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THE PHELPS SPLASH

RIO 2016 | A12



A Chance to Reboot Reforms in Indonesia

OPINION | A11

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As of 12 p.m. ET **DJIA** 18577.16 ▲ 0.26% **NIKKEI** 16764.97 ▲ 0.69% **STOXX 600** 344.67 ▲ 0.92% **BRENT** 45.33 ▼ 0.13% **GOLD** 1338.00 ▲ 0.34% **EURO** 1.1112 ▲ 0.21% **DLR** ¥101.98 ▼ 0.45%

What's News

Business & Finance

The longest stretch of declines in U.S. productivity since the end of the 1970s threatens to restrain worker pay and broader economic growth. **A1**

◆ **State Grid is pursuing** a \$13 billion takeover of a Brazilian electric firm in what could be China's largest investment in the nation. **B1**

◆ **Ant Financial** is joining with France's Ingenico to push its mobile-payment system into Europe. **B6**

◆ **Japan Display**, a top maker of displays for Apple smartphones, asked a government-backed fund for financial aid. **B3**

◆ **An SEC move** to make money-market funds safer is putting stress on a crucial funding source for cities and foreign banks. **B1**

◆ **Speculators have piled** into China's commodities markets recently, influencing global prices. **B6**

◆ **Debt issuers** are calling bonds at the fastest pace in four years as they take advantage of low rates. **B6**

◆ **Banks in the U.K.** could lose \$1.3 billion in annual revenue under measures designed to give retail customers more choices. **B6**

◆ **Munich Re's profit** fell 9% in the second quarter. **B7**

World-Wide

◆ **Pakistani authorities** were trying to determine whether Islamic State was behind Monday's suicide bombing in Quetta, which killed at least 72 people. **A1**

◆ **The commander** of U.S. naval forces in the Pacific said Beijing has taken several destabilizing steps in the South China Sea. **A3**

◆ **Chinese officials** are cracking down on protests over a nuclear-fuel-recycling project that also has raised alarms from the U.S. **A3**

◆ **Turkey's Erdogan met** with Putin in Russia in a bid to improve ties after months of strained relations. **A4**

◆ **U.S. Sen. Susan Collins** of Maine became the second sitting Republican senator to declare she won't vote for Trump. **A7**

◆ **Thailand's referendum** sets the nation on a long-awaited path toward economic stability, executives and economists said. **A2**

◆ **Israel charged** a U.N. aid employee in the Gaza Strip with assisting Islamist movement Hamas. **A4**

◆ **A Rio judge blocked** a provision in a law that has been used to throw anti-government protesters out of Olympic venues. **A5**

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Turkey and Russia Strive to Move Closer Together



ON THE SAME SIDE: Turkish President Recep Tayyip Erdogan, left, met with Russian President Vladimir Putin in St. Petersburg on Tuesday. Mr. Erdogan's first trip outside Turkey since a failed coup last month. The leaders are seeking to strengthen ties after months of strained relations. **A4**

U.S. Productivity Slumps

Longest decline since the 1970s threatens to curb worker pay and economic growth

By BEN LEUBSDORF

The longest stretch of productivity declines in the U.S. since the end of the 1970s is threatening to restrain Amer-

ican workers' pay and broader economic growth in the years ahead.

Nonfarm business productivity, measured as the output of goods and services produced by American workers per hour worked, decreased at a 0.5% seasonally adjusted annual rate in the second quarter as hours increased faster than output, the Labor Department said Tuesday.

The quarter was the third consecutive of falling productivity, the longest streak since 1979. Productivity in the second quarter was down 0.4% from a year earlier, the first annual decline in three years and just the sixth year-over-year drop recorded since 1982.

"Since the recession the underlying trend in productivity growth has been particularly subdued and at historical low

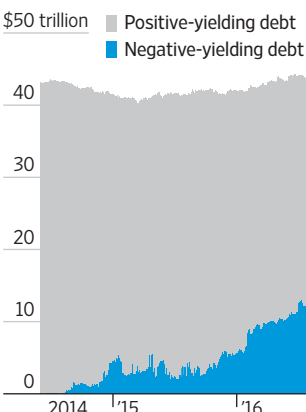
levels," Barclays economist Blerina Uruçi said in a note to clients.

Unit labor costs at nonfarm businesses rose at a 2% annual rate in the spring after falling at a 0.2% pace in the first quarter, which was revised down from a previous estimate. *Please see DECLINE page A2*

◆ **Credit cards lift household debt**..... A7

Below Zero

Debt with negative rates has increased globally.



Source: Bank of America Merrill Lynch
THE WALL STREET JOURNAL.

VEXING RESULTS ON NEGATIVE RATES

Economists worry people still aren't spending; instead, they're saving more

KORSCHENBROICH, Germany—Two years ago, the European Central Bank cut interest rates below zero to encourage people such as Heike Hofmann, who sells fruits and vegetables in this small city, to spend more.

By Georgi Kantchev,
Christopher Whittall
and Miho Inada

Policy makers in Europe and Japan have turned to negative rates for the same reason—to stimulate their lackluster economies. Yet the results have

left some economists scratching their heads. Instead of opening their wallets, many consumers and businesses are squirreling away more money.

When Ms. Hofmann heard the ECB was knocking rates below zero in June 2014, she considered it "madness" and promptly cut her spending, set aside more money and bought gold. "I now need to save more than before to have enough to retire," says Ms. Hofmann, 54 years old.

Recent economic data show consumers are saving more in Germany and Japan, and in Denmark, Switzer-

land and Sweden, three non-eurozone countries with negative rates, savings are at their highest since 1995, the year the Organization for Economic Cooperation and Development started collecting data on those countries. Companies in Europe, the Middle East, Africa and Japan also are holding on to more cash.

Economists point to a variety of other possible factors confounding central-bank policy: Low inflation has left consumers with more money to sock away; aging populations are nat-

Please see RATES page A6

If Cracking the Window Causes Bad Vibrations, It's 'Wind Throb'

From sports cars to sedans, drivers battle the 'wub wub wub'; not a flat

By JONATHAN BACH

Charles Brownstein's annoyance with the "throbbing noise" that invades the cockpit of his Porsche 911 at high speeds became so intense that he turned to an orange juice bottle for relief.

Like millions of car drivers, including those with humbler vehicles, Mr. Brownstein couldn't handle the oppressive "wub wub wub" head-exploding sensation when certain windows are rolled down. He fixed a makeshift deflector—made of sturdy plastic cut from the side of a Tropicana juice container—to the sports car's front window frame, which did just enough to divert air from crashing into the cabin.

"I like to solve problems," said Mr. Brownstein, of Bethesda, Md., noting he has a

"working knowledge" of aerodynamics from racing even though he isn't an engineer.

The vibration actually has a name. It is the Helmholtz resonance, or "wind throb," and it has long plagued an auto industry that has generally made cars better with each passing year. It is as likely to assail a pricey sports car as it is a compact sedan.

The most common instance of wind throb is when a back seat driver rolls down a window when the front ones aren't cracked. The usual advice: Open a front window. There are other scenarios, too.

Mr. Brownstein and other Porsche drivers complain about the throb happening while traveling at highway speeds or racing down a track. "The noise gets very, very annoying" past 100 miles an hour, Mr. *Please see THROB page A6*



Singapore Unites for Holiday

ALL TOGETHER NOW: Singapore celebrated its 51st anniversary of independence on Tuesday amid increased security over terrorism concerns. Dancers performing a coordinated routine during a parade at the National Stadium, left.

Yemen Seeks IMF Help to Cut Off Rebels

Yemen's Houthi rebels, who control the capital San'a, have for more than a year been taking around \$100 million a

By Margherita Stancati in Riyadh,
Saudi Arabia,
and Asa Fitch in Dubai

month in cash from the central bank there to pay their fighters' salaries, according to Yemeni and Western officials fa-

miliar with the situation.

At the same time, salary payments for government employees in areas outside Houthi control have been drying up, according to Yemeni officials and people affected, despite warnings from the U.N. and aid agencies of a potential famine.

In an unusual appeal for help, the internationally recognized government, now based in the port city of Aden, has

asked the International Monetary Fund to step in.

In a July 30 letter signed by Prime Minister Ahmed Obaid bin Dagher, seen by The Wall Street Journal, the government urged IMF Managing Director Christine Lagarde to freeze the central bank's accounts until further notice and to stop accepting the signatures of Mohamed Bin Humam, the central-bank governor, and *Please see YEMEN page A2*

WORLD NEWS

Thailand Hopes for New Era of Stability

Referendum clears way for election and the potential for less political conflict

By Jake Maxwell Watts and Nopparat Chaichalearmmongkol

BANGKOK—A sweeping victory for the ruling military junta’s constitutional referendum set politically volatile Thailand on an uncertain but long-awaited path toward economic stability, executives and economists said this week. As the Thai leadership pledged on Tuesday to hold a national vote late next year or in early 2018, many of these people said they were relieved by the result, especially if it succeeded in neutralizing the kingdom’s political disputes. The economy has grown at a rate well below its potential for years, economists say, mostly due to inconsistent policies and repeated coups. The conflict between populist leaders that appeal to a poor and largely rural population and an urban royalist elite in Bangkok has “cast a shadow for the past decade and stifled normal economic policy making and debate,” said Gary Kleiman, who heads an emerging-markets research firm. This has placed Thailand “at a competitive disadvan-

tage on stabilization and reform.” The military overthrew an elected government two years ago in Thailand’s 12th successful coup since the end of absolute monarchy in 1932. The junta says it aims to eradicate corruption and bring stability, which it has sought to do by suppressing political debate. Meanwhile, there is the backdrop of a looming royal succession to King Bhumibol Adulyadej, 88 years old and suffering from multiple ailments, by his less-popular son, Crown Prince Maha Vajiralongkorn. Political analysts say the military may succeed in enforcing calm but has neutered democracy with its new constitution and seeks to extend that influence indefinitely, including at the planned elections. The constitution allows a new, unelected Senate a role in choosing the prime minister and makes future military takeovers easier. Some warn that the junta’s tactics may aggravate the political divide and frustrate voters. While growth has improved since the 2014 coup, it remains slow for a developing country, at 3.2% on-year in the first quarter, compared with peers in Southeast Asia such as the Philippines at 6.9% and Vietnam at 5.5%. Government spending has aided growth,



Prime Minister Prayuth Chan-ocha, center, arriving at a cabinet meeting in Bangkok on Tuesday.

ness, once the world’s largest, suffered from a botched rice-subsidy plan under the previous administration. Tourism is a rare bright spot. Arrivals increased more than 20% last year and account for around 10% of Thailand’s GDP. Despite government support, the domestic market is strangled by leverage. Household debt was more than 80% of GDP last year, from around 50% before the 2007-08 global financial crisis. Government debt, too, is on the rise, at nearly a third of GDP last year, from less than a quarter post-crisis. The referendum bode well for consumer sentiment “but to what extent still hinges on how the government can make consumers feel comfortable and spend more,” said Boonchai Chokwatana, president of consumer conglomerate Saha Pathanapibul PCL. Economists, such as Amonthep Chawla, head of research at CIMB Thai Bank, say Thailand’s economic problems will be an overhang on growth in the longer term despite the referendum result.

Notice to Readers

Andrew Browne’s China’s World column will resume next week.

YEMEN

Continued from Page One his deputy.

The letter, confirmed as genuine by Saleh al-Hakami, an employee of the prime minister’s office, says Yemen’s central bank is using its foreign-exchange reserves “in an irresponsible manner.” It didn’t elaborate.

The IMF declined to comment.

The Houthis deny they have been misusing the central bank. Abdullah Shaban, a senior Houthi official, condemned the government’s move and said the monthly payments to the Ministry of Defense were for army personnel.

The Houthis have been steadily regularizing their fighters as they consolidate control, and paying them in cash through the defense ministry. Stopping those payments was a key request of government delegates to United Nations-mediated peace talks that started in April in Kuwait, but were suspended on Saturday.

Mr. Shaban also denied that salaries were being withheld from government employees in areas outside Houthi control.

Mr. Humam defended the central bank’s actions, dismiss-

Running Low

Yemen’s foreign reserves have dwindled rapidly in the first half of the year, in billions



Source: Central Bank of Yemen

THE WALL STREET JOURNAL.

ing the government’s charges as “baseless” in a letter to President Abed Rabbo Mansour Hadi’s office on Monday.

The government was kept informed on the economy on a regular basis, he wrote, and there were no irregularities in central-bank management of Yemen’s foreign reserves.

“The bank is doing all duties according to the law and independently,” the letter says, according to a copy sent to the Journal by a high-ranking central-bank official.

The move is part of a growing struggle for control of the bank after a 16-month war that has wreaked havoc on Yemen’s economy and plunged the country into an unprecedented humanitarian crisis.

On one side are the Houthis, a Shiite Muslim group supported by Iran that took over the capital in September 2014 and forced Mr. Hadi into exile.

On the other is Mr. Dagher’s Aden-based government, headed

by Mr. Hadi and supported by a Saudi Arabia-led military coalition that has been trying to unseat the Houthis since March 2015.

Amid the turmoil, the central bank has struggled to pay government salaries, service Yemen’s foreign debt, and maintain the rial’s value amid dwindling financial resources.

But its critics in the Aden-based government say it is quickly draining what little is left in the country’s coffers. “The central bank has lost its independence,” said Munser al-Quaiti, the finance minister. “The Houthis are now in full control of this institution.”

Out of the overall monthly payroll of around 75 billion to 80 billion rials, (\$300 million to \$320 million) about a quarter is in theory allocated to the government-controlled areas. Mr. Quaiti said only a fraction of that money reaches employees now. He also estimated that the

cash left in the bank’s vaults will at most last for another three months at most.

The letter sent by the central-bank governor to the president recommends asking the IMF to appoint an independent auditor to verify that the central bank’s actions have been proper.

Statistics attached to the letter show that Yemen had around \$1.3 billion of foreign reserves left at the end of June—less than a third of what it had at the start of the war, and down from \$2.1 billion at the end of last year.

Major spending in the first six months of 2016 included \$413 million on commodities including wheat, rice and sugar, the figures show. The central bank also spent around \$94 million servicing its foreign debt.

Forces loyal to the president have tried to counter Houthi control of the finances. They have ordered officials in areas it controls—mostly in the south and east of the country—to deposit tax and custom revenue into accounts it controls rather than with the central bank.

Yemenis are hurting amid the dispute. Mogbel Magra, a retired government worker and father of eight who lives in Aden, said he hadn’t received his pension for two months.

adopt public policies designed to boost productivity,” such as promoting investment.

Business investment has been a notable sore spot for the economy in recent months. A closely watched measure of business spending, fixed non-residential investment, has declined for the past three quarters, according to Commerce Department data. A proxy for spending on new equipment, new orders for nondefense capital goods excluding aircraft, has declined year-to-year almost continuously for the past year and a half.

Some of the weakness has come from the mining industry. Capital expenditures at Baker Hughes Inc. in the second quarter were down 19% from the previous quarter and plunged 73% from a year earlier. The Houston oil-field-services firm and the broader U.S. energy sector have been squeezed by a two-year slump in oil prices.

“During this downturn, we have been extremely disciplined in our capital deployment, and going forward, we will continue to maintain the same rigor,” Chief Financial Officer Kimberly Ross told analysts last month.

The outlook could be set to brighten. A recent Business Roundtable survey of business executives found more U.S. companies planned to ramp up their capital expenditures and fewer planned to cut back on investment compared with earlier in 2016.

Defense contractor Raytheon Co. in late July reported its operating margins im-



A motorcyclist drives past graffiti in San'a, the capital of Yemen.

“I’m heavily in debt and I’m not sure if I will be able to pay people back because I have run out of money,” Mr. Magra said.

Without a resolution to the conflict, diplomats say it is unlikely Yemen will be able to get

the international commitments it needs to keep its economy afloat much longer.

—Saleh al-Batati in Aden, Yemen, and Mohammed al-Kibsi in San'a, Yemen contributed to this article.

DECLINE

Continued from Page One mate of growth at a 4.5% annual rate. Compared with a year earlier, unit labor costs were up 2.1% in the second quarter.

Economists surveyed by The Wall Street Journal had expected productivity to rise at a 0.4% rate and unit labor costs to increase at a 1.8% pace during the second quarter.

Productivity and labor-costs data can be volatile from quarter to quarter and are subject to later revision. But over the long term, the pace of productivity growth is a key factor in determining how quickly worker pay and overall eco-

omic output can grow over time without stoking higher inflation. Strong productivity gains, as seen in the late 1990s and early 2000s, can translate into robust economic growth and rising inflation-adjusted wages. But sluggish productivity growth can restrain wage and economic growth.

Productivity growth started to slow before the 2007-2009 recession and has all but stalled in recent years. Annual growth averaged 1.3% in 2007 through 2015, just half the average pace of 2.6% in 2000 through 2007, according to the Labor Department.

Federal Reserve Chairwoman Janet Yellen in June described the outlook for productivity growth as a “key uncertainty for the U.S. econ-

omy” that will help determine the future trend for living standards.

“Understanding whether, and by how much, productivity growth will pick up is a crucial part of the economic outlook,” Ms. Yellen said. “But this is a very difficult question, and economists are divided. Some are relatively optimistic, pointing to the continuing pace of innovations that promise revolutionary technologies, from genetically tailored medical therapies to self-driving cars. Others believe that the low-hanging fruit of innovation largely has been picked and that there is simply less scope for further gains.”

She described herself as “cautiously optimistic” but said it “would be helpful to



An employee inspecting an Action Craft Boats vessel at the company’s Florida facility last week.

CORRECTIONS & AMPLIFICATIONS

A chart with a Page One article Tuesday about the growth of the catastrophe-bond market showed outstanding catastrophe bonds and related investments. The data was incorrectly labeled as issuance.

Marc Lore, the founder of Jet.com Inc. is 46 years old. A Page One article Tuesday about Wal-Mart Stores Inc.’s acquisition of Jet.com incorrectly said he is 45.

“League of Legends” is a desktop computer game. A Page One article Monday about South Korean mobile-game apps that spoof the working world incorrectly identified it as a mobile game.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

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WORLD NEWS

China's Sea Moves Draw Ire

U.S. naval chief says air patrols, joint drills with Russia in disputed waters are disruptive

By JEREMY PAGE

QINGDAO, China—The commander of U.S. naval forces in the Pacific said China had taken several destabilizing steps in the South China Sea—including conducting air patrols and announcing joint drills there with Russia—since a tribunal ruling against Beijing's maritime claims in July. Adm. Scott Swift, commander of the Pacific Fleet, also cited recent activities by Chinese fishing vessels in the East China Sea and reports that Beijing had erected hangars for military aircraft on artificial islands it has built in the South China Sea.

Adm. Swift on Tuesday said he didn't think the recent Chinese steps were direct responses to the international tribunal's ruling on July 12—which China has rejected—in a case brought by the Philippines over Beijing's claim to almost all of the South China Sea.

He said he was pleased overall by the response of those affected by the ruling.

But a lack of transparency about China's intentions meant some of its recent actions had added to tensions in the region, Adm. Swift said on board a U.S. guided-missile de-



In an Aug. 1 Xinhua photo, a Chinese navy ship launches a missile during a drill in the East China Sea.

stroyer that was in the eastern Chinese port of Qingdao for the first visit by a U.S. Navy ship since the tribunal ruling.

China's Defense Ministry didn't respond to a request for comment. China says the tribunal had no jurisdiction on the case, and Chinese President Xi Jinping has said Beijing won't accept any proposition or action based on the ruling.

