's action also lifted yields on Japanese government bonds; the 10-year rose to 0.080%. And yields on 10-year Treasuries hit their highest since March on Tuesday.

Shuichi Ohsaki, rates strategist with Bank of America Merrill Lynch, says he expects another bond-buying operation by the BOJ Thursday, this one including debt maturing in 10 to 25 years. He predicts the bank will offer to buy ¥190 billion worth, the same as in its previous operation, which he says will stabilize Japanese markets.

## Nafta Worry Hurts Mexico Peso, Loonie

The currencies of Canada and Mexico tumbled against the dollar Wednesday on concerns that the U.S. will soon pull out of the North American Free Trade Agreement.

The U.S. dollar was up 0.6% against the Canadian dollar, or loonie, to 1.2544. The dollar was 0.2% higher against the Mexican peso to 19.28.

Canada is increasingly convinced that President Donald Trump will soon announce that the U.S. intends to pull out of Nafta, Reuters reported Wednesday, citing people familiar with the matter.

The news agency later cited a White House spokesman as saying that there has been no change in the president's position on Nafta, helping the peso and Canadian dollar pare earlier losses.

Mr. Trump has said he would pull the U.S. out of the trade pact if Canada and Mexico don't agree to a major rewrite of the 24-year-old deal. U.S. officials have proposed new language designed to reduce the overall U.S. trade deficit with its partners. Negotiators from the three countries will gather for another round of Nafta talks this month in Montreal.

The Wall Street Journal Dollar Index, which measures the U.S. currency against a basket of 16 others, fell 0.3% to 85.78. The measure hit 85.44 earlier in the session, its lowest since August.

—Ira Iosebashvili

# Oil Jumps On Drop In U.S. Stockpiles

By Alison Sider and Christopher Alessi

Oil prices again climbed to a three-year high Wednesday, boosted by declining U.S. crude stockpiles and continued geopolitical risk.

U.S. crude futures rose 61 cents, or 0.97%, to \$63.57 a barrel on the New York Mercantile Exchange—the highest settlement since Dec. 9, 2014. Brent, the global benchmark, rose 38 cents, or 0.55%, to \$69.20 a barrel in ICE Futures Europe.

Prices have rallied on potential global supply disruptions and rosy demand projections. Prices initially pulled back after the U.S. Energy Information Administration reported that U.S. crude stockpiles fell 4.9 million barrels last week. That is the eighth consecutive weekly decline but fell short of the 11.2 million barrel decrease reported Tuesday by the American Petroleum Institute, an industry group.

In addition, gasoline and diesel stockpiles grew by 4.1 million barrels and 4.3 million barrels, respectively. Still, prices resumed their advance, as investors focused on a drop in the amount of oil at the main storage hub in Oklahoma and a decline in U.S. oil production. U.S. producers slowed down, cutting output by 290,000 barrels a day last week. Total stockpiles of commercial crude and petroleum fell 5.5 million barrels, dropping to the lowest since June 2015.

"This market does seem to be pretty well supported," said John Saucer, vice president of research and analysis at Mobius Risk Group. At the same time, oil-market observers are looking this week to see whether President Donald Trump extends U.S. sanctions relief to Iran as part of the 2015 international agreement to curb the Islamic Republic's nuclear program. If the U.S. were to reinstate economic sanctions, it could hinder Iran's oil exports, tightening global supply.

Gasoline futures fell 0.35 cent, or 0.19%, to \$1.8327 a gallon. Diesel futures rose 1.45 cents, or 0.7%, to \$2.0807 a gallon.

# S&P 500 Rally Falter After Strong '18 Start

By Amrith Ramkumar and David Hodari

The S&P 500 snapped a six-day streak of gains, pulled lower by declines in utilities and real-estate shares.

Stocks in those two areas are considered by many investors to be bondlike because their regular dividends make them attractive as income-bearing substitutes for bonds. Wednesday's drop extended recent losses for the sectors as the yield on the benchmark 10-year U.S. Treasury note has climbed.