Despite a barrage of Chinese invective against the ruling, all sides have appeared eager to resolve the issue through negotiations, and on Monday, the former Philippine President Fidel Ramos traveled to Hong Kong to try to lay the groundwork for formal talks with China.

Still, U.S. officials have ex-

pressed fears that Beijing could respond to the ruling by expanding its island-building or declaring an air-defense identification zone over the South China Sea, similar to one it established over the East China Sea in 2013.

Some experts and diplomats see signs that Beijing is starting to escalate its activities in disputed waters. Japan formally protested to China over the weekend, accusing Beijing of installing radar on an off-shore gas platform in the East China Sea and of sending fishing and coast-guard vessels into waters around disputed islands there. China says it has sovereignty over the area.

China's air force on Saturday said several of its aircraft,

including Su-30 jet fighters and H-6K bombers, had conducted patrols over two contested areas of the South China Sea—the Spratly Islands and the Scarborough Shoal.

On Monday, a U.S. think tank published satellite photographs it said showed that China had built hangars for dozens of military aircraft including jet fighters and bombers on three of its artificial islands in the Spratlys.

"What doesn't reduce tensions are these reports of this continued militarization of the islands, if that is indeed the case," Adm. Swift said. He added that China and the U.S. needed to ease tensions by organizing more exchanges.

Revitalization Minister: Japan Needs More Juice

By ELEANOR WARNOCK

TOKYO—A cabinet minister who helped create Prime Minister Shinzo Abe's growth strategy said Japan needed to juice its economic recovery with stimulus spending and loose monetary policy while studying more drastic steps such as wage targeting.

"Japanese people haven't broken out of the deflationary mind-set yet," said Kozo Yamamoto in his first one-on-one interview since taking his post last week as minister in charge of regional revitalization. "The government has to take measures to increase demand."

Mr. Yamamoto argued for years that Japan needed an end to deflation, driven partly by looser monetary policy, to solve its economic woes. His ideas were influential in shaping the prime minister's "Abenomics" plan to halt the spiral of falling prices and wages that has plagued Japan since the 1990s.

However, despite trillions of yen—tens of billions of dollars—in economic stimulus and monetary easing by the Bank of Japan since Mr. Abe took power at the end of 2012, consumer prices haven't noticeably increased.

Mr. Yamamoto said the government should discuss the idea of wage targets as a way to conquer deflation. Though Mr. Abe's requests for compa-

nies to raise worker pay had yielded some results, "we've got to stick at it," he said.

"My definition of regional revitalization is raising the average salary," he said. Other economists, including Adam Posen, president of the Peterson Institute for International Economics, have suggested similar wage policies.

The 68-year-old minister added that parliament should quickly pass a ¥28 trillion (\$274 billion) stimulus package approved by the cabinet last week. He said more stimulus was a possibility if the current package failed to produce results, although Japan's government debt is high.

"If the economy doesn't recover, you can't have fiscal reconstruction," he said.

Mr. Yamamoto said he hoped that Parliament would pass a bill to legalize casinos in its fall session. The bill has languished for several years, partly because of opposition from Komeito, the coalition partner of Mr. Abe's ruling Liberal Democratic Party. Advocates say it could help bring tourists to Japan and boost retail sales.

Opponents have expressed concern about allowing the spread of gambling in Japan.

Mr. Yamamoto said the Bank of Japan should aim to reach its 2% inflation target as soon as possible, but he declined to discuss specific steps to achieve it.

Chinese Inflation Slows Again

By MARK MAGNIER

BEIJING—Consumer prices in China rose less rapidly in July as increases in food costs abated, giving authorities more room to ease monetary policy.

China's consumer-price index rose 1.8% year-over-year in July, down from a 1.9% rise in June, the National Bureau of Statistics said Tuesday. This was the third consecutive month that the key inflation measure lost speed, putting it further below the government's 3% ceiling for the year.

China's producer-price index, which measures prices at the factory gate, fell 1.7% in July from a year earlier, compared with a 2.6% on-year drop in June. The index has lingered in deflationary territory for more than four years, but the decline has narrowed since the start of this year.

—Grace Zhu and Liyan Qi contributed to this article.

Officials Try to Stop Nuclear-Plant Protests

By BRIAN SPEGELE

BEIJING—Chinese officials are cracking down on protests over a nuclear-fuel-recycling project that has also raised alarms from the U.S. government.

In the eastern city of Lianyungang, a potential site for the project, thousands of people have taken to the streets in recent days to demonstrate against it, according to residents and videos posted online. A large police presence continued Tuesday.

Communist Party officials this week responded with warnings that the demonstrations are illegal. They cautioned party members not to join them, or even watch or discuss them online—at the risk of being "seriously investigated and dealt with," according to a notice by the local party discipline commission.

At the same time, officials promised to be transparent about the project, which they have gone to unusual lengths to defend on social media.

Provincial police declared on the popular Weibo social-media platform that it is necessary for China's energy future.

Large environmental protests are growing in frequency in China, and the ones in Lianyungang—about 250 miles north of Shanghai—highlight anxieties over the country's nuclear ambitions. Several residents said they are concerned in light of the 2011 Fukushima meltdown in Japan.

"I love this city and I don't care how great the GDP is," said one local resident who didn't want to be named. "I just want a quiet and healthy neighborhood without risks."

Videos posted online show thousands of protesters marching through Lianyungang's streets in recent days. "Protect our homes, oppose nuclear waste," they chanted in one. The footage couldn't be independently verified.

The project, a joint development of France's **Areva SA** and state-owned **China National Nuclear Corp.**, would recycle spent nuclear material into plutonium for reuse.



Protesters march on the streets of Lianyungang on Monday.

China sees it as a key part of ensuring energy security as it builds more reactors. But non-proliferation experts and U.S. Energy Secretary Ernest Moniz have voiced concerns that it is at odds with efforts to limit the spread of materi-

als that can be used in weapons.

China has said the reprocessing is intended to produce materials for commercial use only, such as specialized fuel for reactors.

China National Nuclear,

which said in a statement that the project has the support of the top leaders of France and China, said it is considering a number of sites besides Jiangsu province, where Lianyungang is located. They include the eastern provinces of Shandong, Zhejiang and Fujian. The area near Lianyungang is already home to the Tianwan nuclear-power station.

Chinese cities have been the scene of a string of recent environmental demonstrations. The not-in-my-backyard movements have put local leaders on the defensive as they seek both economic development and social calm.

Nuclear is an increasingly important part of China's energy mix, and industry experts say many more reactors will be needed if the country is to wean itself off coal, a major source of air pollution and carbon emissions. There are 20 reactors under construction in China, far more than in any other nation, according to the International Atomic Energy Agency.

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WORLD NEWS

Russia, Turkey Mend Fences

Putin says Moscow will ease sanctions imposed on Ankara after jet was shot down

By THOMAS GROVE

MOSCOW—Turkish President Recep Tayyip Erdogan met with Russian President Vladimir Putin in Russia on Tuesday, pledging to boost business, energy and tourism ties in a visit designed to end months of strained relations between Moscow and Ankara. Speaking at a news conference after the talks, Mr. Putin said Russia would gradually roll back the commercial sanctions it imposed against Turkey after Turkish F-16 jet fighters shot down a Russian warplane near the Syrian border in November, leading to a diplomatic freeze between the

countries. Those sanctions have hit Turkey's fruit and vegetable exports to Russia, and have curbed the flow of Russian tourists to Turkish beaches, one of Turkey's key generators of cash. Tuesday's talks were the first meeting between the Russian and Turkish leaders since the plane was shot down. Mr. Erdogan emphasized Turkey's desire to realize a proposed Russian-backed natural gas pipeline called Turkish Stream. The meeting had largely been expected to focus on Turkey's hopes to become a natural-gas hub for Europe and Moscow's plans to build the pipeline. During the news conference, the two leaders pledged to talk about Syria, where they support opposing sides, at a separate meeting to be attended by Russian and

Turkish delegations. Mr. Putin suggested that he and his Turkish counterpart shared an understanding of the need to fight terrorism. As well as signaling the end of an nine-month diplomatic impasse, the St. Petersburg discussions marked the

The meeting let Mr. Erdogan show the West he was willing to court the Kremlin.

first trip abroad for Mr. Erdogan since a failed military coup last month that left more than 250 people dead in Turkey. Mr. Erdogan has criticized Washington and Brussels for not showing more solidarity with his government in the aftermath of the July coup.

The meeting in St. Petersburg gave him the opportunity to send a signal to the West that Turkey is willing to court Moscow, traditionally the counterweight to Western influence in the Middle East. Messrs. Erdogan and Putin appeared on Russian national television before the meeting. "Regardless of the very difficult domestic political situation, our meeting today speaks about our desire to renew dialogue and resurrect ties in the interests of the people of Russia and Turkey," Mr. Putin said. The groundwork for the summit was set in late June, when Mr. Erdogan sent a letter expressing condolences over the downing of the Russian plane in November. Days later, the two leaders held their first telephone conversation in almost a year and planned to meet.



Vladimir Putin, left, greeted Recep Tayyip Erdogan on Tuesday.

ALEXANDER ZEMLIANCHENKO/ASSOCIATED PRESS

In India, Jihad's Heroin Link

Cooperation between smugglers and Islamist militants appears to be growing as the Pakistan border becomes a 'conveyor belt'

By NIHARIKA MANDHANA

CHANDIGARH, India—Just after midnight, Indian forces patrolling the country's frontier with Pakistan closed in on a group of armed smugglers. A firefight erupted. When the shooting stopped, two men were dead. Three others were apprehended and their cargo, 33 pounds of heroin, confiscated. Nearly half of India's heroin seizures, like this one in June, are made here in Punjab, a northern state that has become a conduit for drugs from the terror-funding opium fields of Afghanistan to markets across Asia, Europe and elsewhere, authorities say. Illegal narcotics and their legacy of addiction, disease and social upheaval in Punjab were recently the subject of a controversial movie that set off a debate ahead of coming state elections. But Indian antinarcotics and intelligence officials say the damage goes much further. Overlapping groups of drug traffickers, criminals and Islamist fighters in Pakistan, they say, are ferrying anti-India Muslim extremists, counterfeit currency and weapons across the border. Authorities suspect the sale of heroin also helps fi-

nance jihadist attacks. "Once you've figured a way in through the border, it becomes a conveyor belt," a senior Punjab police official said. "You can push drugs or terrorists or anything else." The India-Pakistan border isn't an easy frontier to carry out illegal activity. Barbed-wire fencing runs along much of the 1,800-mile stretch—the product of decades of rivalry that goes back to India's partition at the end of British rule—and is patrolled round the clock by heavily armed Indian guards. Crossing it is possible, though. Earlier this year, six Pakistani militants broke into a major Indian air base close to the Pakistan border in Punjab and killed seven people. Investigators say they are looking into whether they entered India with the help of smugglers—and the possible role of an Indian police officer. The problem isn't new. Prime Minister Narendra Modi used one of his first monthly radio addresses in 2014 to underline the drug trade's impact on security. But authorities say recent cases point to increasingly regular contact between smugglers and militants. Investigations into a 2014 case

have outlined an extensive network that appears to range across Afghanistan, Pakistan and Kuwait. Police that year arrested a 26-year-old constable named Khurshid Alam while he was allegedly delivering 22 pounds of heroin, wrapped in cloth bags labeled "Dawat Basmati Rice," to two men. According to police documents and interviews with two officers involved in the case, Mr. Alam said his supplier was a senior commander of Hizbul Mujahideen, an Islamist extremist

group fighting for the separation of Kashmir, a disputed region both India and Pakistan claim. Mr. Alam said the militant, Fayyaz Ahmed Khan, was a relative by marriage. Mr. Alam and his family told police Mr. Khan was also regularly involved in getting militants and weapons into India, police said. Mr. Khan couldn't be located to comment. Mr. Alam, whose trial is ongoing, has pleaded not guilty to drug-trafficking charges. A police probe led to an

India-born man called "Ali," who they said appears, based on intercepted telephone calls, to be running a large drug-trafficking operation from a jail cell in Kuwait. Police said they have yet to contact Kuwaiti authorities because they are unsure of Ali's real identity. "It's easy for them to communicate across borders, but not for us to investigate," one official said. "Drugs or terrorism or whatever, we are bound by the bureaucracy and the politics."

Smugglers have found ways to break through the heavily armed border. In February, security forces shot dead four men—two Indian, two Pakistani—who were using a long plastic pipe to push 22 pounds of heroin, wrapped into numerous small packets, through gaps in the wire of the border fence. In May 2015, two Pakistani men filled a waterproof bag with 43 pounds of heroin and a revolver and swam the Ravi River, which straddles the border. They were arrested on the Indian side. The following month, an Indian farmer was caught transporting 110 pounds of heroin in hollowed-out logs. The senior Punjab police official said smugglers who once moved gold in the 1960s have shifted to heroin, which is much more lucrative. They have been aided in recent years by online mapping and instant-messaging services like WhatsApp, the official said. Corrupt Indian officials and politicians also help facilitate the smugglers. Kiren Rijiju, minister of state in the Home Ministry, told Parliament that 68 members of various security forces have been arrested since 2014 for alleged involvement in drug trafficking.



Border security officers inspect a shotgun and drugs recovered from alleged smugglers.

RAMINDER PAL SINGH/EUROPEAN PRESSPHOTO AGENCY

ATTACK

Continued from Page One new front in South Asia. The group has a base in eastern Afghanistan, and security officials in India, Bangladesh and Pakistan say it has been seeking recruits in their countries. Last month, Islamic State said it was responsible for an attack on a restaurant in Dhaka, the Bangladeshi capital, which killed 22 people. Security forces killed five militants. Bangladeshi authorities blamed a domestic militant group, Jamaatul Mujahideen Bangladesh, for perpetrating that attack. Some attacks in Pakistan have been claimed in the name of Islamic State since early last year, but Pakistani officials have insisted in the past that the perpetrators were inspired by rather than operationally connected with the group. This time, the assertion came from the official Islamic State media arm, which is considered reliable. Unusually, the statement was issued in three languages—Arabic, English and Pakistan's national language, Urdu—according to SITE Intel Group, which monitors the online activity of extremist organizations. A militant who said he was working for Islamic State and lives near Pakistan's border with Afghanistan told local reporters the group had been planning the Quetta carnage for two months and that they had targeted lawyers, who "support democracy and make laws." On Tuesday, Pakistan's army chief, Gen. Raheel Sharif, ordered top commanders to use "full vigor to eliminate terrorists and sleeper cells,"

according to a statement from the military. Pakistan's jihadist underworld, which includes violent sectarian groups, is potential fertile recruiting ground for Islamic State. But many Pakistani militants remain largely loyal to al Qaeda. Security officials said initial findings showed the people behind Monday's attacks had links with groups in Afghanistan. Islamabad complains that the Pakistani Taliban and other militants have found sanctuary in eastern Afghanistan—a mirror of Afghanistan's grievance that insurgents targeting Kabul are based in Pakistan. Both countries deny accusations of clandestine official support for those militant havens. "Afghanistan doesn't support terrorism but has suffered the most in the war on terror," said Dawa Khan Minapal, a spokesman for the Afghan president. Among the groups based in eastern Afghanistan is Jamaatul-Ahrar, the splinter group of the Pakistani Taliban that said it carried out Monday's bombing in Quetta. "Jamaat-ul-Ahrar is ideologically close to Islamic State but they haven't accepted the caliphate," said Muhammad Amir Rana, head of the Pakistan Institute of Peace Studies. Mr. Rana said he believes that so far, Islamic State is limited to scattered cells in Pakistan. Afghan Taliban forces have fought those of Islamic State in Afghanistan in recent months, though there now signs of a truce between them. —Qasim Nauman in Islamabad, Habib Khan Totakhil in Kabul and Syed Zain Al-Mahmood in Dhaka contributed to this article.

Indian Rates on Hold as Prices Rise

By GABRIELE PARUSSINI

MUMBAI—The Reserve Bank of India left its main lending rate unchanged at a five-year low on Tuesday, citing rising inflation rates, during what was departing Gov. Raghuram Rajan's last monetary-policy meeting. Mr. Rajan, who will leave the central bank when his three-year mandate expires Sept. 4, kept the repurchase rate at 6.5%. This matched the prediction of nine economists polled by The Wall Street Journal last week.

The governor cited India's consumer-price index, which rose to 5.77% from a year earlier in June, a 22-month high, on higher food prices. "In view of this configuration of risks, it is appropriate for the Reserve Bank to keep the policy repo rate unchanged at this juncture, while awaiting space for policy action," Mr. Rajan said in a statement. The RBI has lowered its key lending rate by 1.5 percentage points since January 2015. A rise in consumer and wholesale prices since the bank's last monetary-policy

meeting in June has surprised analysts. The bank said that a sharper-than-expected increase in food prices will be somewhat tempered by the abundant monsoon that has allowed for more seed-sowing in the countryside, likely boosting agricultural incomes. Inflation averaged 5.6% in the three months to June 30, higher than the 5% target the RBI has set for March 31, 2017. The impact of an increase in housing rent allowances for civil servants next year will have to be "carefully monitored," the bank said.

All but one of the economists interviewed last week said the RBI would have room to cut rates by a further 0.25 percentage point in the fiscal year that ends March 31. If the central bank does opt to cut the lending rate in coming quarters, it will likely be the last time in a while, as the U.S. is expected to raise rates on the back of encouraging employment data. Mr. Rajan is widely credited with reining in India's double-digit inflation during his tenure. The government hasn't announced his successor.

Israel: U.N. Employee Aided Hamas

By RORY JONES

TEL AVIV—Israel on Tuesday charged a United Nations aid employee in the Gaza Strip with allegedly assisting the Islamist movement Hamas, its second such indictment against a Palestinian humanitarian worker in recent days. Prosecutors charged Waheed Borsh, an engineer for the United Nations Development Program with having allegedly diverted the organization's resources to help build and support Hamas's military operations in the Palestinian enclave. He was arrested on July 16 by Israeli police and the internal security agency, Shin Bet. The Shin Bet said it found that Mr. Borsh had been instructed by "a senior member of the Hamas terrorist organization to redirect his work for UNDP to serve Hamas's military interests."



A U.N. vehicle outside the UNDP's Gaza City headquarters.

MAHMUD HAMIS/AGENCE FRANCE-PRESSE/GETTY IMAGES

A lawyer for Mr. Borsh couldn't immediately be reached for comment. UNDP has "zero tolerance for wrongdoing in all of its program and projects," said Roberto Valent, its special representative to the Palestinians territories. The agency is "conducting a thorough internal review of the processes and circumstances surrounding the

allegation," he added. Israel last week charged Mohammed El-Halabi, director of the Gaza branch of international Christian charity World Vision, with funding Hamas with up to \$7.2 million a year over more than five years. World Vision said at the time it was "shocked" to learn of the charges against Mr. Halabi and, based on available in-

formation, had no reason to believe the allegations were true. Hazem Qasem, a spokesman for Hamas, denied the Israeli allegations and said neither man had been an operative for the Israeli group. "The Israeli allegations are too big to swallow," he said Tuesday. While the cases are separate, both indictments were based on confessions and corroborating documents gathered by the Shin Bet, said an Israeli official familiar with the matter. International donors and humanitarian groups provide hundreds of millions of dollars annually in aid to Gaza. Donors have given more than \$3.5 billion in reconstruction aid since Hamas and Israel fought a 50-day war in 2014, according to the World Bank. —Abu Bakr Bashir in Gaza City contributed to this article.