Some analysts attributed Wednesday's slip to investors taking profits after a strong start to the year, while others pointed to nervousness that higher inflation could be around the corner, which could force central banks to be more aggressive with interest-rate increases. "Short-term thinking has dominated the market, so you're going to see these little blips on the way up," said Yousef Abbasi, global market strategist at JonesTrading. Still, Mr. Abbasi said the favorable earnings and economic backdrop that has boosted stocks recently is still in place. "It feels like we're still in line with where we were last year," he said.



Sears jumped 5.1% after the retailer said it raised new financing.

The S&P 500 declined 3.06 points, or 0.1%, to 2748.23 following its longest winning streak to start a year since 1964. The Dow Jones Industrial Average closed down 16.67 points, or less than 0.1%, at 25369.13 after shedding as many as 129 points earlier in the session. The tech-heavy Nasdaq Composite shed 10.01 points, or 0.1%, to 7153.57.

The yield on the 10-year U.S. Treasury note briefly eclipsed 2.590% and settled at 2.551%—its highest close since March and up from 2.542% Tuesday. Yields rise as bond prices fall. Some analysts attributed

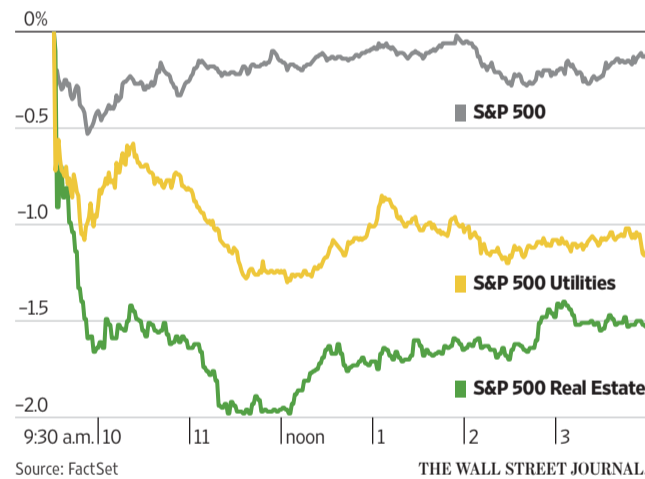
Wednesday's climb in bond yields to a Bloomberg report that Chinese officials have recommended slowing or halting purchases of U.S. Treasuries. Other analysts, however, questioned whether China has suitable alternatives to Treasuries, given the size of its reserves.

Some said investors' concerns about moves in the bond market and the possibility that higher interest could dent stocks might be overstated.

"I really don't view higher rates as a headwind for stocks," said David Lefkowitz, senior equity strategist of the Americas at UBS Wealth Management.

## Midweek Woes

Real-estate and utilities stocks extended recent declines with bond yields climbing.



"But I do think on any one day, you can get a knee-jerk response that's maybe not consistent with that."

Bank stocks rose, as higher bond yields tend to boost lending profitability. The S&P 500 financial sector added 0.8%. Two of the nation's biggest banks, JPMorgan Chase and Wells Fargo, are scheduled to report fourth-quarter earnings on Friday.

Sears Holdings rose 16 cents, or 5.1%, to 3.29 after the troubled department-store chain said it had raised \$100 million in new financing and is pursuing an additional \$200

million from other parties. The Stoxx Europe 600 declined 0.4%. Japan's Nikkei Stock Average fell 0.3%. At midday, it was down 0.4%.

## AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

Table with 2 columns: Bid type and Amount. Includes 9.99% noncompetitively, 9.99% foreign noncompetitively, and 9.99% foreign noncompetitively.

# Stock Dividends Are Losing Allure as Rates Rise

By Ben Eisen

Dividends are so passe.

A heated stock-market rally combined with a sharp climb in benchmark interest rates this year is eroding the relative value of companies that pay out chunky dividends to their shareholders.