WORLD NEWS

Maduro Turns to a Marxist for a Miracle

Spaniard emerges as Venezuelan leader's key economic adviser to chagrin of party allies

BY ANATOLY KURMANAEV
AND MAYELA ARMAS

CARACAS, Venezuela—President Nicolás Maduro, hoping for an economic miracle to salvage his country, has placed his trust in an obscure Marxist professor from Spain who holds so much sway the president calls him “the Jesus Christ of economics.”

Alfredo Serrano—a 40-year-old economist whose long hair and beard have also elicited the president's comparison to Jesus—has become the central economic adviser to Mr. Maduro, according to a number of officials in the ruling United Socialist Party and other government consultants.

His rise has come at the expense of advisers who, though also leftist, have urged the president to undertake more conventional steps to address Venezuela's dysfunctional economy, such as liberalizing the tightly controlled currency, these people say.

Instead, Mr. Serrano's calls for even more state controls on manufacturing and food supply have largely shaped the president's response to the economic crisis, the party officials say. Such moves, they ar-

gue, risk prolonging the deepest recession in the nation's history—as well as the hyperinflation and severe food shortages that have accompanied it.

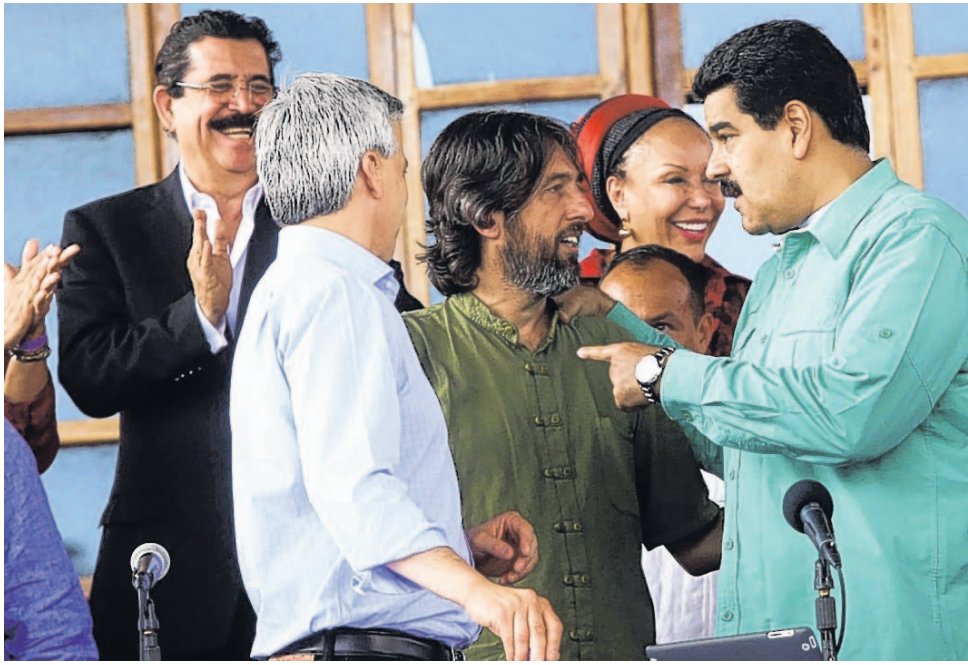
“All the attempts to reform, to coordinate with the private sector, have been blocked by him,” a senior ruling-party lawmaker said.

Venezuela's Information Ministry and Mr. Maduro's office didn't respond to requests to comment on Mr. Serrano's advisory role. Mr. Serrano declined to respond to specific questions about his influence with the president or the party officials' criticisms. In a May interview, he played down his role in Mr. Maduro's policies.

“Mr. Maduro is an avid reader, and he has my articles and books,” he said.

The Spaniard, though, accompanies the president on foreign trips, writes presidential speeches and proposes ministers, according to the ruling-party members. “This is a very intelligent, very qualified man who's building new concepts for a new economy of the 21st century,” Mr. Maduro said at a book fair last year, as he admired Mr. Serrano's 2014 tome “The Economic Thought of Hugo Chávez.”

In a move that underscores Mr. Serrano's influence, Mr. Maduro chose to ignore a recent economic-reform plan he had requested from the Union



Alfredo Serrano, center, has urged Venezuela's Nicolás Maduro, right, to impose more state controls.

of South American Nations, or Unasur, a left-leaning bloc co-founded by Venezuela.

But Mr. Serrano argued against the plan after Mr. Maduro asked the mission to present the proposals directly to the Spanish adviser in May, said one Unasur member at the presentation. Mr. Serrano said the plan omitted a tax reform and took away too much state power, according to the person. Mr. Serrano said in an interview a week after the meeting that he wasn't aware of any Unasur proposal.

After studying economics in Barcelona and Quebec, Mr. Serrano arrived in Latin America in the mid-2000s with a group of anticapitalist Spanish intellectuals who would later go on to form Spain's leftist Podemos party, which has jolted that country's two-party system in recent years.

In 2014, Mr. Serrano set up a think tank in Ecuador called the Latin American Strategic Center of Geopolitics, which lists him as a professor at eight universities across Spain and Latin America.

When contacted by The Wall Street Journal, however, none of the institutions said that he had held a staff position, while five said he had taught courses at the universities only as a visiting professor. The other three said they had no record that he had ever taught any courses there.

Mr. Serrano declined to respond to questions about his academic career or the website's description of his relationship to the universities.

Among his more unorthodox ideas are that inflation is

caused by class struggle and that government bureaucracy should be replaced by revolutionary communes that would handle everything from health care to food production. “The communes must be at the center of gravity of the new state,” Mr. Serrano said in a July speech.

Mr. Maduro has followed the advice by ordering community councils and soldiers to distribute basic food supplies directly to families, according to two ruling-party lawmakers.

Meantime, the crisis deepens. Inflation is expected to surpass 700% by year's end and economic output is likely to shrink 10% this year, according to the International Monetary Fund.

Most international and domestic economists blame Venezuela's food shortages, which have triggered riots, on price controls and expropriations. Mr. Serrano, though, attributes an “inefficient distribution system in the hands of speculative capitalism,” which he says allows companies to hoard products.

“Serrano is a typical European leftist who came to Latin America to experiment with things no one wants at home: state domination, price controls and fixed exchange rates,” said José Guerra, a Venezuelan opposition lawmaker and former chief economist at the central bank.



Security officers removed a protester during an Olympic archery event at the Sambodromo in Rio de Janeiro, Brazil, on Saturday.

Rio Ruling Is a Win for Protesters

BY BENJAMIN PARKIN

RIO DE JANEIRO—A judge blocked a provision in a law that has been used to throw antigovernment protesters out of Olympic venues, clearing the way for renewed political chants and messages at Games sporting events.

Late Monday, Federal Judge João Augusto Carneiro Araújo ruled that expelling protesters from Olympic venues violates the right to free expression, which is guaranteed in Brazil's constitution. According to Brazil's so-called Olympic law, which bans political demonstrations at venues, spectators can't “use flags for ends other than festive and friendly displays.”

A number of spectators were expelled from events in the opening weekend of the

Rio Games for displaying anti-government slogans. Much of the ire has been directed at Brazil's acting President Michel Temer, who backed impeachment proceedings against suspended President Dilma Rousseff, who is currently on trial in the Senate.

Rio 2016 organizers said they would honor the ruling but would ask for it to be reconsidered.

“We have the right to ask for a reconsideration from the judge, which we did,” spokesman Mario Andrada said at a press conference. “Meanwhile, we will fully respect the injunction.”

Mr. Temer was booed by the crowd at Friday's opening ceremonies. In recent days, some Olympic ticket holders have displayed shirts and

signs with slogans such as “Fora Temer,” which means “Temer Out.” Videos posted to social media showed some attendees being asked to put away or cover the slogans; in some cases protesters were forcibly removed by security.

In his decision, Mr. Araújo wrote that interpreting the law to restrict peaceful political protest is “an affront to the inviolable core of the fundamental right to freedom of expression.”

He said violators would be fined 10,000 reais (\$3,165).

The injunction can be challenged in a higher court—including the Supreme Court. A similar measure was upheld by the high court when Brazil hosted the World Cup in 2014. At the time, Justice Gilmar Mendes noted that the right to free expression wasn't “insus-

ceptible to restriction.”

Brazil's political crisis has led to months of tension between supporters of Ms. Rousseff and those of her successor, Mr. Temer, a former ally.

Ms. Rousseff is on trial for allegedly violating budget laws, which she has repeatedly denied. The Senate will determine her fate shortly after the closing ceremonies. If she is ousted, Mr. Temer will finish out her term, which runs through 2018.

“I hope everyone understands that the Games should not become a platform for political debate,” International Olympic Committee spokesman Mark Adams said. “I think a lot of people appreciate that. But absolutely, we respect the rule of law.”

—Anton Troianovski contributed to this article.

Saudis Raise Fees, Fines As Oil Income Declines

BY MARGHERITA STANCATI

DUBAI—Saudi Arabia, faced with dwindling energy income, has sharply increased government fees such as visa charges as part of a range of measures aimed at raising revenue from non-oil sources.

Under the new rules approved by the Saudi government, foreigners will have to pay \$800 for a six-month visa, six times the current cost.

The government also announced hefty fines for traffic violations that include drifting, a practice that involves intentionally skidding and spinning at high speed—a popular pastime for men in a country that notoriously lacks entertainment options. First-time violators will face fines of 20,000 Saudi riyals (\$5,332). It also more than tripled the fees it charges to advertise on billboards.

In an era of cheap energy prices, Riyadh is pushing to overhaul its oil-dependent economy by asking its citizens as well as foreigners to do more to help fill state coffers. The Saudi cabinet late Monday night approved a series of proposals aimed at getting a little closer to that goal.

The visa-fee increases, which will come into force in October, will affect foreigners who regularly travel to the kingdom for work. A two-year, multiple-entry visa, for instance, will typically cost 8,000 riyals.

The increase in visa fees alone, however, will do little to help make up for two years of

low oil prices that have strained the country's finances, resulting in last year's deficit of around \$98 billion.

“It's about the message,” said Tamer El Zayat, senior economist at Saudi Arabia's National Commercial Bank. “It underscores the idea that the government is trying to hike fees on different activities, whether it is visas, water or electricity.”

The government's target is ambitious: It wants to more than triple its non-oil revenue to 530 billion riyals by the end of 2020. Riyadh already cut spending and raised the domestic cost of utilities such as water, fuel and electricity. It also announced plans to reduce the money it spends on public sector wages by 5%.

The government is also planning to raise revenue through indirect taxation such as the value-added tax, once unthinkable in a kingdom where for decades oil money was sufficient to fund a generous welfare system. Saudi Arabia isn't alone: The slump in oil prices is also pushing its Gulf neighbors to reassess their light-touch tax regimes.

Making it more expensive to hire foreigners to work in the kingdom may encourage companies to hire Saudi citizens instead, another important goal of the government's plan for economic reform.

“They are clearly pushing as hard as they can to get Saudi graduates in the private sector,” said James Reeve, deputy chief economist at Samba Financial Group.

World Watch

INDIA Activist Ends 15-Year Hunger Strike

Civil-rights activist Irom Sharmila Chanu on Tuesday ended her 15-year hunger strike against a controversial security law in her home state of Manipur in northeastern India, by drinking honey in front of assembled media.

The 44-year-old activist, who has been force-fed for the duration of her protest, announced the end of her hunger strike—one of the longest-running anywhere—at a hearing in a local court in Imphal, the capital of Manipur, according to a statement from Amnesty International India.

Two weeks ago, Ms. Irom told the court and the media that she would give up her fast in order to contest state elections as

an independent candidate and contest the security law through a democratic process.

Ms. Irom started her indefinite fast in November 2000 in a protest against the law, the Armed Forces (Special Powers) Act, or AFSPA, which is designed to rein in militants and separatists. Under the law, if there is “reasonable suspicion” that a person is acting against the state, security forces are empowered to search properties without a warrant, and to arrest and to shoot without any fear of civilian prosecution.

Ms. Irom says the law is abused, leading to killings, “disappearances,” rape and other violent acts.

For more than 15 years, Ms. Irom had been detained under a law that prohibits suicide.

—Krishna Pokharel

BELGIUM Machete Attacker ‘Was Acting Alone’

Belgium's Interior Minister Jan Jambon said Tuesday the weekend machete attack on two police officers in the city of Charleroi appears to be an “iso-

lated act” and the assailant wasn't a member of the Islamic State network.

The assailant, who was in Belgium illegally since 2012, was shot during the attack and died later of his wounds.

Islamic State on Sunday said the attack was carried out by one of its “soldiers.” The group

has, however, regularly claimed attacks despite no concrete evidence of coordination with the assailants.

In an interview Tuesday, Mr. Jambon said the assailant appeared to be acting alone.

Pressed over why authorities weren't raising the threat level for police, Mr. Jambon said au-



Activist Irom Sharmila Chanu plans to stand in state elections after ending a 15-year hunger strike.

thorities have found no “information to justify that.”

—Laurence Norman

UNITED KINGDOM Retail Sales Data Buck Gloomy Trend

U.K. retail sales increased in July, according to a survey by a

retail trade group, an early indicator that consumers didn't slow spending in the immediate wake of Britain's vote to leave the European Union.

The upbeat data follow a series of gloomier economic signals. Many economists and policy makers have warned that the uncertainty generated by the vote will likely weigh on growth in the months and years ahead. The British Retail Consortium said Tuesday that like-for-like sales—stripping out stores that have opened or closed—rose 1.1% in the four-week period from July 3 to July 30, compared with the year-earlier period. In July 2015, sales increased 1.2%. The July sales rebounded from a fall in June, when like-for-like sales dropped 0.5%.

The positive data for the economy follow a series of other downbeat surveys. Activity in the manufacturing, construction and services sectors shrank in July, according to polls of purchasing managers published by IHS Markit Ltd. Market research firm GfK Ltd. reported that its gauge of consumer confidence fell steeply after the referendum result.

—Simon Zekaria

FROM PAGE ONE

RATES

Continued from Page One
urally more inclined to save; central banks themselves may have failed to properly explain their actions.

But there is a growing suspicion that part of the problem may be negative rates themselves. Some economists and bankers contend that negative rates communicate fear over the growth outlook and the central bank's ability to manage it.

"People only borrow and spend more when they are confident about the future," says Andrew Sheets, chief cross-asset strategist at Morgan Stanley. "But by going negative, into uncharted territory, the policy actually undermines confidence."

Big bet

Going negative was a big bet by central banks faced with a sluggish recovery from the financial crisis. Whether negative rates succeed or flop has huge implications for the global economy. Japan and Europe are already doing large volumes of bond buying to spur their economies, and their central bankers have little left in their tool kits.

The U.S. Federal Reserve's next move is likely to raise rates, but Chairwoman Janet Yellen has said negative rates could find a place in the Fed's armory in any future crisis.

The Bank of England, shaken by June's surprise vote to leave the European Union, cut interest rates to their lowest in its 322-year history last week but said it was reluctant to go negative. BOE Gov. Mark Carney said he is "not a fan" of a policy that has negative consequences for savers and the financial system. European banks say their profitability has been hit hard by low rates.

Some central bankers say it is too early to judge negative rates. "The effect won't be seen all at once, but it will gradually become clear," said Bank of Japan Gov. Haruhiko Kuroda in a June news conference.

Benoît Coeuré, a member of the ECB's executive board, in a July speech, said measures including negative interest rates "are proving to be effective in lifting inflation toward its medium-term objective and reducing the overall level of risk in the economy."

Low interest rates should encourage consumers and businesses to spend by depressing returns on savings and safe assets such as government bonds. Such spending should create demand for goods, help lift sagging inflation and boost economic growth.

Negative rates aren't fundamentally different, in their day-to-day effects, for most people. Negative rates mean large commercial banks have to pay to park their money at central banks, which encourages them to lend it out instead. Banks spread those costs in various ways. For the individual or most corporate customers, the effect is to push interest rates paid on deposits, while still positive, even closer to zero.

Negative rates aren't just aimed at spurring spending. Europe and Japan need



Heike Hofmann, who sells fruits and vegetables in Korschenbroich, Germany, reacted to negative rates by cutting her spending.

weaker currencies to help exports and boost low inflation, and negative rates can help bring that about.

Some economists now believe negative rates can have an unintended psychological effect by communicating fear over the growth outlook and the central bank's ability to manage it.

"The signal to the consumer is that something is wrong—it's a crisis measure," says Carl Hammer, chief currency strategist at Swedish bank SEB.

Lasse Bohman, a 63-year old newsstand worker from Stockholm, said the concept of negative interest rates is "weird" and makes him want to save more for retirement rather than spend. "I am just going to keep on putting money in the bank," he says, or "put it under the mattress at home."

Whether negative rates succeed has huge implications for the global economy.

In Germany, Europe's largest economy and a nation known for thrift, savings as a percentage of disposable household income rose to 9.7% in 2015, according to preliminary data from the OECD. That is the highest rate since 2010, and the OECD expects the savings rate to rise further this year, to 10.4%.

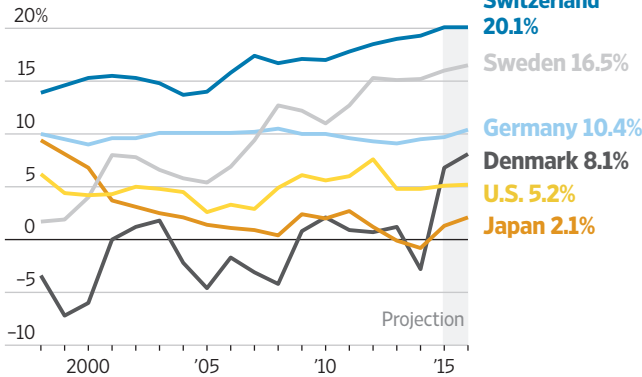
Many Germans worry that negative rates pose a threat to their rainy-day funds. Four in 10 Germans cite the ECB's monetary policy and low interest rates as their biggest concern when it comes to savings, according to a survey by the German Savings Banks Association in October.

In December, Ms. Hofmann, the Korschenbroich fruit vendor, used her Christmas bonus to buy two 10-gram bars of gold. She has since bought

Unintended Effects

Consumers are saving more in many countries with low or negative rates, and companies also are holding on to cash.

Household savings rates



Note: 2015 savings data are preliminary and 2016 data are projected. *Europe, the Middle East and Africa
Sources: OECD (savings rates); Moody's Investors Service, company filings (cash)

more and has put it, and every euro she can set aside, into a safe at home, saying she doesn't trust banks. "Every time I check my savings account, it makes me want to cry," she says.

In the broader eurozone, where saving isn't as ingrained in the psyche as in Germany, the household savings rate has edged lower since negative interest rates were introduced in 2014.

The OECD forecasts the household-saving rate will increase this year in Japan, which introduced negative rates in February. Cash and deposits held by Japanese households were up 1.3% in the first quarter from the same period a year ago, according to the Bank of Japan.

In the U.S. and U.K., where interest rates are still positive but annualized growth rates in the year's first quarter were slower than the eurozone or Japan, savings rates have been stable or trending lower.

Companies are also holding on to funds, and some are forgoing cheap loans.

In Japan, cash and deposits held by nonfinancial corporations increased 8.4% in the first quarter from a year ear-

lier, according to the Bank of Japan. That growth was the biggest since the 1990s.

Nonfinancial corporations in Europe, the Middle East and Africa had €921 billion in cash balances as of December 2015, according to a report from Moody's Investors Service, up about 5% from a year earlier. As a percentage of revenues, cash balances were 15% last year, versus 13% in 2014.

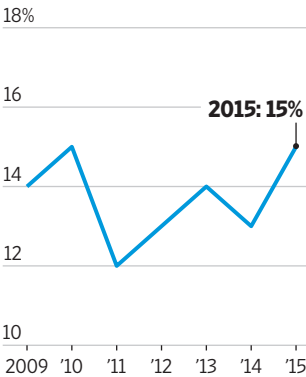
"This odd policy of negative interest rates hasn't motivated us to invest more. On the contrary, it's a signal that the economic situation isn't improving," says Hans-Gerd Wienands, chief financial officer of Messer Group, a German supplier of industrial gases.

The company has cut the amount it invests to 12.5% of revenue this year, from more than 20% in 2010, as it reduced debt.

In Japan, Tatsuro Takahashi, who sells barbecue pork from his food truck in Tokyo, said, "I'm not interested in borrowing money to expand my business, whether the rate is lower or not. It is riskier."

Bank lending in Japan has

Cash as a percentage of revenues for EMEA nonfinancial companies



THE WALL STREET JOURNAL.



Tatsuro Takahashi said he isn't interested in borrowing money to expand his Tokyo food-truck business.

expanded for 58 months in a row through July, but growth has slowed.

The Bank of Japan "failed to foresee people's behavior," said Noriko Hama, a professor of economics at Doshisha University in Kyoto, in the magazine Weekly Economist. "It's simply rational for them to increase savings."

Household spending in Japan jumped 1.2% in February, the month the BOJ introduced negative rates, but fell the following four months.

THROB

Continued from Page One
Brownstein said. The 72-year-old stores his homemade plastic "flic" in the glovebox for when he is driving and doesn't want to pop the sunroof, which also silences the throb.

A Porsche AG spokesman declined to comment.

Wind throb happens more often now because vehicles are designed to have fewer gaps between parts to eliminate any chance of their cars being labeled rattletaps.

"It is getting worse because cars are getting tighter," said Stephen Remondi, president of Exa Corp., which designs digital simulation software for auto makers.

The throb is caused by wind passing over flat openings, like a window, in a way that matches the "resonance frequency" of most car cabins. The phenomenon is just like what happens when someone blows over the top of a Coke bottle.

"Most vehicles today, regardless of manufacturer, are sealed

so well to improve NVH levels, they can't vent the volume of air needed to reduce or eliminate the phenomenon," Jason Nunamaker, a Toyota Motor Corp. expert on vehicle frames, said in an email. NVH is an industry term that stands for noise, vibration and harshness.

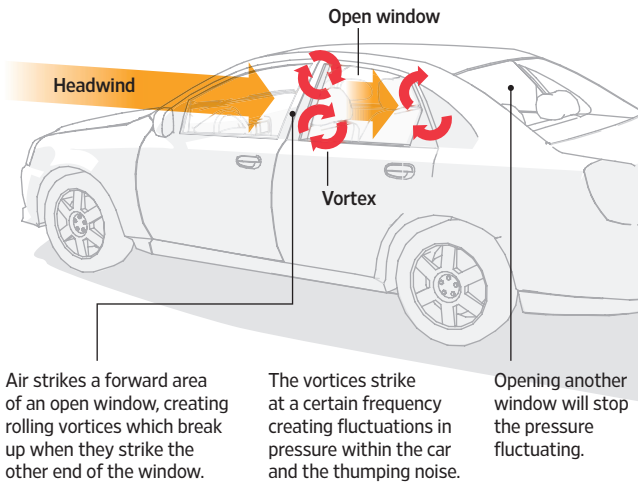
There are fixes on the market for some of the problems. Some models with sunroofs have a shield that deflects wind on top of the car when the sunroof is opened. Others are selling devices to attach to car window frames. Several U.S. patents have been filed for devices that may eventually adorn new automobiles.

So while the redesigned Honda Civic has been widely praised by auto critics for a suite of enhancements, its occupants may need to fiddle with finding the right window-cracking configurations.

In a highly unscientific test, this reporter found that wind throb made the car's cabin sound a bit like a European electronic-dance music concert. The pulsing sound barged the inside of the car and the rearview mirror shook.

The Physics Behind the 'Wub Wub'

Wind throb occurs when car occupants open a certain window and hear a loud pulsating sound. Here's how it works:



Source: Franck Perot, senior director aeroacoustic applications, Exa Corp.

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Wind throb is "not something that we're looking into from an engineering standpoint," said a Honda Motor Co. spokeswoman, because pretty much all cars confront wind throb at moderate to high speeds with a window open,

"especially on a highway."

Those shelling out a few more bucks may find a moment of relief. Jaguar has a solution called the "comfort stop." The British brand's "comfort stop" option opens the window just enough to keep the Helmholtz

resonance at bay. It can only be overridden if occupants hit the window button again.

Jim Hart, of Grosse Pointe, Mich., has another solution, but it presents some challenges. A few years ago, he rolled down the rear window of his new Buick LaCrosse and mistook the throb for a flat tire. "I called the salesman and said 'what's the deal with this?'" He says the dealer told him the problem is normal.

Not content with normal, Mr. Hart figured out a home-grown solution: Keep the rear seats down, thereby opening a passageway to the trunk.

A spokesman for General Motors Co., owner of Buick, said wind throb is an "industry-wide challenge." He said the company advises consumers to "open either a front window or the sunroof, if equipped."

Inventors working for Ford Motor Co. have filed for a number of patents that confront the problem. One is an "air extractor," placed near the rear of the car that is tuned to 12 and 18 Hertz, the usual frequency for wind throb in the cabin, according to patent doc-

Some say other factors are contributing to increased savings. In Germany, for instance, low inflation stemming from cheaper oil and tepid growth means that people have more money to put away simply because the stuff they buy costs less.

ECB President Mario Draghi says that after accounting for inflation, the rate that savers earn today is higher than it was on average in the 1990s.

Peter Praet, the ECB's chief economist, says the focus should also be on borrowers, who are more inclined to spend than savers, and are seeing a boost to their disposable income because ultralow rates reduce the cost of servicing debt.

Push to save

Other central-bank executives concede negative rates may push some to save. Yves Mersch, a member of the ECB's executive board, said in June that it is possible "households are hoarding even more" because they need to save more to build up the same amount of wealth over the same time span.

Household spending as a percentage of gross domestic product has fallen slightly in Germany to 54% last year, from 55.4% in 2013, according to OECD data. It also has fallen in Sweden, and is relatively flat in Denmark and Switzerland.

Interest payments on savings accounts in the eurozone are at the lowest levels since 2000, according to ECB data. In the early 1990s, it took nine years for a German saver to double his or her capital as interest income piled up, according to Hans Joachim Reinke, chief executive of Frankfurt-based Union Investment. Now, savers like Ms. Hofmann would have to wait 500 years for that to happen.

Negative rates have also hit pension payouts, giving older savers another reason to squirrel away more cash.

Pension funds and pensioners typically invest in government bonds in a quest for reliable income. That income has never been smaller. About \$12 trillion worth of bonds currently have negative yields, according to Bank of America Merrill Lynch European credit-strategy research, compared with almost none two years ago.

That is a problem for Henrik Olejasz Larsen, who as chief investment officer of Sampension manages pensions for Danish government employees. The return on assets that Sampension invests in has fallen as low as 0.2%, far from the 3.5% needed to maintain pension payouts at a level expected by their holders.

University of Michigan economist Miles Kimball believes rates should be lowered even deeper into negative territory. If people are getting scared by negative rates, he says, it is the fault of central banks' inability to communicate effectively, not the policy itself.

"They should say that this is a normal tool of policy," he says, "and then people wouldn't freak out."

—Charles Duxbury, Tom Fairless, Todd Buell and Takashi Nakamichi contributed to this article.

U.S. NEWS

Senator Disavows Trump

Maine Republican Collins says party's nominee is unworthy of being president

By JULIAN ROUTH

Sen. Susan Collins of Maine has become the second sitting Republican senator to declare she won't vote for Donald Trump, joining a growing number of Republicans distancing themselves from the party's presidential nominee.

Writing in the Washington Post, Ms. Collins said Mr. Trump departs from "traditional Republican values" and instead holds a "disregard for the precept of treating others with respect, an idea that should transcend politics."

Ms. Collins, a centrist Republican, criticized the New York businessman for lacking "the temperament, discipline and judgment required to be president."

She noted what she called Mr. Trump's mockery of a disabled New York Times reporter—a "shocking display that did not receive the scrutiny it deserved," she said—as well as his attacks on a federal judge in June and his recent feud with the family of a Muslim U.S. Army captain killed in Iraq.

"With the passage of time, I



Republican Sen. Susan Collins of Maine speaking to the media in Washington in June.

have become increasingly dismayed by his constant stream of cruel comments and his inability to admit error or apologize," Ms. Collins wrote. "But it was his attacks directed at people who could not respond on an equal footing—either because they do not share his power or stature or because professional responsibility precluded them from engaging at such a level—that revealed Mr. Trump as unworthy of being our president."

Ms. Collins, who isn't running for re-election this year, didn't mention Democratic nominee Hillary Clinton by name but wrote that she sup-

ported neither of the major-party presidential nominees. The Trump campaign didn't respond to a request for comment.

Mr. Trump's public spat with the parents of Capt. Humayun Khan also pushed Republican Rep. Richard Hanna of New York to become the first GOP congressman to say he would vote for Mrs. Clinton. Mr. Trump questioned the Khan family's motives for appearing at the Democratic convention

In June, Illinois Sen. Mark Kirk, one of the Republican senators most at risk of losing his job in November, rescinded

his support for Mr. Trump after the candidate questioned whether a federal judge could rule fairly in litigation involving the defunct Trump University real-estate school because he was of Mexican heritage.

Republican Arizona Sens. John McCain and Jeff Flake have expressed discomfort with Mr. Trump's rhetoric, and Mr. Flake has declined to endorse him. On Monday, 50 veterans of the Republican national-security establishment released a letter saying they wouldn't vote for Mr. Trump and expressing alarm at his views on foreign policy.

Credit Cards Lift Household Debt

By JOSH ZUMBRUN

The credit card is coming back, even among people with the lowest credit scores.

In the second quarter, total U.S. household debt increased by \$35 billion to \$12.3 trillion, according to the New York Fed's latest quarterly report on household debt. That increase was driven by two categories: auto loans and credit cards.

While auto loans have been rising at a steady clip for the past six years, rising credit-card balances are a new development. After the recession, households cut back on credit-card use until 2014. Since then, card balances have risen by about \$70 billion.

In the second quarter, auto loans increased by \$32 billion and credit-card balances by \$17 billion. That growth was partially offset by declines in mortgage and home-equity loan-balances, for a total quarterly increase of \$35 billion.

From 2008 to 2013, total household debt dropped by more than \$1.5 trillion. But then student- and auto-loan balances began to rise, and then mortgages and finally credit cards. Total household-debt balances are now \$400 billion below their 2008 peak.

Credit-card debt had declined as households cut back on their use and as financial in-

stitutions cut off credit. These effects were particularly pronounced among people with low credit scores, where the number with a credit card declined by more than 10%, according to a special New York Fed supplemental report on credit cards.

Now, credit cards are returning among individuals with low credit or subprime credit scores below 660. Among people with credit scores between 620 and 660, the share that had a credit card rose to 59% in 2015 from a low of 54% in 2013. Among those with scores below 620, the number of people with a credit card increased to 50% from a low of 46% two years ago. Both figures for 2015 are the highest since 2008.

About 88% of people with high credit scores have credit cards, a figure that has changed little over the past decade.

The report "highlights a positive ongoing trend in household debt," said Donghoon Lee, a New York Fed economist. "Delinquency rates continue to improve, even as credit has become more widely available."

Less than 1% of credit card balances are 90 to 180 days delinquent, the lowest on record in data going back to 2003. Severely derogatory balances, including those that have been written off by banks, are at 6.2%, near the lowest levels in the available data.

Ex-Im Bank Chief Hopes for End to Impasse

By MARK MAGNIER

BEIJING—The U.S. Export-Import Bank is vetting major export-financing deals in advance so it can resume lending as soon as a U.S. Senate logjam is resolved, its chairman said Tuesday in Beijing.

Fred Hochberg, the Ex-Im Bank's chairman and president, said he hopes the Senate can clear an impasse during the next few months affecting a

backlog of loan applications totaling some \$20 billion at the Washington-based institution, which finances U.S. exports.

The bank has run into opposition from critics who characterize as "corporate welfare" its support for U.S. exporters such as Boeing Co. Last year, the bank's operations were suspended after House Republicans stopped Congress from voting on a reauthorization measure before

its charter expired in July.

In December, large majorities in the House and Senate voted to renew its lapsed charter. But Sen. Richard Shelby (R., Ala.), chairman of the Senate Banking Committee, has since blocked efforts to confirm three members on the bank's five-member board, denying it a quorum to approve deals exceeding \$10 million.

The dispute illustrates the backlash that large companies

are facing in Washington from a Republican Party that has grown increasingly populist.

While the bank can finance smaller deals, it has dozens of transactions over the \$10 million threshold requiring board approval, Mr. Hochberg said.

Mr. Hochberg was in China to hold regular meetings with officials at the Export-Import Bank of China, leasing companies and the China Export & Credit Insurance Corp.



Since 2014, credit-card balances have risen by about \$70 billion.



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PERSONAL JOURNAL

How Fantasy Helps a Relationship

Thinking about love and sex are powerful ways to fuel desire for your partner

By ELIZABETH BERNSTEIN

When relationship researchers gathered recently for their big international conference, one presentation drew a lot of attention because it offered an answer to a question often asked but rarely examined: Can sexual fantasies improve your relationship?

The answer: Yes—as long as you are fantasizing about your partner.

Previous research shows that just about everyone—between 95%

BONDS: ON RELATIONSHIPS

to 98% of the population—has sexual fantasies. Not everyone, of course, wants to act on them. In general, men's fantasies are more sexually explicit. They are more likely to fantasize about multiple partners, some studies found. Women's fantasies contain more romantic and emotional content.

"Fantasies reflect how we cope with our insecurities and whether we want to promote intimacy or escape from it," says Gurit Birnbaum, a social psychologist and associate professor of psychology at the Interdisciplinary Center, a private university in Herzliya, Israel, who is the lead researcher on the new studies. "Tell me your fantasies and I will tell you what your personality is and what you want out of your relationship."

A study published in the January, 2015, issue of the Journal of Sexual Medicine found typical types of fantasies for both men and women include feeling romantic emotions during sex, imagining a particular atmosphere and location, receiving oral sex and (particularly for men) having sexual intercourse with two women.

What people fantasize about is determined by a number of fac-



JASON SCHNEIDER FOR THE WALL STREET JOURNAL

tors, experts say, including hormones, age, past sexual experiences, relationship length and satisfaction level, personality and even emotional attachment style. People who avoid emotional attachment—psychologists call this having a highly avoidant attachment style—typically fantasize about casual, nonemotional sex. People with a highly anxious attachment style, who crave emotional attachment and worry they will lose the person they love, are more likely to fantasize about pleasing their partner. People with a secure attachment style are most likely to fantasize about romantic, loving sex.

Past research has looked at who and what people fantasize about, but generally not the impact these fantasies have on relationships. The vast majority of people in exclusive relationships

fantasize about someone other than their partner, research shows, and people who are in an unhappy relationship do this more than others. A study of 349 people in heterosexual romantic relationships, published in the Journal of Sex Research in 2001, found that 98% of men and 80% of women fantasized about someone other than their partner at least occasionally. Most of the fantasies about someone else were about a person the participants had never been with sexually, yet a fifth of men and a third of women reported fantasizing about previous sexual partners.

The study also showed that fantasizing about someone else isn't necessarily harmful for your relationship. The men's fantasies about sex with someone else didn't lead them to cheat, which is in keeping with the anecdotal evi-

dence, experts say. "If fantasizing about other people was harmful, not many relationships would survive because almost all of us do it," says Justin Lehmler, the director of the social psychology graduate program at Ball State University, in Muncie, Ind., who is a sex researcher.

Now, three new studies presented at the biennial conference of the International Association of Relationship Researchers, held recently in Toronto, show that fantasizing about your partner will help your relationship. It increases your desire for the person you are with and leads you to show them more love, affection and support. Fantasizing about someone else won't hurt your relationship, the studies show, but it won't help it, either. The studies haven't yet been published in a scientific journal.

In the first study, 102 individuals who were in a heterosexual, monogamous relationship were brought into a laboratory and asked to fantasize about their partner or someone else. One-quarter of the people were told to fantasize sexually about their partner; one-quarter were told to fantasize about solving a problem with their partner; one-quarter were told to fantasize sexually about someone other than their partner; and one-quarter were told to fantasize about solving a problem with someone other than their partner.

The participants were then asked to describe the scenario they imagined in detail, including how they felt afterward. The study found that the people who had sexual fantasies about someone other than their partner felt guilty. And the people who had sexual fantasies about their partner had more interest in their partner. "All they had to do is fantasize sexually about their partner and—boom!—their sexual desire increased," says Dr. Birnbaum, the lead researcher.

In the second study, the researchers followed 100 heterosex-

ual, monogamous couples for six weeks. Participants were asked to independently record their perceptions of their relationship in a diary each day, without showing their partner, rating how strongly they agreed with statements such as, "I feel committed to the relationship;" "I feel doubts about my compatibility with my partner;" and "I feel my partner is highly valued by other people."

The participants also reported on whether or not they fantasized about their partner that day. This study found that on days when people said they had fantasies about their partner, they were more likely the next day to say they felt more committed in the relationship and more trusting of and affectionate to their partner. People also had fewer doubts about their relationship on days after they had fantasized about their partner.

In the third study, 48 heterosexual, monogamous couples were asked to keep diaries for three weeks, with each partner recording in detail every fantasy they had about their partner or someone else. They also recorded their relationship interactions each day, such as whether they expressed love, did something nice for their partner or were supportive or critical.

When the participants fantasized about their partner, they were more likely to act positively the next day. When they fantasized about someone else, they weren't mean to their partner the next day, but they didn't behave better toward them either.

The takeaway? "Even if you are not satisfied with your relationship, fantasizing about your partner boosts your relationship perception and satisfaction," Dr. Birnbaum says.

Write to Elizabeth Bernstein at elizabeth.bernstein@wsj.com or follow her on Facebook, Twitter or Instagram at [EBernsteinWSJ](https://www.instagram.com/EBernsteinWSJ).

Packaged Foods' New Selling Point: Fewer Ingredients

By ANNE MARIE CHAKER

Scientists at Hershey Co. spent a year and a half working to eliminate ingredients from its classic chocolate syrup. Company marketers wanted the label to be short and sweet. By spring this year, Hershey launched Simply 5 with just five ingredients, down from 11.

Instead of burying ingredient lists in the fine print on the back of the package, food manufacturers are trumpeting simpler formulas on labels, front and center.

Food giants such as ConAgra and General Mills are winnowing their ingredient lists, too. Some snack bars boast they are just fruit; tortilla chips brag they are nothing more than corn, salt and sunflower oil.

More people care deeply about what's in their food and insist on recognizing the ingredients. The litmus test for many consumers is whether those ingredients might appear in their own kitchen cupboards, food scientists and marketers say. Consumers are willing to accept a little extra sugar or fat in exchange for clarity.

On most packaged foods, consumers should be able to count the ingredients on two hands. "Up to 10 covers most things," says Lu Ann Williams, director of innovation for Innova Market Insights.

In a study last year, Packaged Facts, a food and beverage market research firm in Rockville, Md., found 87% of consumers said they looked at nutrition labels and 67% preferred groceries with fewer and simpler ingredients.