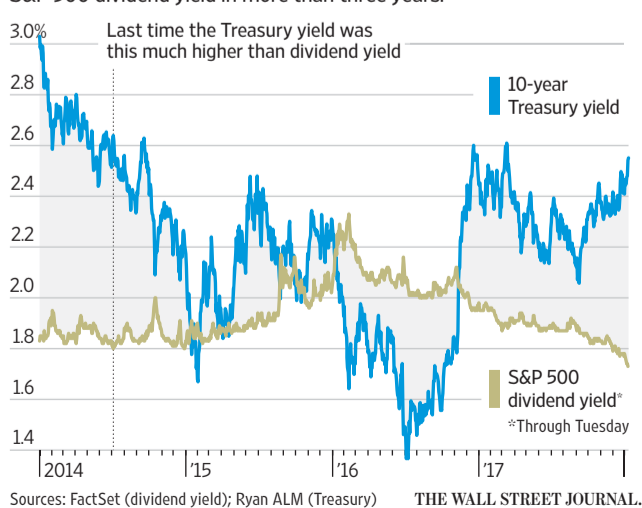
Low rates over the past few years have boosted the attractiveness of high-dividend stocks that offer up income at a time when bond investors were earning next to nothing. For some sectors, it was a key reason to invest.

But recently, that has reversed.

As stocks have climbed, the share of investment gains coming from collecting those dividends has been falling. The S&P 500's so-called dividend yield over the past 12 months was at 1.73% Tuesday, its lowest since 2011. The index was up 2.9% in its first six sessions of 2018, though it was down

## Income Play

The 10-year Treasury note yield is at its highest relative to the S&P 500 dividend yield in more than three years.



0.1% on Wednesday. Meanwhile, the yield on the 10-year U.S. Treasury note has risen for five straight sessions to 2.551% on Wednesday, its highest level since last spring.

The benchmark yield this week was at its highest relative to the S&P 500 dividend

yield since July 2014.

A rise to 1.972% in the two-year Treasury note's yield, a benchmark for investors who tend to buy for a shorter period and hold to maturity, also pushed it above the dividend yield last month, according to The Wall Street Journal's Market Data Group.

As a result, sectors that pay out hefty dividends have been lagging behind recently. The real-estate sector is down 4% in January, including a 1.5% fall on Wednesday to its lowest level in months. Utilities are off 3.7% this month, including 1.1% drop Wednesday, extending a loss that has been continuing since the end of last year. Investors pulled \$400 million from funds that hold utilities stocks during the week ended Jan. 3, according to Bank of America Merrill Lynch.

"With yields going higher, that theoretically makes dividend-paying stocks less at-

tractive," said David Lutz, head of exchange-traded fund trading and strategy at JonesTrading. "Therefore guys are rotating out of those."

Dividends help boost stock-market returns, and tend to increase the attractiveness of sectors that pay them out handsomely. Without dividends, the S&P 500 is up 306% since the bull market began in 2009. With dividends, it is up 390%.

But as rates rise, investors start seeing better income-generating opportunities in bonds, which in many cases offer more income with less risk of capital losses. The shifting relationship between dividend yields and bond yields is one sign of how that calculation is evolving among investors.

Some investors have warned that rising borrowing costs for companies could restrain a further increase in the stock market.

# MARKETS

## Banks Set for Hits Tied to New Tax Law

Despite large charges for the fourth quarter, investors see benefits in the longer term

By MICHAEL RAPOPORT

It is going to be a noisy quarter for bank earnings. Because of the tax-overhaul law, big banks are going to record a host of special charges that cut into fourth-quarter profit.

How big is the bill? Five of the biggest U.S. banks are likely to report a total of about \$31 billion in tax-related hits for the fourth quarter, according to the banks' recent disclosures and public comments.

Don't expect investors to be overly alarmed, though. The banks should benefit from the new tax law in the longer term. In fact, with the U.S. corporate tax rate falling to 21% from 35%, many banks could make back any losses within a few years, or even sooner.

The new law is "good for us," **Bank of America Corp.** Chief Executive Brian Moynihan said at a conference last month.

Still, investors will have to be on their toes when the banks' fourth-quarter earnings announcements begin Friday with **JPMorgan Chase & Co.** and **Wells Fargo & Co.** Tax-law changes could make banks' core earnings—which exclude charges and other one-time or nonoperating items—less clear. Plus, they will probably make earnings announcements and conference calls more complicated as banks strive to explain the law's impact.

Because the new tax law was signed in the fourth quarter, accounting rules require companies to reflect the law's impact in that period.