Nutrition labels have become a contested area in consumer marketing, as companies develop healthier foods and offer more transparency about their ingredients. PepsiCo removed the sweetener aspartame from its diet colas last year, then earlier this summer said it would reintroduce it. Vermont's stricter labeling requirements have pressured companies such as General Mills to explain on labels that their products contain genetically modified organisms.

There is a reason artificial ingredients are so ubiquitous: They work to improve everything from texture to color to shelf life of packaged foods. But many consumers want natural alternatives.

High fructose corn syrup was a major ingredient in Hershey's syrup. But the company found for its new Simply 5 formula, regular sugar alone didn't work because of its tendency to produce a gritty texture, says Shawn Houser-Fedor, director of global snacks product



PHOTO COMPOSIT BY PATRICK CONLON/WSJ; BERTOLLI

Simple Is Better

Short ingredient lists are a new selling point: Clockwise from top left: One Ingredient Peanut Butter from CB Nuts is ground to a semi-smooth consistency; That's It! fruit bars boast, "1 apple + 1 mango in this fruit bar. That's it!"; Simply Tostitos Organic Blue Corn Tortilla Chips have sunflower oil rather than the combination "corn, canola and/or sunflower oil" found in some others; Bertolli Frozen Meals highlight four components but may contain other ingredients listed on the back.

development. Scientists considered brown rice syrup and even agave, but neither option offered the best flavor when combined with cocoa, she says.

The company finally combined cane sugar with an invert cane syrup, commonly used in food manufacturing, which is fructose and glucose dissolved in a liquid that helps ingredients retain their smoothness.

Simple ingredients on nice packaging has often been a marketing tool for smaller or pricier brands. Caron Proschan saw a business idea when she reached for a stick of gum after her salad at lunch. "At that moment, I saw the contrast between my healthy

lunch and this bright, neon gum I was chewing," says Ms. Proschan, who previously co-founded a beauty products company. She launched Simply Gum in 2014 with flavors such as fennel licorice and ginger, and a natural chicle base made from the sap of a tree.

Photographs of a maple leaf or a cinnamon stick on a white background make the front of the \$3 box. "Gum is a social item," says Ms. Proschan, so the packaging and look of the brand was important. "People pull it out at parties and on dates."

Hershey Co.'s Simply 5 syrup is eliminating high-fructose corn syrup and preservatives such as polysorbate 60. Simply Tostitos

Organic Blue Corn Tortilla Chips boast only three ingredients—blue corn, organic expeller-pressed sunflower oil and sea salt.

This past June, General Mills Inc.'s Larabar snack bar line launched Larabar Bites. The bites, available in flavors such as double chocolate brownie and cherry chocolate chip, resemble truffles and contain few ingredients, which are prominently displayed on the front of the package. Chocolate macaroon bites, the pouch says, are "made with dates, fair trade chocolate chips, almonds, coconut, coconut flour, that's it!"

Some customers have discovered the downside to foods that don't contain preservatives or

emulsifiers. Angie Wilcox, a 36-year-old reading specialist at Kemp Mill Elementary School in Wheaton, Md., purchased Tessemae's Salad Dressing and found that, with its olive oil base and lack of emulsifiers such as xanthan gum, it would coagulate in the refrigerator. Directions on the label suggested running it under warm water before using. Ms. Wilcox switched to using her own olive oil and vinegar in salads.

Tessemae's All Natural in Essex, Md., this year added sunflower oil to its olive oil blend so the salad dressing remains fluid while refrigerated. "We needed to figure out a way to solve this congealing story," says Todd Fletcher, chief marketing officer at the company, which also has switched to organic ingredients.

New ads for Haagen-Dazs ice cream in New York, Los Angeles and other cities show a spoonful of vanilla ice cream. Ads read, "5 ingredients, one incredible indulgence" and list them: cream, milk, sugar, eggs and vanilla. Of Haagen-Dazs's 32 ice cream flavors, five contain only five ingredients. The flavors are: chocolate, vanilla, coffee, strawberry and green tea.

Haagen-Dazs has tried promoting the simple ingredient concept, with a 'Five' series of seven ice cream flavors launched in 2009. The series fizzled because its lower fat content wasn't popular among consumers, says Alex Placzek, marketing director for Haagen-Dazs. Now, it has returned to the five-ingredients concept but with the full 15 to 17 grams of fat per half-cup serving.

Consumers reach for Haagen-Dazs to indulge, Mr. Placzek says. "We are seeing the largest shift in American food habits since World War II," he says. "Consumers are interested in the quality, origin and simplicity of ingredients."

Dietitians say it is worth reading labels carefully. Some packages highlighting ingredients may give only a partial list on the front. "The front of a package is there for marketing purposes and may not tell the whole story," says registered dietitian Tamara Melton, a spokeswoman for the Academy of Nutrition and Dietetics.

ConAgra's Bertolli brand this fall is rolling out a reformulated line of meals with a shorter ingredient list that reads like a recipe, says spokeswoman Lanie Friedman. Italian Sausage and Rigatoni will eliminate the preservatives BHA, BHT and Citric Acid as well as pasta enrichments such as niacin, riboflavin and folic acid.

OPINION

REVIEW & OUTLOOK

Trump on the U.S. Economy

Is it possible that his postconvention plunge in the polls has scared Donald Trump straight? Probably not, but it is progress that the Republican presidential nominee has decided to join the debate over how to increase U.S. growth and incomes.

The plan Mr. Trump laid out at the Detroit Economic Club on Monday is his most detailed so far and marks a step forward on regulation, taxes and energy. He pitched his program as a path out of the slow-growth status quo, which is a debate the country needs and is an issue on which the polls show Mr. Trump has credibility with voters.

Mr. Trump's biggest news was a proposal for a tax cut aimed at kick-starting the slow business investment that is hobbling growth. He'd cut the corporate income-tax rate to 15%, from the current uncompetitive 35%, and he'd also do the same for so-called pass-through businesses that pay taxes at the individual rate of 39.6% (closer to 44% if you include the Obama bells and whistles).

At a stroke the 15% rate would make the U.S. competitive again with the rest of the industrialized world, and even with Ireland, Singapore and the United Kingdom as a destination for capital. The 15% rate is low enough to end the tax incentive for companies to move their headquarters overseas—so-called inversions.

Mr. Trump also proposed a 10% special tax rate if companies repatriate the \$2 trillion they have previously earned overseas. If half that amount came back, the feds would take in \$100 billion in new revenue at a 10% rate. That's better than 35% of zero.

Business investment has lagged for most of this seven-year recovery and it has subtracted from GDP the past nine months. This often occurs in the later stages of economic expansions, and Mr. Trump's business-tax cut is thus a form of recession insurance.

Mr. Trump said he is paring back his individual income-tax proposal, no doubt to improve the fiscal math. Last year he proposed four tax brackets with a top rate of 25%, and he's changing that to 12%, 25% and 33%. That's higher than we'd prefer, but those are the same three rates that House Republicans have proposed. If Mr. Trump is listening to the people he'd have to work with next year, that's progress.

Mr. Trump also contradicted himself by proposing a new tax deduction for child care even as he promised a simpler tax code. This sounds like the Ivanka Trump deduction, after her plea

to help working mothers at the GOP convention. Democrats are already saying the proposal won't help women who don't pay taxes, so it isn't even clear how much political benefit Mr. Trump will get from the idea.

Mr. Trump didn't reveal many other details, which he said will come later. In particular he'll have to be more specific about the deductions he would be willing to give up to finance his tax cut. The Tax Foundation scored his original plan at a revenue loss of \$10 trillion over 10 years, and Mr. Trump's advisers say he is trying to get it closer to \$3 trillion.

Critics say this is still too large, but that is over 10 years when the feds would rake in more than \$40 trillion in revenue. Faster growth would make up some of that \$3 trillion. By contrast, Hillary Clinton wants trillions in new spending financed by \$1.3 trillion in tax increases that would reduce growth and yield less tax revenue.

The Republican proposed a moratorium on regulation and easing barriers to domestic energy production. These are both good ideas, and he'll need them because as always Mr. Trump's economic agenda includes the poison pill of trade protectionism.

Mr. Trump believes that a trade deficit equals lost American jobs, when there is no such connection. The U.S. tends to run bigger trade deficits when the economy is strong, and vice versa. By that logic the fastest way to cut the trade deficit is to have a recession, but that would only cost more jobs.

Raising taxes at the border—aka tariffs—wouldn't keep jobs in the U.S. but would reduce the standard of living for U.S. consumers. His promise to punish U.S. companies for investing overseas could end up costing more jobs if it caused companies to relocate more of their operations overseas to avoid the punishment. Global supply chains are crucial to preserving U.S. manufacturing jobs.

The question with Mr. Trump is how much his trade agenda would interfere with his pro-growth domestic policies. If Republicans in Congress blocked his worst trade instincts, the damage could be small. If he used executive powers to wage a trade war, look out. With the mercurial New Yorker, you never know.

Which is the same doubt that applies to his overall candidacy. One economic speech won't persuade Americans who have doubts about President Trump. To revive his campaign, he'll need to carry the economic growth theme every day from here to November.

company had been released from liability by Ecuador's government, but Mr. Donziger lined up environmentalists and even actress Daryl Hannah to create a media circus that would force the company to settle.

In a 485-page decision in March 2014, federal district judge Lewis Kaplan found that Mr. Donziger had committed

acts that would qualify as violations of the federal Racketeer Influence and Corrupt Organizations Act and nearly every standard of decent professional behavior. The lawyer's suit was an exercise in pure extortion, Judge Kaplan wrote, noting that the episode was "offensive to the laws of any nation that aspires to the rule of law, including Ecuador."

Faced with an activist-trial-lawyer-media blitz, most companies capitulate and settle to avoid the huge potential costs of litigation and the risk of unpredictable verdicts. Mr. Donziger may appeal to the Supreme Court, but the Second Circuit is hardly a conservative venue. Chevron's vindication looks to be final.

the Third Circuit Court of Appeals's landmark 1982 decision in *NLRB v. Browning-Ferris Industries of Pennsylvania*, which the NLRB subsequently adopted. Judge Donato last year threw out claims against McDonald's under a direct control joint-employer standard.

However, the NLRB has since rewritten its joint-employer standard to include "indirect control" over workers such as the computer systems that McDonald's provided to franchises to calculate overtime. The NLRB's prosecution of McDonald's as a joint employer under this new standard could set a legal precedent, and unions and the plaintiffs bar certainly hope so.

Judge Donato has given plaintiff attorneys more ammo by ruling that McDonald's could be held liable if its franchise employees had a "reasonable belief" the franchise owners were McDonald's "ostensible agents." This obscure legal theory of "ostensible agency" has rarely been applied to franchise relationships. Our legal sources couldn't find any cases involving employment-related issues. So the ruling could establish another precedent.

This is the double-barreled shotgun that Mr. Rubin celebrates, and other franchisers could be collateral damage. The class-action certification will encourage more lawsuits against corporations as "ostensible agents" and joint employers, which will jack up insurance premiums. The plaintiffs bar could soon be able to target multiple businesses with one lawsuit.



GLOBAL VIEW
By Bret Stephens

"If in 96 days Trump loses this election, I am pointing the finger directly at people like Paul Ryan and Mitch McConnell and Lindsey Graham and John McCain and John Kasich and Ted Cruz," Fox News host Sean Hannity told his radio audience last week. "I have watched these Republicans be more harsh toward Donald Trump than they've ever been in standing up to Barack Obama and his radical agenda."

"Establishment Republican types," he insisted, had in effect "created Donald Trump."

Mr. Hannity has never made a secret of his feelings for Mr. Trump, which is the love that dares to speak its name. But his comments were also a revelation, and not just that it has dawned on him that the Republican nominee is likely to lose and lose big. Like members of a cult who discover too late that their self-proclaimed messiah is mortal after all, rationalizations are required.

Mr. Trump has lately been road-testing one such rationalization, saying the election will be "rigged." Voter fraud is a reality in American elections, but it is typical of the candidate to confuse anecdote with data and turn allegation into conspiracy. Mr. Trump also says the media is "rigged" against him, which is amusing coming from the beneficiary of the equivalent of \$3 billion in free advertising.

Mr. Hannity's excuses are even more disgraceful, combining oily self-absolution with venomous obloquy for the very conservatives who have spent the year warning that a Trump candidacy is an epic GOP disaster that all-but guarantees Hillary Clinton's election. The habit of shifting blame and refusing to take responsibility is supposed to be the curse of the underclass and its political hucksters, but Mr. Hannity is giving Al Sharpton a run for his money.

Mr. Hannity's other goal is to preserve the fiction—first cultivated by Ted Cruz and later adopted by the Trumpians—that a wan GOP "establishment" and its "Acela corridor" voters sat on their hands while Mr. Obama traduced the Constitution and sold us out to the enemy. "They did nothing, nothing!" the anchor fumed Thursday on his show. "All these phony votes to repeal and replace ObamaCare, show votes so they go back and keep their power and get re-elected."

Maybe Mr. Hannity thinks that Messrs. Ryan and McConnell should have jumped the White House fence and stuck a pitchfork in the president.

The Veneration Of Ignorance

Or that they should have amended the Constitution to repeal Article One, Section Seven—the one that gives the president his veto. Otherwise, it's hard to understand the constant lament about a do-nothing Congress except by wondering whether Mr. Hannity is stupid or dishonest.

On Thursday evening I opted to give him the benefit of the doubt by writing on Twitter that he was Fox's "dumbest anchor." He immediately proved my point by retweeting me to his 1.5 million Twitter followers—an audience I could never have reached on my own. Later, on the radio, he called me a "dumba— with his head up his a—," demonstrating he can't even swear competently.

But Mr. Hannity's tantrum obscures the uglier side of what he is trying to do, which is to paint targets on the GOP's genuine Reaganites—pro-trade, pro-immigration, pro-NATO, pro-entitlement reform—and replace them with the Party of Trump—anti-all of the above—no matter what happens to the candidate come November.

A conservative political huckster gives Al Sharpton a run for his money.

Who might help lead this Unglorious Revolution of the crass, clueless and shoulder-chipped? Those who can make themselves rich by shouting and hearing echoes of themselves even as the GOP loses one presidential election after another.

This is the reason I've consistently argued that the only hope for a conservative restoration is a blowout Hillary Clinton victory, held in check by a Republican majority in Congress. If Mr. Trump loses the election narrowly, the stab-in-the-back thesis will have a patina of credibility that he might have won had it not been for the opposition of people like me. But a McGovern-style defeat makes that argument impossible to sustain except among the most cretinous. We can count on Mr. Hannity for that.

Last week, I appeared on Fareed Zakaria's CNN show opposite a Trump supporter named Emily Miller. At the end of the show, I said Americans deserve a president who can speak grammatical English. Ms. Miller retorted that it was "snobby" of me to say so.

There was a time when the conservative movement was led by the likes of Bill Buckley and Irving Kristol and Bob Bartley, men of ideas who invested the Republican Party with intellectual seriousness. Today's GOP is on the road to self-immolation, thanks in part to the veneration of ignorance typified by Ms. Miller and Mr. Hannity. As conservatives go through their pre- and postmortems, they should think about the damage that such veneration can do.

Write bstephens@wsj.com

The Future of the Chrysanthemum Throne

By Michael Auslin

When Emperor Akihito on Monday announced indirectly his desire to abdicate, it marked the beginning of the end of Japan's first modern imperial reign.

Neither as controversial as his father, the wartime Emperor Hirohito, nor as public a figure as some of his fellow monarchs, Akihito navigated the Japanese imperial family through its post-war transformation into a purely constitutional monarchy. It will now be up to his son, the 56-year-old Crown Prince Naruhito, to maintain imperial tradition while serving as the figurehead of a country facing major challenges and searching for an identity in an increasingly globalized world.

Akihito was the first emperor in the modern era to have no connection to Japanese imperialism or the putative semidivinity that so bedeviled his father. Born in 1933 and evacuated from Tokyo during the war, Akihito became a symbol of a dynamic, rejuvenated Japan. He also became a celebrity through splashy overseas visits and by wooing Michiko Shoda on the tennis courts. In 1959 Michiko would be the first commoner to become empress.

The adjustment of both Hirohito and Akihito to their new roles after World War II ensured the survival of the imperial family. Instead of abolishing the imperial system, Gen. Douglas MacArthur saw it as a tool to help ensure compliance with America's occupation policies. The emperors became figures above politics and returned to the powerless position that had marked centuries of essential house imprisonment under Japan's feudal leaders.

From symbol of war to benign emperor, Hirohito reigned over a country that dramatically rebuilt itself after the devastation of World War II, be-

coming an economic superpower. Hirohito firmly avoided admitting any war guilt, and with his death the issue essentially faded away. There is thus no republican movement in Japan, nor a call to reduce the perquisites and privileges of the imperial family. Instead, in many ways, the family members are seen as the exemplars of Japanese citizenry, avoiding scandal, uncomplainingly fulfilling their duties and appearing only in the most controlled of environments.

What happens when Japan's Emperor Akihito abdicates?

Survival of the imperial system is also made possible by Japan's conservative society. For all the kaleidoscopic change that Japan has endured, the imperial clan rests not only above politics, but in some ways above time itself. With roots reaching back 1,500 years, it links tradition and modernity. With little change in such attitudes on the horizon, the position of the imperial family seems secure.

Yet with a declining population and a stagnant economy, Crown Prince Naruhito will face a different challenge as emperor. Naruhito's ability to encourage continued social stability among a populace increasingly pessimistic about the future and to remind them of national strengths that transcend GDP calculations will determine how relevant he remains.

As the country's politicians fail to reverse Japan's malaise, the powerless monarch may become a more potent symbol of Japan's values and traditions than at any time in recent memory.

Mr. Auslin is a resident scholar at the American Enterprise Institute in Washington.

OPINION

Bring Back Glass-Steagall? No Thanks

By William M. Isaac
And Richard M. Kovacevich

The convention platforms of both political parties call for restoring the widely discredited Depression-era Glass-Steagall Act, which separated commercial from investment banking. What could they be thinking? Have they already forgotten the causes of the panic of 2008-09?

Some people mistakenly believe that investment banking is so risky that it should be separated from commercial banking. In truth, traditional

Some people mistakenly believe that investment banking is so risky that it should be separated from commercial banking.

investment banking entails very little risk and certainly less than traditional commercial banking.

Traditional investment banks engage primarily in underwriting debt and equity for corporations; providing advice on mergers, acquisitions and divestitures; buying and selling securities for institutions; and helping clients hedge their interest rate, commodity and foreign-exchange

risks. Investment banks accept very little risk on their books in carrying out these activities.

In contrast, commercial banks extend credit to individuals and businesses and retain a good deal of credit and interest-rate risk. Why should we prohibit commercial banks from providing fee-based, relatively risk-free investment banking services to their clients and diversifying the sources of bank revenue?

Investment banks—and commercial banks—become risky when there is a large proprietary-trading and a private-equity “hedge fund” inside the bank comprising a significant percentage of the revenue. This is where danger lurks, and such trading should be strictly limited and regulated.

Roughly 20 financial institutions were the major perpetrators of the financial crisis of 2008-09 and Great Recession, primarily through the origination, securitization and distribution of risky subprime mortgages. Bear Stearns, Lehman Brothers and about 10 other investment banks securitized and distributed mortgages originated by S&Ls such as Countrywide Financial, Washington Mutual, Indy Mac, Option One, First Franklin, New Century, and First Financial and by state-chartered mortgage brokers, many of which committed fraud.

These S&Ls were the remnants of an industry that cost taxpayers some



\$150 billion during the 1980s and early 1990s. Burn me once, shame on thee. Burn me twice, shame on me.

The majority of the borrowers under these high-risk mortgages lacked sufficient income to repay their mortgages, and a significant percentage failed to make even their first payment. A whopping 50% defaulted within a year. The scheme went largely undetected because rapidly increasing housing prices offset the cost of foreclosures.

Regulators failed to see or act on the problems until they escalated into a financial crisis. Credit-rating agencies, unbelievably, gave significant tranches of these high-risk

mortgage securities a AAA rating. Fannie Mae, Freddie Mac and other government agencies insured over 70% of these risky mortgages. The U.S. Securities and Exchange Commission failed to monitor the 30-times-plus leverage of the investment banks and their inadequate liquidity with trillion-dollar balance sheets funded with 90-day-or-less wholesale funds.

Notably absent from this array of culprits were commercial banks, with an exception or two. Yet commercial banks were and still are demonized and vilified by politicians and protesters. Congress and regulators imposed more than 25,000

A Reform Reboot in Indonesia?

By James Van Zorge

When Joko Widodo first became president of Indonesia in late 2014, pundits were skeptical that he could handle the job. His successes as a mayor of a small city in central Java and as governor of Jakarta while keeping his reputation clean may have excited the electorate. But dealing with city councilmen and getting a few roads built is quite different from navigating the Byzantine power relationships of Indonesia's national politics.

During the first year of his presidency, Mr. Widodo seemed on course to prove his detractors right. His main patron, PDI-P party Chairwoman Megawati Sukarnoputri, treated Mr. Widodo as her subordinate. As the scion of the Sukarno family and a former president herself, Ms. Sukarnoputri barely tolerated Mr. Widodo.

It was Ms. Sukarnoputri, not Mr. Widodo, who picked Jusuf Kalla to be Mr. Widodo's running mate. An old-school politician of Ms. Sukarnopu-

tri's generation, Vice President Kalla was installed to be a check against the president. He deftly stitched together a network of loyalists inside the cabinet who were at odds with Mr. Widodo's agenda of reform.

Being an outsider with few connections within Indonesian national politics, Mr. Widodo had little choice but to rely upon the advice and prompting of his coalition partners for selecting cabinet members. The result was a government filled with cliques formed around Ms. Sukarnoputri and Mr. Kalla. The president's ministers, more beholden to the party than national interests, went in various, often opposite, directions when it came to matters of policy.

Now, with little more than 18 months in office, Mr. Widodo has shown he can learn from his mistakes. Following a recent shake-up of his cabinet, public portrayal of Mr. Widodo has shifted away from his being a weakling out of his league to one of a politician much cleverer than many had expected. One national newspaper, often critical of Mr. Widodo, splashed its front

page with the headline, “Who's the Boss Now?”

Mr. Widodo deserves credit for making some bold moves in the reshuffle, and there's no denying he has finally managed to assert his presidential authority. But one has to wonder whether Mr. Widodo's dramatic turnaround is the real deal.

The president is finally showing himself to be much cleverer than his detractors had expected.

One promising signpost is the fact that Mr. Widodo has managed to bring the Golkar party into his ruling coalition. This has effectively given his administration more control over the legislative agenda and put some comfortable distance between himself and Ms. Sukarnoputri. Already there is talk of PDI-P cabinet ministers starting to take Mr. Widodo's policy pronouncements more seriously.

Mr. Widodo is also beginning to show some mettle. Ministers involved in policy disputes in public, caught playing off page with the president or simply performing poorly have been unceremoniously shown the door. Even some of Mr. Widodo's confidantes, who were previously thought to be immune from removal, have either found themselves in a less influential cabinet post or completely out of a job. This is a fact not lost on members of the new cabinet.

What all this means for Indonesia's economy and business community remains to be seen. Mr. Widodo's appointment of Sri Mulyani, a former World Bank managing director, as his finance minister has instilled a lot of confidence at home and abroad. But some of his other picks, such as Acandra Tahar, a former consultant, as his minister of energy and mineral resources, and businessman Enggartiaso Lukita as the minister of trade, are unknown quantities.

Luhut Panjaitan, the former coordinating minister for legal, political

and security affairs who is now the president's coordinating minister for maritime affairs, is thought to be a friendly face to the business community. Now that Mr. Pandjaitan has taken over a portfolio that spans a broad swathe of the economy, many investors are hopeful he will improve the investment climate.

In the earlier days of his presidential campaign and when he first became president, there were genuine concerns that Mr. Widodo was more of an economic nationalist than a reformist. But those who have served under him are painting a more interesting portrait. As one senior economic advisor quipped, “Widodo has keen survival instincts and he knows that what is good for the economy is good for his presidency. He will listen to what technocrats such as Sri Mulyani will tell him is needed to keep the economy going.”

Mr. Van Zorge is a co-founder and managing partner of Gordian Knot Advisory, a consulting firm based in Jakarta.

The College Formerly Known as Yale

By Roger Kimball

The English novelist Kingsley Amis once observed that much that was wrong with the 20th century could be summed up in the word “workshop.” On American campuses today, I suspect that the operative word is “committee.”

On Aug. 1, Yale University president Peter Salovey announced that he is creating a Committee to Establish Principles on Renaming. There has been a craze for renaming things on college campuses the past couple of years—a common passion in unsettled times.

In the French Revolution, leaders restarted the calendar at zero and renamed the months of the year. The Soviets renamed cities, erased the names of political enemies from the historical record and banned scientific theories that conflicted with Marxist doctrine.

At Georgetown, Harvard, Princeton, Stanford and elsewhere, students have demanded that buildings, programs and legacies be renamed to accommodate modern sensitivities. Amherst College has dropped Lord Jeffrey Amherst as its mascot because the colonial administrator was unkind to Indians. Stu-

dents at the University of Missouri have petitioned to remove a statue of the “racist rapist” Thomas Jefferson. This is part of a larger effort, on and off campuses, to stamp out dissenting attitudes and rewrite history to comport with contemporary prejudices.

Any renaming push on the Ivy campus should start at the top—with Elihu Yale, slave trader extraordinaire.

But isn't the whole raison d'être of universities to break the myopia of the present and pursue the truth? Isn't that one important reason they enjoy such lavish public support and tax breaks?

A point of contention at Yale has been the residential college named for John C. Calhoun, a congressman, senator, secretary of war and vice president. Alas, Calhoun was also an avid supporter of slavery.

Mr. Salovey is also perhaps still reeling from the Halloween Horror, the uproar last year over whether Ivy League students can be trusted to

pick their own holiday costumes, which made Yale's crybullies a national laughing stock. In the wake of that, he earmarked \$50 million for such initiatives as the Center for the Study of Race, Indigeneity, and Transnational Migration.

He then announced that Calhoun College would not change its name. Apparently, he has reconsidered. After the Committee on Renaming has done its work to develop “clearly delineated principles,” he wrote, “we will be able to hold requests for the removal of a historical name—including that of John C. Calhoun—up to them.”

I have unhappy news for Mr. Salovey. In the great racism sweepstakes, John Calhoun was an amateur. Far more egregious was Elihu Yale, the philanthropist whose benefactions helped found the university. As an administrator in India, he was deeply involved in the slave trade. He always made sure that ships leaving his jurisdiction for Europe carried at least 10 slaves. I propose that the committee on renaming table the issue of Calhoun College and concentrate on the far more flagrant name “Yale.”

There is also the matter of historical artifacts. Earlier this year an unhappy employee at Calhoun College smashed a stained-glass window because it depicted slaves. He was dismissed but then, after a student outcry, rehired. In response, Mr. Salovey convened a Committee on Art in Public Spaces. Offending objects, he explained, including “certain windows,” would be “relocated” and “conserved for future study.” Wasn't there a similar initiative in Europe in the late 1930s and 1940s?

Yale's leaders have compared the renaming committee to the so-called Woodward Committee that, in the mid-1970s, issued on behalf of the school a ringing defense of free speech (“to think the unthinkable,



An 18th-century oil painting of Elihu Yale with a servant.

discuss the unmentionable, and challenge the unchallengeable”).

A closer historical parallel, however, might be the Committee of Public Safety, which during the French Revolution worked overtime to assure that citizens lived up to its ideal of virtue. “Virtue” was a word always on the lips of the revolutionaries in France. They took the term from the man whom Robespierre called a “prodigy of virtue,” Jean-Jacques Rousseau.

In everyday life, acting virtuously means such boring things as being kind, honest and dutiful. For moral prodigies, such pedestrian examples are beneath notice. Rousseau, “drunk with virtue” as he put it in his “Confessions,” nonetheless shipped off to a foundlings home all five of the children he had with his semiliterate mistress. She protested, but Rousseau cared not for he had “never felt the least glimmering of love for her.”

Robespierre floated aloft upon a

similarly callous intoxication. The Republic, he said, was founded on “virtue and its emanation, terror.” Hence the work of the Committee of Public Safety, whose chief handmaiden was the guillotine and whose activities depended critically on anonymous reports about those whose commitment to virtue was less than wholehearted.

Yale, though sitting on a tax-exempt endowment of \$24 billion, doesn't have the guillotine. But like many institutions entrusted with educating America's future leaders, it is hard at work undermining due process and fostering an atmosphere of anonymous accusation. In a campuswide email this spring, Stephanie Spangler, a Yale professor of obstetrics and gynecology as well as “University Title IX Coordinator,” discussed the school's plans to launch “on-line tools for reporting sexual misconduct anonymously.”

The right of due process and the right to face one's accuser have been hallowed guarantors of liberty since the Roman Republic. They are enshrined in the U.S. Constitution. But those who are infatuated with their own virtue find it easy to dispense with such unwieldy constraints.

I suspect that Mr. Salovey believes he will be able to pacify the professional grievance-mongers on his campus by bribes and capitulations. He should remember what an earlier cultural provocateur, the Yippie leader Jerry Rubin, said: “Satisfy our demands, and we've got twelve more. The more demands you satisfy, the more we've got.”

The Committee of Public Safety came into being in April 1793. On July 28, 1794, Robespierre, the man who oversaw the murder of so many, was himself guillotined. Thus do revolutions consume their abettors.

Mr. Kimball is editor and publisher of the New Criterion and president and publisher of Encounter Books.

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Phelps's Golden Chance to Rebuild His Brand

By returning, the swimmer can bolster his tarnished corporate persona

By MATTHEW FUTTERMAN
AND RACHEL BACHMAN

Rio de Janeiro

Michael Phelps's ferocious gold-medal return to the pool here Sunday night made it clear he is serious about using the Rio Games to extend his legacy as the most decorated athlete in Olympic history.

Now he will see if adding more Olympic hardware to his historic collection serves his other purpose here: rebuilding the personal branding empire that was severely downsized after his brief retirement and a 2014 drunken driving incident.

Rather than become the rare athlete that carries a blue-chip marketing machine into a lucrative retirement, Phelps watched his sponsorship portfolio shrivel—ending relationships that could have formed the foundation for his future.

Now, his agent says, he is seeking to rebuild his corporate persona—with the Rio Olympics as his springboard.

"The significance of the Olympic platform" can't be overstated, said Peter Carlisle, who has represented Phelps since he was a teenager and is spending 10 days in Rio to meet with potential partners interested in funding a second retirement. He said business opportunities weren't the sole reasons why Phelps decided to make another Olympic run, "but it is a significant incidental benefit."

At the height of his fame, Phelps's annual earnings were estimated at \$5 million to \$10 million. Carlisle doesn't disclose Phelps's annual income.

Phelps' athletic legacy is unassailable. He stormed to prominence in the 2004 Athens Olympics, won a record eight gold medals in the 2008 Beijing Games, and by the end of the London Olympics in 2012 he had won 22 total medals.

In the run-up to Rio, Phelps said he sees these Games as a chance to address unfinished business. He says he has rediscovered his love for the



Michael Phelps preparing to compete in the final of the men's 4x100-meter freestyle relay.

GABRIEL BOUYS/AGENCE FRANCE-PRESSE/GETTY IMAGES

sport after being a reluctant participant in London in 2012. He is a team captain and for the first time has embraced his role as a mentor.

In a news conference last week, Phelps said Rio will allow him to retire without wondering if there was more to accomplish. "I feel like I will be able to turn the page and say 'Whatever was left here I can live with.'"

Phelps's Rio journey is off to a solid start. The captains of the U.S. Olympic teams selected him to carry the U.S. flag into the stadium.

He added a 19th gold medal Sunday night, leading the U.S. men to victory in the 4x100-meter freestyle relay. Phelps swam the fastest 100 of his career, a blistering 47.12 second leg, that could foretell a big Olympics ahead. He was set to compete in the 200 individual medley on Wednesday.

The races may be the easy part. He also must overcome the aftermath of his messy departure from swimming following the London Olympics.

Ben Sturmer, founder of the Leverage Agency, a sports and entertainment marketing consultancy, said

bringing back gold medals will help Phelps regain credibility, but he has a short window because most Americans pay attention to swimming only every four years. "It's hard to be an Olympian," Sturmer said. "It's hard to stay relevant."

The last time casual sports fans thought about Phelps, he was dealing with the legal problems stemming from his arrest for driving under the influence, his second such offense. He was sentenced to 18 months probation and spent six weeks in an alcohol rehabilitation program. USA Swimming suspended him, forcing him to miss last year's world championships in Russia.

That compounded image problems that began in 2009, when a tabloid published a photo of the Beijing hero smoking from a bong.

Today, Phelps maintains corporate deals with Under Armour, the athletic apparel company based in his hometown of Baltimore, and Omega, the Swiss watchmaker.

"His name, times, records and achievements will never be forgotten," said Raynald Aeschlimann, chief

executive of Omega, the Olympics' official timing sponsor, who added that Omega planned to stick with Phelps whether he came to Rio or not.

Phelps's lesser-known sponsorships are with the shaving supply company 800Razors.com; MasterSpas, a maker of hot tubs; Krave, which makes beef jerky; and the scuba and swim apparel company Aqua Lung's Aqua Sphere unit, which makes a line of swimsuits under the MP brand.

But many others, including some of the world's biggest brands, exited the Michael Phelps business over time. Deals announced with great fanfare often ended quietly.

Carlisle, Phelps's agent, said many of the companies Phelps had worked with had experienced changes in management or decided to shift their marketing strategies. But he acknowledged there may be lingering effect from the DUI arrests. "To say otherwise would be disingenuous," he said.

The problems began after publication of the bong photograph. At the time, Phelps was contracted with

Mazda Motor Corp. to promote one of the brand's car models in China. The Mazda deal, reportedly worth at least \$1 million, made him one of China's highest-paid foreign spokesmen.

After the bong photo ran, Phelps filmed a video apology at Mazda's request; the deal concluded later that year, according to a Mazda spokesman. Cereal maker Kellogg Co. also announced after the bong incident it wouldn't pursue a renewal of its deal with Phelps.

Other corporate giants let their deals lapse after the London Games and, later, the DUI. Phelps was the face of Procter & Gamble Co.'s Head & Shoulders shampoo at the London Olympics in 2012. A P&G spokeswoman declined to give details of Phelps's previous contract but confirmed the company has no deal with Phelps for the Rio Games.

The Subway sandwich chain signed Phelps in 2008 and featured him in commercials as recently as 2014. A spokesman said the company shifted advertising strategy and ended most athlete contracts.

Hilton Worldwide Holdings Inc. sponsored Phelps from 2007 to 2012 but didn't renew the deal after he announced his retirement, a spokeswoman said.

Most surprising was the end of Phelps's relationship with Visa, which had propelled him to prominence in 2004 with ads showing him swimming laps in the ocean. In Beijing, the company contracted with NBC to run a congratulatory commercial immediately after Phelps broke Mark Spitz's record of seven gold medals in a single Olympics.

But Usain Bolt, not Phelps, was the focus of Visa's campaign in London, where the company's European unit controlled the marketing, and later Phelps and Visa parted ways. In Rio, the company has new "ambassadors" such as soccer player Carli Lloyd.

Visa spokesman Andy Gerlt said, "While our partnership with Michael concluded after the London 2012 Olympic Games, we join his fans in welcoming him back to competitive swimming and wish him success in Rio."

Dream Team: Better Story Off Court?

Rio de Janeiro

On Monday night at the Summer Olympics, the U.S. men's basketball team defeated Venezuela by the razor-thin margin of 113-69. Paul George paced the U.S. with 20 points, while Jimmy Butler added 17 and...



JASON GAY

ZZZZzzz. Sorry! Dozed off there for a second. I can't lie: I'm not crazy fired up about the action at the men's basketball tournament at the Olympics. It isn't that I don't admire the players, their willingness to represent their country, or the occasional brilliance of watching them dunk over people who may or may not have a second job. It's just that I think if you're going to pay attention to something in the Olympics, I think it's probably the right thing—and more fun, honestly—to pay attention to athletes who never get a glimmer of the spotlight, which is pretty much most of the other athletes here.

In Rio, the assignment for the U.S. men is what it always is: Win everything. And once more, everyone expects this team—despite sort-of-bummer absences like LeBron James and Steph Curry—to win everything. (Yeah, I know the 2004 team got the bronze, but that was 50 million years ago. We didn't even have Seamless. People talked into a phone to order their food.)

The USA basketball mission to Brazil is essentially a trip to the doctor: only news if there's bad news.

And yet I want to be clear: I can't get enough of this team when it's off the court, and thanks to social media, the 2016 men's roster has been outstanding off the court. I've enjoyed the Instagrams, the Snapchats, the ceaseless mockery of Official Team Geezer Carmelo Anthony, the fanpant's player-only cruise ship ("It's just a hotel. It just floats," said Butler), and, yes, the comical TMZ report that players accidentally wandered into a legal brothel when they meant to be hitting a spa. (In fairness, this happens to me all the time.) I love basically everything besides the basketball blowouts. I loved the video of Kevin Durant, Kyrie Irving and DeMarcus Cousins playing Taboo with GQ editors. I loved the video of them all singing Vanessa Carlton's "A Thousand Miles" on the team plane as Carmelo made a stinkface like a Pitchfork music critic.

*Do you think time
Would pass us by
'Cause you know I'd walk
A thousand miles.
I need to know more.*

No minutiae is too minutiae-y. Who wakes up first? Who are new BFFs? Who sings in the shower? Who always wants to play Scrabble? Who is coach Mike Krzyzewski's su-



Clockwise from left, Carmelo Anthony, Kevin Durant, DeMarcus Cousins

CARMELO ANTHONY

per-special secret favorite?

"Is there a teacher's pet?" wondered Ben Osborne, editor in chief of Bleacher Report and former editor of the basketball bible SLAM.

"It's always interesting to see what these guys are like behind the scenes," said GQ associate editor Mark Anthony Green, whose team lost at Taboo to Durant, Irving and Cousins. ("I want a rematch.")

The 2016 Dream Teamers know we are fascinated.

"We're aware of it," said DeAndre Jordan.

"Oh yeah, [fans] eat it up," said Paul George.

"I understand," said Cousins. "They don't often get a chance to see that side to us."

This intrigue goes back to the original (and still greatest) Dream Team version of Barcelona 1992, with titans like Michael Jordan, Magic Johnson and Larry Bird. Back then, there was genuine mystery as to how the players would get along. A lot of the roster didn't know each other well, said Jack McCallum, the basketball writer and author of "Dream Team," an essential history of the history-making '92 outfit.

"I remember Clyde Drexler telling me, 'I'm outside of my room and I'm talking to Larry Bird!' like it's a big thing," McCallum said.