That means some banks will have to take big upfront charges to write down the value of their deferred-tax as-

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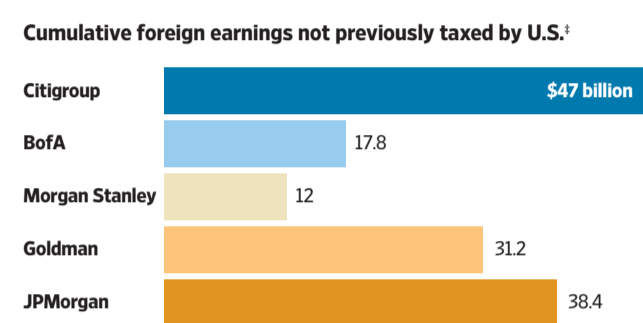
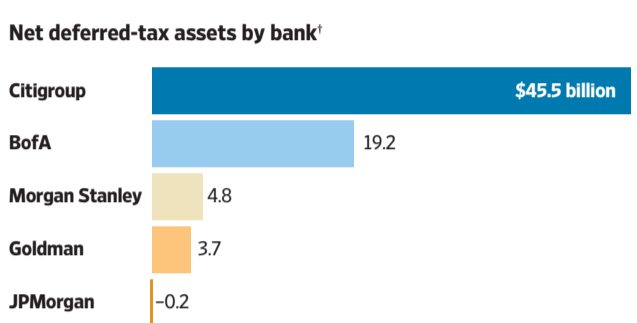
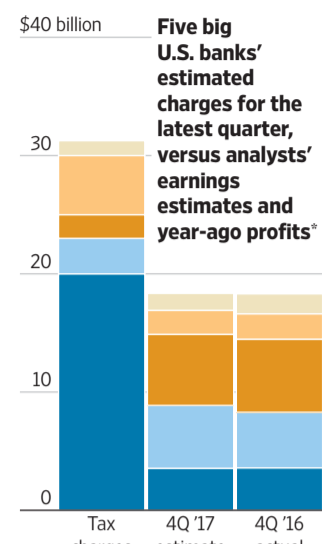
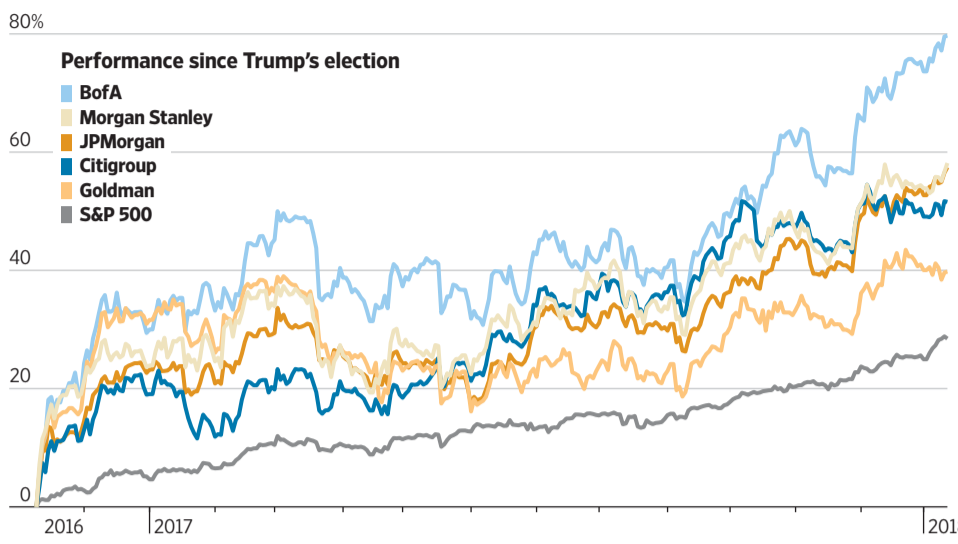
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\*Estimated tax charges are based on company guidance and filings. †Data are as of Dec. 31, 2016, except for Citigroup, which is as of Sept. 30, 2017. Sources: FactSet (stock performance, earnings estimates); the companies. THE WALL STREET JOURNAL.

sets and pay a one-time tax imposed on their earnings that are generated and held outside the U.S.

"It is going to muddy the waters a little bit," said Janet Pegg, an analyst at Zion Research Group, an accounting and tax research firm. "We're going to be depending on clear disclosure from the companies."