Today it's different: new generation Dream Teamers tend to know each other from years of AAU basketball and tournaments, long before they get to the NBA. Still, fruitful relationships can blossom. USA Basketball director Jerry Colangelo recalled a 2006 trip to Japan for a FIBA World Championship. "That's when [Chris] Bosh and LeBron and [Dwyane] Wade kind of came to-

gether," Colangelo said.

From an on-the-court standpoint, the main curiosity for the 2016 roster is the dynamic between current Golden State Warriors Klay Thompson and Draymond Green and new hire Durant, who joined the team as a free agent this summer. But it's much more fun to talk to the L.A. Clippers' DeAndre Jordan about having to befriend his Warrior nemeses.

"I wouldn't ever think I would be friends with certain guys four months ago," Jordan said, laughing. He'd recently hosted a team dinner at his home in Houston. "Before, there was *no way* I'd invite certain guys to my house."

Like it does with everything else, social media only drives the obsession. Needless to say, Larry Bird and Karl Malone were not on Snapchat. McCallum said that if social media had been around when Charles Barkley went out late in Las Ramblas, "the internet would have blown up." Now it's different—the 2012 men's team was obsessed with tweeting out photos of each other awkwardly sleeping. This isn't to say that social media doesn't have pitfalls—Green had an embarrassingly steamy Snapchat blunder—but it's connected fans and fueled the fascination, revealing nascent friendships and even hidden personalities.

"Kevin Durant is a lot funnier than people give him credit for," said GQ's Green. "He's a funny, funny guy."

"We just have a good time," said Jordan. "We're a bunch of guys who range in age from 25 to I don't know how old Carmelo is...40?"

Then he laughed again, because he knows this stuff is irresistible. He's right.



At Last, Japan Is Back on Top in Men's Gymnastics

Kohei Uchimura was already the greatest men's gymnast of his era when he arrived at the Olympic arena on Monday night.

But yet another individual gold wasn't Uchimura's goal in the Rio Games. What he really wanted was a team gold for Japan.

He finally got it Monday. Uchimura and the Japanese soothed the nerves of a nation obsessed with men's gymnastics by winning its first gold since 2004 and, in a twist in the sport's fiercest rivalry, knocking China back to a surprising bronze medal. Russia edged China by 0.331 total points for an unexpected silver.

Uchimura had prioritized that elusive team gold because of what happened in the past two Olympics. The Chinese routed the competition in Beijing and London.

The pressure on the Japanese was immense. It only would have intensified before the next Games in Tokyo if they fell short again.

Uchimura anchored Japan's final rotation, the floor routine, and as soon as he landed a magnificent triple-full dismount, he allowed himself a smile. He knew where he would be in only a few minutes: atop the gold-medal stand. "I feel great satisfaction," he said.

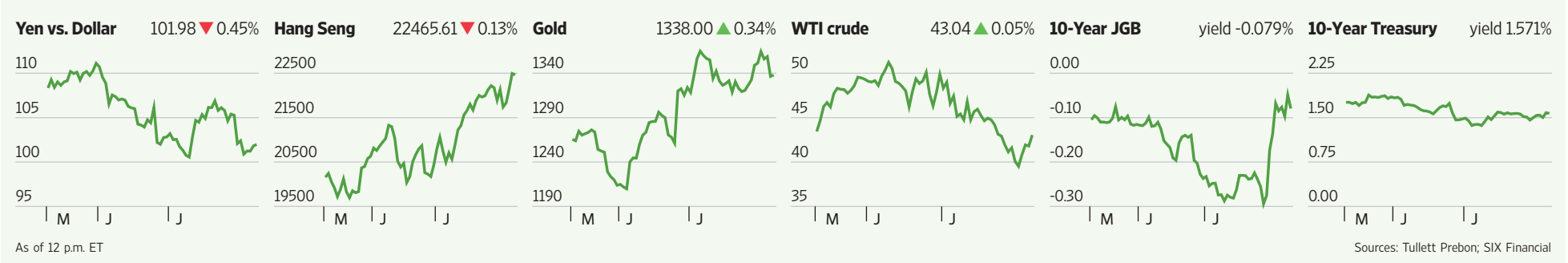
—Louise Radnofsky
and Ben Cohen



JULIO CORTIZ/ASSOCIATED PRESS

Japan won its first men's gymnastics Olympic team gold since 2004.

BUSINESS & FINANCE



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THE WALL STREET JOURNAL.

Wednesday, August 10, 2016 | B1

State Grid Seeks Brazil Deal

The Chinese utility is exploring a \$13 billion takeover of Brazilian electric company

By KANE WU
AND JOHN LYONS

A state-run Chinese company is pursuing a \$13 billion takeover of a Brazilian electric company in what could be China's biggest investment in the South American country.

State Grid Corp. of China, the world's largest electricity

provider by revenue, is wooing shareholders of **CPFL Energia SA** and a listed subsidiary, according to people familiar with the situation. It expects to secure stakes from large holders this month before making a full offer to the rest, according to the people.

The deal, the value of which includes the assumption of CPFL's debt, could bring a fresh dose of foreign capital to Brazil, which is slogging through one of its deepest recessions ever.

Highly profitable and flush with cash, State Grid has been

deploying more funds overseas as China's economic engine slows; power demand in the first half of 2016 was up just 2.7% from a year earlier.

In 2014, State Grid bought a 35% stake in Italy's CDP RETI Srl for \$2.8 billion, and a year earlier it spent \$3.7 billion for a stake in Australia's **SP AusNet Ltd.** and its units. In an earlier foray into Brazil, the company in 2010 spent \$1 billion for seven small power-transmission companies in the country's southeast.

State Grid's global assets totaled more than \$450 billion

at the end of 2015. The company has already picked up roughly 23% of CPFL from construction conglomerate Camargo Correa SA, in a 5.85 billion reais (\$1.84 billion) deal announced last month. It also agreed to buy Camargo Correa's stake in **CPFL Renováveis**, CPFL's listed renewables unit, according to the same announcement.

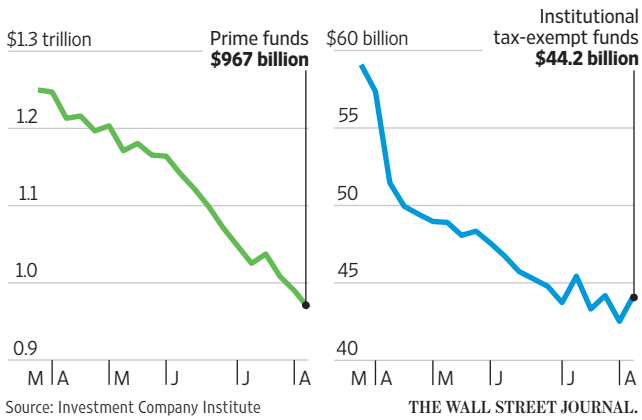
State Grid is now courting other shareholders, including Latin America's largest pension fund, Previ. Officials at Previ, which covers workers at

Please see DEAL page B2

Outflow

Investors are fleeing money-market funds that buy corporate and municipal debt in the run-up to the implementation of a new SEC rule aimed at making the funds safer.

Money-market fund assets, weekly



Consumer Goods Hit Trouble in Digital Era

By STEPHEN WILMOT

Consumer-goods stocks often are seen as “bond proxies.” This makes sense only as long as dividends look secure. In the digital age, this no longer can be taken for granted.

The likes of **HEARD ON THE STREET** Procter & Gamble, Nestlé and Unilever earn profits by selling branded household products to consumers across the globe. Their margins are protected by expensive marketing, vast distribution networks and clout with retailers. Their growth has long been assured by rising incomes in the emerging world.

The investment case looks fragile. The slowdown in emerging markets is well documented. E-commerce and digital media also have made the competitive moats surrounding established brands easier to bridge.

The country where these challenges coincide is China.

In the first half, Unilever's Chinese business was flat year over year, with rapid growth in e-commerce offset by declines in bricks-and-mortar retailing as stores reduced inventory.

Just as many emerging-world consumers leapfrogged landlines and moved straight to mobile phones, in China they may be skipping modern supermarkets, observed Unilever Chief Executive Paul Polman.

E-commerce threatens consumer-goods companies because online retailers have unlimited shelf space, giving

Please see HEARD page B2



A Tesla Motors Powerwall unit. The market for storage batteries has been slow to materialize.

Elon Musk's Task: Create Market for Stored Energy

By CASSANDRA SWEET

By combining **SolarCity Corp.** and **Tesla Motors Inc.**, Elon Musk hopes to create an integrated renewable energy company that can sell solar panels as well as the batteries to preserve their power to homes and businesses all over the world.

But to achieve his vision, Mr. Musk may once again have to virtually create a market from scratch, because so far, the demand for such batteries—especially among home consumers—remains extremely small.

Only about 450 U.S. homeowners installed batteries to save homemade electricity last

year, according to GTM research, which tracks renewable energy markets. About 250 U.S. commercial property owners installed batteries, and suppliers installed larger battery packs for about two-dozen utility projects, GTM estimates.

“It's still a relatively tiny market, compared to solar or wind today, and minuscule if you look at the complete electricity infrastructure,” said Ravi Manghani, an analyst at GTM.

The global power-storage market is forecast to grow from 1,000 megawatts installed in 2015, to more than 7,000 megawatts by 2025, according to research firm IHS. New government programs, such as a

push by the Obama administration and federal lawmakers to extend renewable energy subsidies, are projected to help fuel the increase.

While total installations are expected to rise this year, the market for energy-storage batteries has been slow to materialize—and Tesla's battery production has gotten off to a slower start than Mr. Musk anticipated.

Tesla has started selling heavy-duty batteries, called Powerpacks, to companies that supply utilities with energy, and smaller battery packs, called Powerwalls, to SolarCity and a few other companies that install them alongside

Please see BATTERY page B3

Investors Bail Out Of Crucial Source For City Funding

By VIPAL MONGA
AND HEATHER GILLERS

When Quincy, Mass., Mayor Thomas Koch looked into borrowing \$38 million this summer as an advance on a planned bond issue, he was distressed to find the costs had jumped nearly 60% since January.

Around the same time, a few Japanese banks looking for short-term funds to support their U.S. lending businesses found borrowing costs had almost doubled. Rates on short-term loans between banks have risen to the highest levels in seven years.

The common thread: a move by the Securities and Exchange Commission to make money-market funds safer in the wake of the financial crisis.

The regulatory changes are giving investors a reason to flee the \$2.7 trillion U.S. money market, putting unintended stress on a crucial funding source for cities, counties and foreign banks.

“You could see \$400 billion move out of the private credit markets,” said John Tobin, head of global liquidity portfolio management at **J.P. Morgan Chase & Co.**'s asset-management arm. “That has implications.”

Money-market funds typically buy short-term corporate and municipal debt, acting as a place for companies, pension funds and insurance firms to park cash at a little better rate than a savings account. The money is used for purposes such as bridge loans for municipalities awaiting tax revenue or cash to pay bills for seasonal businesses.

The new rules don't come into effect until Oct. 14, but already they are having an impact. Funds worried about

outflows are sitting on cash and are reluctant to buy debt that matures after the October deadline.

The rules require prime funds, which typically invest in debt issued by highly rated corporations, and tax-exempt funds that invest in municipal debt to abandon implied guarantees that institutional investors will get their money back and allow the funds to suspend redemptions temporarily in a crisis.

Corporate treasurers that invest in money-market funds and others who can't afford the risk of losing access to their money find the rules burdensome. The rule changes won't apply to funds that invest only in the debt issued by the federal government or government-controlled entities such as **Fannie Mae** and **Fred-die Mac**.

60%

Jump in borrowing costs for Quincy, Mass., for short-term debt since January

Institutional municipal money-market funds held about \$44.2 billion in municipal debt as of Aug. 3, down from \$69.1 billion at the beginning of January, according to the Investment Company Institute.

Assets held by prime money-market funds dropped below \$1 trillion at the end of July for the first time in 17 years and have fallen by more than a quarter of a trillion dollars since mid-March, according to the Investment Company Institute.

“The industry has been expecting this, but there's still uncertainty,” said Tom Calla

Please see FUNDS page B2

Higher Oil Prices, China Trade Data Buoy Asian Shares

By KENAN MACHADO

Asian shares were broadly higher Tuesday, lifted by a surge in U.S. oil prices and upbeat data from China.

Japan's Nikkei Stock Average added 0.7% to 16764.97, while Australia's S&P/ASX 200 rose 0.3% and South Korea's Kospi gained 0.6%. The Shanghai Composite Index climbed 0.7%, though Hong Kong's Hang Seng Index retreated 0.1%.

In the U.S., the Dow Jones Industrial Average added 53 points, or 0.3%, to 18583 by late morning. The S&P 500 rose 0.3%, and the Nasdaq Composite Index gained 0.2%.

In Europe, the Stoxx Europe

600 index rose 0.9%. Germany's DAX index climbed 2.5%, entering bull-market territory. The index is now up more than 20% from a low hit in February.

China's producer-price index, which measures prices at the factory gate, declined 1.7% in July from a year earlier, compared with a 2.6% year-over-year drop in June. That was a better result than economists had expected and suggested the declines in producer prices may be bottoming out, after lingering in deflationary territory for more than four years.

News that the Organization of the Petroleum Exporting Countries planned to hold informal talks in September, possibly leading to production

cuts, pushed U.S. oil prices up 2.9% to \$43.02 a barrel on Monday, though prices retreated in Asian trading.

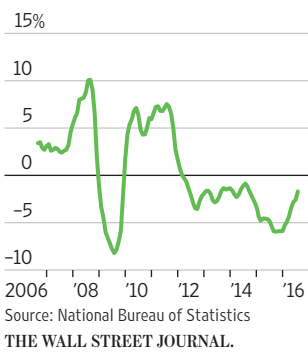
The oil-price gains lifted shares of **Cnooc**, China's largest oil and natural-gas producer, which gained 1% in Hong Kong.

In Asia afternoon trading, Brent crude prices gave up some of their gains to trade 0.8% lower at \$45.03. The move came as analysts expressed skepticism that major oil producers would agree to a production freeze in September. Even if an agreement is reached, it would have limited impact on prices as global oil production is nearly at full tilt, some analysts said.

Meanwhile, commodity stocks across Asia got a boost

An End to Deflation?

Chinese Producer Price Index, change from previous year



Source: National Bureau of Statistics

THE WALL STREET JOURNAL.

from Monday's trade data from China.

“China's July trade data...further underscored the improved global demand for

commodities,” said IG market analyst Angus Nicholson, adding the volume of copper and iron ore imported by China continued to increase at strong levels in July.

In Australia, shares of **Rio Tinto** gained 1.6%, while Hong Kong-listed **MMG**, a unit of China's Minmetals, rose as much as 1% during the session before ending flat.

“Coal and steel prices picked up significantly on speculation that increased government spending on infrastructure projects will lift up demand for hard commodities,” said Zhou Hao, senior emerging-markets economist for Asia at Commerzbank AG.

Elsewhere in the region, preliminary data from South Korea's Finance Ministry

showed that retail sales there have continued to pick up.

Sales at South Korea's top department stores rose 10.5% in July from a year earlier, building on June's 13.5% gain. Sales at Korea's leading discount-store chains also rose 5.8% in July from a year ago, after a 2.9% rise in the preceding month. Among retailers, **Lotte Shopping** rose 0.5% and **Shinsegae** added 1.4%.

In Hong Kong, profit-taking pressure sent shares of some developers down, with **Sun Hung Kai Properties** shedding 0.3% and **Sino Land** falling 1%.

The Hang Seng Property Index, however, is still up 12% since the start of the year, and analysts expect further gains with U.S. interest rates likely to remain low.

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Coach Shows Progress In Turnaround Effort

By SUZANNE KAPNER

Coach Inc. reported strong demand for higher-priced handbags at its retail stores and said it would slash its business with department stores, as the fashion company works to wean customers off discounts.

Sales at the handbag maker's North American stores grew on a comparable basis for the first time in more than three years in its latest quarter, evidence that the company's turnaround is starting to take hold.

Coach Chief Executive Victor Luis told analysts on Tuesday that the results "capped a year where we returned the Coach brand to growth while elevating brand perception." He predicted sales would continue to improve in the current fiscal year even as the company reduces sales to retail chains.

The company plans to pull out of 250 department stores in this fiscal year, which would reduce its distribution in the channel by about 25%. It is also reducing the amount of money it provides department stores to cover the cost of discounts, which would exclude the brand from certain store-wide promotions.

The move will hurt the company's operating margin, with most of the effect felt in its current fiscal first quarter.

North America outlet stores, which have been hurt by a pullback in tourist spend-

ing, pose another challenge. Sales at existing Coach outlet stores were flat in the latest period, and the company isn't expecting sales to increase materially for the balance of the year.

The company remodeled 300 stores in its recently completed fiscal year, bringing total remodels to 450 worldwide.

It is also rolling out its high-end 1941 line, with handbags that can sell for as much as \$800, to all of its Coach stores as its seeks to appeal to more affluent shoppers.

Handbags and accessories priced over \$400 accounted for 40% of its sales in the latest quarter, up from 30% a year ago.

Fiscal fourth-quarter sales rose 15% to \$1.15 billion. Profit totaled \$81.5 million, up from \$11.7 million a year ago.

Coach said the Stuart Weitzman brand, which it acquired last year, had sales of \$345 million for the year. Founder Stuart Weitzman will step down as creative director in May 2017, but will remain chairman. He will be succeeded by Giovanni Morelli, who has worked for Marc Jacobs, Chloe and Burberry.

Coach expects revenue for the current fiscal year to increase by roughly 2% to 5%. Operating margin should range from 18.5% to 19%, compared with 17.3% in the recently completed year.

—Lisa Beilfuss contributed to this article.

HEARD

Continued from the prior page new brands ready market access. Consumer reviews also affect choices, subordinating the role of branding.

Meanwhile, digital media can reduce marketing costs. Dollar Shave Club, the four-year-old male-grooming brand bought last month by Unilever, is a case in point: Since a promotional video went viral, its subscription-based model for razor deliveries has rapidly taken U.S. market share from Procter & Gamble's Gillette business.

This kind of problem helps explain why P&G's underlying companywide growth decelerated to just 1% for the year to 30 June; management said the company was losing share in many categories. Brand building used to take years, costly TV commercials and super-market contacts. Now it can just take a smart idea and a lot of luck.

Against such a backdrop, it can be hard to understand why investors pay ever-higher multiples for shares in P&G and other consumer-goods

companies. Five years ago, they traded for about 14 times earnings. Even as global growth has slowed and digital disruption has become a live threat, the average price/earnings ratio has risen to 22.

The global hunt for yield is the most plausible explanation. Even after massive stock-market gains, shares in the sector yield about 3%. Selling branded shampoo or mayonnaise—inexpensive yet high-margin products—to a globally diffuse set of consumers remains a steady business, whatever competitive challenges the digital age has unleashed. When bonds pay next to nothing, a steady income is prized above all else.

The problem with this thinking isn't just that competition has intensified. It is also that dividend yield has come at the expense of dividend cover: Management teams have doled out an ever-higher proportion of earnings to keep shareholders on board. This squeezes the money available for reinvesting in brands.

Global staple companies are in a trickier spot than their formidable track records or high stock-market valuations imply. —Stephen Wilmut

DEAL

Continued from the prior page state-owned Banco do Brasil and owns a 29.4% stake in CPFL, said in a statement that it is evaluating the offer.

The Chinese state-owned company is optimistic it will secure a controlling stake, according to a person familiar with the situation.

That would trigger an offer for all the remaining shares at the same price. Buying up electricity assets abroad is part of Beijing's strategy to export its infrastructure-building capacity. In particular, State Grid is eager to take its growing expertise in ultrahigh-voltage, long-distance power transmission to new markets.