Another wrinkle: Because of the reduction in the tax rate, banks and other companies will have an incentive to "kitchen-sink things," said Christopher Marinac, director of research at FIG Partners in Atlanta. That is, to accelerate deductible expenses to record

them in 2017 instead of 2018. That would have the effect of lowering taxable profits in the period when the higher tax rate still applies, thus maximizing the deductions' benefit.

Complicating things further is that any 2018 earnings guidance from banks will be harder to interpret since the new lower tax rate means forecasts will be incorporating a sharply lower tax liability.

**Citigroup Inc.** may be most affected by the two provisions prompting banks to take immediate charges.

Finance chief John Gerspach said at a December conference that Citigroup expects

a fourth-quarter charge of about \$20 billion, mostly from writing down the big bank's huge pile of deferred-tax assets.

These are past tax credits and deductions that companies can hold on to and use to defray future tax bills, sort of like an IOU. Citigroup has \$45.5 billion of them, generated by the losses that the bank suffered during the financial crisis.

But when the tax rate declines, companies' tax bills shrink. So many of those credits and deductions become less valuable and must be written down, leading to charges

against earnings.

The reverse can happen also: Wells Fargo had net deferred-tax liabilities, or taxes payable in the future, of about \$7 billion as of the end of 2016. That could lead Wells Fargo to record a gain, though it hasn't announced any such move.

Part of Citigroup's charge also stems from a tax on companies' foreign earnings.

In the previous system, the U.S. taxed corporate profits no matter where in the world they were earned, leading many companies to keep foreign profits overseas instead of bringing them back to the

# HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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## Real News on Fake Data in China

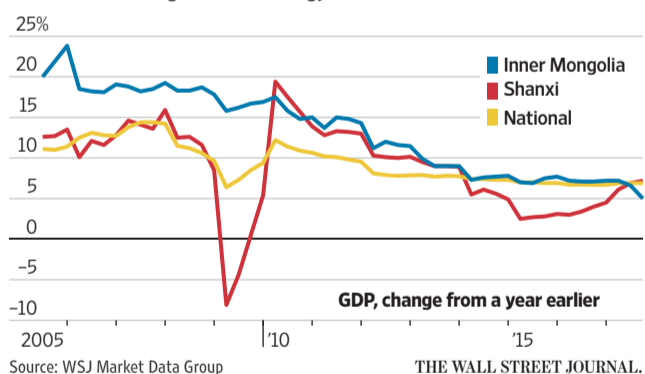
There was some bad news from Inner Mongolia last week: Apparently its headline economic statistics are nonsense. The remote northern Chinese province said its 2016 industrial growth had been overstated by 40%, while government revenue was inflated a mere 26%.

This latest revelation on Chinese data malfeasance, following a similar admission by Liaoning province last year, is likely to renew hand-wringing in the West about the—cough—unique nature of Chinese economic statistics. Academics incessantly dispute the meaning of U.S., European and Japanese economic data, but few question their essential fairness. In China, the prevailing assumption is the opposite: Headline GDP and industrial-growth figures are widely considered to be unreliable. The lack of trust has spurred the development of a cottage industry of independent surveys and alternative metrics.

Unfortunately, Chinese officials have a strong incentive to overstate growth—

### Smooth Operator

Coal hub Inner Mongolia had an implausibly smooth ride during the 2015 energy crash



particularly in the poor, heavy-industry-dependent north and west.

Chinese national growth figures are almost certainly smoothed—meaning they are a lagging indicator—but they still line up relatively well with independent metrics such as changes in nighttime light intensity tracked by satellite. So do certain other official figures, like bank lending. Lending has grown at a faster pace than output since

the global financial crisis, resulting in China's well-known debt problem, but the overall direction looks similar.

The really big data problem is in the poor, commodity-and-industry-dependent hinterlands where growth is more cyclical and whose officials are under more pressure to polish figures. Inner Mongolia's headline growth figures show the coal-and-infrastructure hub outperforming during the commodity

and housing boom in the late 2000s, but then doing implausibly well during the 2015 commodities crash. Growth in rival coal province Shanxi cratered during the period. And more granular Chinese national data such as freight traffic and electricity production also show a steep fall.

The lesson is that Chinese GDP represents a reasonable long-term indicator of overall trends, but isn't particularly helpful in capturing cyclical shifts, in part because figures from the more volatile, less diversified inland economies may be fudged during sharp slowdowns.

Instead, investors should watch Chinese data that line up better with global trade and price trends—such as lending, freight traffic, real-estate investment and output of key Chinese exports like telecom equipment.

China's economy often still looks like a black box to outsiders, but there are plenty of pinpricks of light if you know where to look.

—Nathaniel Taplin

## OVERHEARD

At first glance, the cheap paperback with a picture of a tall, dark and handsome man on horseback, white shirt unbuttoned and eyeing a blond-haired, blue eyed beauty doesn't seem worth it.

Dozens of other Harlequin romance books sell for around four dollars on **Amazon.com**.

This one will set you back \$118.76 for a new copy. But then those aren't called "The Fire and Fury."

Confusion with the new best seller by **Michael Wolff** roiling **Donald Trump's** White House, which has been hard to find in print, seems to be the culprit for the book-pricing trend.

Ditto for "Fire and Fury: The Allied Bombing of Germany," which fetched \$132.80 for a new paperback copy Wednesday.

Some non-best-selling authors may get unexpectedly fat royalty checks from their publishers in a few months. Fascination with Mr. Trump is helping to Make Authors Great Again.

## Nordstrom Buyout Hope Is Revived

The failed effort by the Nordstrom family to take the namesake department store chain private will be remembered as a missed opportunity amid the selloff in retailers' stocks last fall.

With a lower tax rate, competitors in decline, and improved sales even in the face of **Amazon.com's** onslaught, **Nordstrom Inc.** is looking more certain to be one of retail's survivors.

Sadly for the Nordstrom family, a deal could have been done more cheaply last fall. The family, including copresidents Blake, Erik and Peter Nordstrom, own nearly one-third of the company's shares. A \$10 billion deal with private-equity firm Leonard Green & Partners would have made it possible for them to take the remaining 70%. But lenders got jittery.

The family has said it would resume efforts for a go-private deal after the holidays but the shares are roughly 20% higher than they were when the deal fell apart.

On Tuesday, it reported that net sales for November and December climbed 2.5%. Nordstrom rarely preannounces results, adding to the speculation that the family could try again soon. The company also boosted its fiscal 2017 guidance to the higher end of its previous outlook.

Those numbers should calm lenders' nerves. The family would be wise to move quickly on a deal. Its first full-line store in Manhattan, slated for 2018, is expected to bring a sales increase of 7% to 10% and boost the online business, too. Nordstrom's star may only grow brighter.

—Elizabeth Winkler

## Huawei Has Hard Time Cracking U.S. Smartphone Market

It may be of little comfort to **Huawei** now, but history shows that cracking the U.S. smartphone market takes more than money and friends.

The Chinese telecommunications giant was on the verge of striking its first major handset deal with a U.S. carrier until **AT&T** pulled out of the arrangement this week.

Huawei has grown steadily to become the world's third-largest maker of smartphones. The U.S. market has largely remained closed off to the company, though, as national security concerns have limited its ability to sell equipment

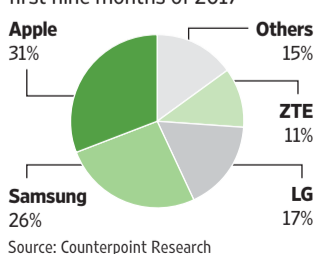
through major carriers. Huawei's phones are currently available in the U.S. only in unlocked status through channels such as **Amazon.com** and **Best Buy**.

The company is well aware of its conundrum. Richard Yu, head of Huawei's consumer business, noted in his address to the CES conference on Tuesday that more than 90% of smartphones in the U.S. are sold through carriers.

That was after he spent more than an hour touting the company's latest device, the Mate 10 Pro, which clearly was intended to launch with the AT&T deal but now will be distributed

### Call Boxed

U.S. smartphone market share, first nine months of 2017



in the U.S. directly to consumers like its predecessor. Preorders for the phone begin next month.

That will surely limit the Mate 10's potential, but it is worth noting that the U.S.

smartphone market has developed in such a way that even a major carrier distribution deal is no guarantee of success.

One recalls the flop of Amazon's Fire Phone, which launched with great fanfare and a deal with AT&T in mid-2014 only to see its subsidized price slashed to 99 cents just three months later.