The vast distances between Brazil's hydropower resources and its big cities make it ideal for China's technology. State Grid has already joined with state-owned electricity company Eletrobras to connect a planned \$16 billion hydroelectric dam in the Amazon jungle to the national electric grid.

CPFL has been in foreign hands before: For a stretch during the first half of the

FUNDS

Continued from the prior page han, global head of cash management at BlackRock Inc., the largest money manager in the world by assets. "To some degree, we all need to prepare for the worst-case scenario."

The rules are aimed at preventing the sort of chaos that hit the money market after Lehman Brothers Holdings Inc.'s bankruptcy during the financial crisis.

The goal is to increase transparency and contain the fallout that could result from many investors cashing out at once, the SEC wrote in the final rule.

Lehman's bankruptcy sent the value of bank debt tumbling and forced the \$60 billion-plus Reserve Primary Fund to "break the buck," or fall below the \$1-a-share value. Other investors then fled the market, forcing the government to step in with a backstop.

Anticipation of the new rules already has pushed up the London interbank offered

IN THE SHOPPING BAG

Chinese companies have announced a number of large overseas acquisitions this year.

Top pending China outbound mergers and acquisitions in 2016*				
Announced date	Company	Nationality	Acquirer	Deal value excluding debt
Feb. 3	Syngenta	Switzerland	China National Chemical	\$44.1 billion
June 21	Supercell Oy (84.3%)	Finland	Tencent Holdings	8.6
Feb. 17	Ingram Micro	U.S.	Tianjin Tianhai Investment	6.1
May 18	KUKA (86.5%)	Germany	Midea Group	4.5
July 31	Playtika	Israel	Shanghai Giant Network Technology	4.4
July 1	CPFL Energia (53.3%)	Brazil	State Grid Corp of China	4.2

*Year-to-date Source: Dealogic

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*Year-to-date Source: Dealogic

20th century, it was controlled by American & Foreign Power Co. Brazil's government took over the assets as it pursued economic nationalism under a military dictatorship. The company was privatized during the economic overhaul of the 1990s. Today, the sprawling CPFL made up of dozens of power companies, is one of Brazil's largest utilities.

It provides power to more than 500 municipalities in four states, including economically powerful São Paulo.

Chinese companies have been on a global shopping spree this year, announcing a

BUSINESS NEWS

Valeant Posts Loss, Plans to Retool

By ANNE STEELE

Valeant Pharmaceuticals International Inc. posted a wider loss in its latest quarter, and the company said it would reorganize, continuing a push to remake itself as a conventional pharmaceutical firm.

The company also affirmed its yearly guidance after a string of cuts, easing fears of triggering a debt-covenant breach. Shares in the company were ahead 17% in midday trading on Tuesday at \$26.28.

It has been just over a full year since Valeant shares hit a record. Since that peak last August at \$262.52, the stock has erased about 90% of its value amid a slate of concerns, including drug-price rises, accounting problems, a brush with a potential debt default, and investigations by U.S. lawmakers and regulators.

Investors have been watching for signs of what kind of profitability Valeant can deliver as it distances itself from big acquisitions and severe price increases for its drugs, the method it used to build its business.

Chief Executive Joseph Papa, who took the helm from Michael Pearson in May, said Tuesday that Valeant would be going in a "new strategic direction" that involves reorganizing the company and its reporting segments, breaking them into three main units.

Valeant said that, as part of its reorganization, it is looking at potential alternatives for some noncore businesses with revenue totaling more than \$2 billion and estimates it could sell off those businesses for as much as \$8 billion. Through asset sales and cash flows, Valeant said it looks to shore up its balance sheet by cutting its debt by more than \$5 billion over the next year and a



Valeant CEO Joseph Papa, seen in June, said the company would take a 'new strategic direction.'

half. By backing its guidance, Valeant essentially said it thinks it can earn enough to keep its financial ratios in compliance with its debt covenants.

But on a call with investors Tuesday, the company said it plans to ask lenders to amend those debt covenants to loosen restrictions. "Our cushion is not as large as we'd like it to be," said Mr. Papa.

This would be the second amendment to those agreements. In April, Valeant convinced holders of more than half of its loans, by principal amount, to push back regulatory filing deadlines and loosen financial conditions on the loans.

For the quarter ended in June, Valeant posted a loss of \$302.3 million, or 88 cents a share, wider than its loss of

\$53 million, or 15 cents a share, a year earlier.

On an adjusted basis that strips out some costs and uses a new tax-reporting method, earnings fell to \$1.40 a share from \$2.14. Revenue slid 11% to \$2.42 billion. Analysts were looking for adjusted earnings of \$1.48 a share on \$2.46 billion in revenue, according to Thomson Reuters.

Valeant backed its guidance for the year—which it had cut sharply in June—for earnings of \$6.60 to \$7 a share and revenue between \$9.9 billion and \$10.1 billion.

"We continue to make progress towards stabilizing the organization," Mr. Papa said. "Although it will take time to implement and execute our turnaround plan, I am confident that we will show progress in the coming quarters."

But Evercore analyst Umer Raffat points out the lower-than-consensus results in the second quarter mean business has to improve in the second half to meet guidance. And some important segments struggled in the latest quarter.

Dermatology revenue more than halved while ophthalmology skidded 25% lower. Neurology and branded generics revenue slipped 11%; gastrointestinal fell 10%.

Developed-market revenue fell 14%, mostly owing to lower pricing. Valeant has faced fierce criticism for its drug pricing after The Wall Street Journal reported in April last year that the company had raised the prices of Isuprel and Nitropress, two cardiac-care drugs, by 525% and 212%, respectively, after acquiring the rights to the medicines.



Short-term borrowing costs have risen sharply in Quincy, Mass.

rate, or Libor, to the highest levels since May 2009. The rate reflects the cost of borrowing among banks and is a benchmark for other debt like corporate loans and mortgages.

Financial companies' borrowing rates have jumped in the commercial-paper market as well. As of Aug. 4, those companies were paying 0.9% on average to borrow for 90 days, according to data from the Federal Reserve, up from 0.7% a week earlier and the

highest level since February 2009.

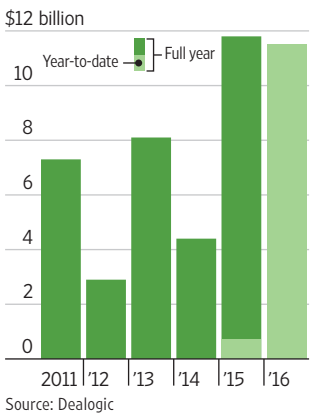
Japanese banks are among the biggest users of the U.S. commercial-paper markets. Some have had to pay more than 1% in deals done since mid-July, according to a report by Alex Roever, a strategist with J.P. Morgan.

The SEC has said it had anticipated increases in borrowing rates when it passed the rule in 2014, but felt the trade-off was worth it to avoid a repeat of 2008.

Power Up

China is writing big checks for power assets across the globe.

Total outbound mergers and acquisitions in power and utilities



record \$159.4 billion in deals overseas, including \$12 billion in power and utilities deals, according to Dealogic.

Resource-rich Brazil has become an increasingly important supplier of raw materials to China over the past decade or so. The power deal would represent a broadening of economic ties, from trade in raw materials to Chinese ownership of a crucial cog in Brazil's economy.

The CPFL acquisition is also tangentially related to a political flashpoint in Brazil. A separate construction arm of the Camargo Correa holding company has been unloading assets to raise money since being caught up in a sprawling cash-for-contracts corruption scandal that helped drive the impeachment of President Dilma Rousseff earlier this year. Three former executives of the construction company, including its former chairman, were sentenced in that case last year. Camargo Correa spokesmen responded to requests for comment by referring to CPFL's public statements about the State Grid transaction.

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State Grid is China's main grid operator and covers 88% of the country, providing electricity to more than a billion people. It recorded a profit of \$13.1 billion last year on revenue of \$312 billion.

Japan Display Seeks Government Help

By TAKASHI MOCHIZUKI

TOKYO—A top maker of displays for **Apple Inc.** smart-phones has asked a Japanese government-backed fund for hundreds of millions of dollars in aid, the latest sign of stress among Apple suppliers.

Japan Display Inc. on Tuesday posted a loss of about \$115 million in its fiscal first quarter ended June 30 and turned to its top shareholder, government-backed Innovation Network Corp. of Japan, for support.

Sluggish demand from Apple and the strong yen have battered Japan Display and **Sharp Corp.**, another Japanese display maker, which has agreed to be taken over by Taiwan's Foxconn Technology Group.

"Our largest shareholder, INCJ, told us that they will continue to provide full-fledged support," said Japan Display Chief Executive Mitsuru Homma. "My hope is the support would come in a way that doesn't affect other existing shareholders," the CEO said, indicating he doesn't want to issue new shares to the fund, which already owns 35.6% of Japan Display.

Another Japan Display official said the company expected to get tens of billions of yen, or hundreds of millions of dollars, in loans and loan guarantees from the fund. An INCJ spokesman said that nothing specific has been decided, but that the fund has expressed its support for Japan Display.

Japanese companies in the electronic-devices area have leaned heavily on Apple for business in the past few years, prospering when the iPhone was on the upswing and taking a hit when sales slackened.

What amounts to a nagging cold for Apple, which earned \$7.8 billion in its most recent quarter, can quickly turn life-threatening for its suppliers. Japan Display's first-quarter revenue fell 29% from a year earlier. Analysts say there might not be room left for Japan Display in an industry with tough competitors from China and South Korea.

Sluggish demand from Apple and a strong yen have hurt Japan Display.

"If the government believes this industry is still important for Japan, the fund or the Ministry of Economy, Trade and Industry would need to take aggressive turnaround measures," said SMBC Nikko Securities analyst Ryosuke Katsura.

Japan Display was created by the government-backed fund in 2012 by merging the display operations from Sony Corp., Hitachi Ltd. and Toshiba Corp. It had an initial public offering in 2014.

Sales of the iPhone have been slowing because of advances by Android phones from Samsung Electronics Co. and cut-price Chinese makers.

More than half of Japan Display's revenue comes from Apple, according to a company stock-exchange filing. Despite sales efforts in China, Japan Display's largest Chinese client, Huawei Technologies Co., accounted for only 12% of sales in the year ended March 2016.

Japan Display's Mr. Homma said he expected orders from Apple to pick up starting this month, and he added that the company was looking for other business in products such as virtual-reality headsets and in-car displays.

Even if orders pick up in the short-term, Japan Display risks getting stuck with dated technology. The company has focused mainly on developing traditional liquid-crystal displays, but smartphone makers are eyeing organic light-emitting diode, or OLED, technology. Industry executives say they expect Apple to introduce the new technology on some iPhones as soon as next year, a projection Apple has declined to discuss.

Japan Display is trying to catch up and says it hopes to start mass-producing OLED displays next year. Amir Anvarzadeh, head of Japan equities at brokerage BGC Partners, said the company's limited arsenal for investment would have trouble catching up with bullish development plans by South Korean and Chinese makers, both backed by strong support from their governments.

—Atsuko Fukase contributed to this article.



Passengers line up at a Delta check-in counter on Tuesday at Narita International Airport, in Japan.

Delta System Cited in Havoc

By ROBERT WALL AND SUSAN CAREY

LONDON—**Delta Air Lines Inc.** Tuesday said it would cancel about 300 more flights as a knock-on effect from a computer outage that caused about 1,000 cancellations the day before and drew attention to antiquated technology that has plagued many airlines.

The additional cancellations are intended to allow Delta "to reset the operation and get crews, aircraft and other operational elements in place to take care of customers," the company said in a statement.

"We were able to bring our systems back on line and resume flights within a few hours yesterday but we are still operating in recovery mode," Delta senior vice president for operations Dave Holtz said in a statement.

An electrical problem at Delta's Atlanta headquarters occurred early Monday, triggering a computer outage that forced the airline to cancel flights and hold departures for hours. The technical problems likely will cost Delta millions of dollars in lost revenue and could dent its image as the

most reliable major international airline in the U.S.

Delta is the latest U.S. carrier to be hit by major disruptions from technical problems. That has raised questions about whether a recent wave of four U.S. airline mergers, which created four large carriers controlling 85% of domestic capacity, has built companies too large and too reliant on IT systems that date from the 1990s. Delta merged with Northwest Airlines eight years ago.

These systems—which run everything from flight dispatching to crew scheduling, passenger check-in, airport-departure information displays, ticket sales and frequent-flier programs—gradually have been updated but are still vulnerable, IT experts said.

"It could have been a huge domino as a result of the power outage or bringing the system back up," said Bill Curtis, chief scientist of CAST Research Labs, a French company that analyzes complex IT systems and hasn't done any work for Delta.

Delta didn't address the broader questions about its technology. A spokesman for **Georgia Power**, the Southern Co.-owned electric utility that serves

nearly the entire state, said Delta's problems were caused by a failed "switchgear," which is like a fuse box at home that routes the power in and distributes it throughout the house.

Following the loss of power Monday, "some critical systems and network equipment didn't switch over to Delta's backup systems," the company said. It is investigating the cause.

When departing flights can't take off, tie-ups at hub airports follow because gates aren't available for arriving flights. Further delays arise because planes and crews are out of position to follow the published schedule. It can take days for a carrier to recover and get all of its passengers to their destinations.

Delta's problems come on the heels of a computer glitch at **Southwest Airlines Co.**, the No. 4 U.S. carrier by traffic, which suffered a computer meltdown on July 20 and canceled about 2,300 flights during four days.

The problem, caused by a single computer router that malfunctioned at its data center in Dallas, forced the airline to shut the entire system and reboot it, a 12-hour process. The cost was \$5 million to \$10 million, Southwest said.

Weibo Drives Growth at Sina

By MARIA ARMENTAL

Chinese internet company **Sina Corp.** on Monday raised its revenue projection following improved second-quarter results that were bolstered by continued strength at microblog portal **Weibo Corp.**

Sina said its revenue in the latest period rose 14% from a year earlier to \$244 million. Advertising revenue climbed 16%, with Weibo offsetting a \$9.7 million decline in portal advertising revenue.

The Shanghai-based company now expects annual revenue of \$950 million to \$1 billion; its previous projection was \$850 million to \$950 million. Its outlook excludes about \$10.4 million in deferred license revenue from **E-House (China) Holdings Ltd.**

An early internet pioneer in China, Sina was founded in

1999 from the merger of a Beijing software company and Sina.net.com, a California-based company that ran internet sites targeted at Chinese abroad.

In 2014, Sina spun out Weibo but kept a controlling stake.

Sina is also part of a consortium that plans to take E-House private. The deal, which E-House shareholders approved last week, is expected to close this month.

Sina also holds a stake in Alibaba Group Holding Ltd., which in turn holds a stake in Weibo and has been driving advertising to the microblog.

Overall, Sina's second-quarter profit rose nearly fourfold to \$43.3 million, or 59 cents a share.

Excluding stock-based compensation and other items, profit rose to 27 cents a share,

from 6 cents a share a year earlier.

Meanwhile, Weibo's profit rose sixfold to \$25.9 million, or 12 cents a share. Excluding stock-based compensation and other items, profit rose to 16 cents a share, from 5 cents a year earlier.

Weibo's revenue rose 36% to \$146.9 million, driven by a 45% increase in advertising and marketing revenue.

To drive user engagement, Weibo has been building its video services. Chief Executive Gaofei Wang on Monday said short and live videos took off, helping drive robust increases in active users, particularly on mobile.

Weibo's monthly active users reached 282 million in the second quarter, up from 261 million in the previous quarter, with 89% accessing the platform on mobile devices.

BATTERY

Continued from page B1
rooftop solar panels. These batteries use the same ingredients as those Tesla uses in its cars.

Residential battery systems cost between \$1,300 and \$2,000 a kilowatt-hour of storage, or \$8,320 and \$12,800 for a battery system the size of Tesla's 6.4 kilowatt-hour Powerwall, according to GTM. Costs tend to vary widely as battery systems are customized.

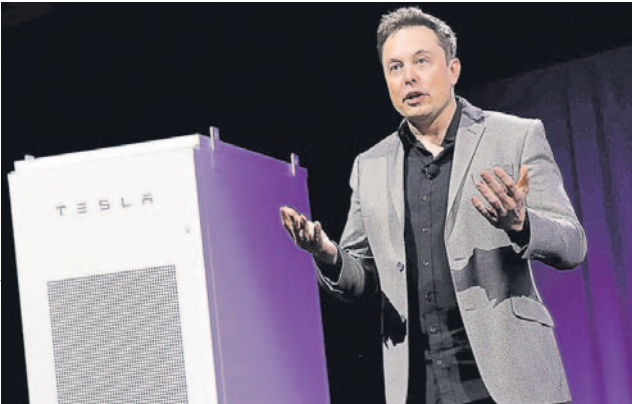
The wholesale price for Tesla's home battery is \$3,000—excluding the operating software, labor and other installation costs as well as the inverter, which converts direct current into alternating current.

Homeowners who connect batteries to their solar panels can claim a federal tax credit equal to 30% of the total cost of both systems.

While Mr. Musk predicted last year Tesla would sell as much as \$50 million worth of storage batteries in 2015, up to \$500 million this year, and between \$2 billion and \$5 billion of storage batteries in 2017, its sales appear to be considerably below those figures to date.

Tesla's battery-storage business has been constrained and "is going to be heavily concentrated in [the fourth quarter] and probably heavily in November and December," Mr. Musk said last week during a conference call with analysts to discuss quarterly results.

Tesla said in May it shipped 2,500 Powerwall batteries and



Tesla's Elon Musk, in 2015. The company said in May that it shipped 2,500 Powerwall batteries and 100 large Powerpack batteries.

100 large Powerpack batteries, primarily to customers in Europe and Australia. The company hasn't disclosed its revenues from battery sales, but some analysts estimate the company is selling far less than it had forecast.

Tesla decided to wait until a portion of the Gigafactory, its battery production facility in Nevada, was completed, at the end of last year, before shipping Powerwalls and Powerpacks, a company spokesman said. The entire factory is now close to fully opening.

Although the market for energy-storage batteries is small, it already has a lot of potential competitors due to the number of companies that make lithium batteries for other uses. They include large manufacturers such as **Sony Corp.**, **Panasonic Corp.** and **Samsung Electronics Co.**

Colin Langan, an analyst at UBS, expects Tesla to sell about \$230 million of batteries this year and \$1 billion in 2017, below the company's

forecast.

Tesla and SolarCity, which already collaborate on power storage and have joint marketing, have an early foothold in the nascent market, however.

SolarCity is working to complete a 13-megawatt solar farm and storage unit packed with Tesla batteries on the Hawaiian island of Kauai that will provide 52 megawatt-hours of electricity per day, enough to supply up to one-quarter of the island's midday power needs. SolarCity has two other utility projects under contract and commercial customers including **Wal-Mart Stores Inc.**

Tesla is supplying batteries to several projects with other companies. Among those are 50 megawatts of energy storage projects, spread across several dozen Los Angeles area office buildings, that San Francisco startup **Advanced Microgrid Solutions** is developing for **Edison International's** Southern California utility.

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BUSINESS NEWS

NextVR Lands \$80 Million In New Funding

By CAT ZAKRZEWSKI

A syndicate of Asian technology companies and investment funds are pouring money into a Laguna Beach, Calif., company that broadcasts events live in virtual reality.

NextVR Inc. has raised \$80 million in Series B funding to expand its platform that has broadcast events, including a Coldplay concert, presidential debates and the Kentucky Derby, in virtual reality. As startups seek to make content for the nascent virtual-reality industry, corporate investors—especially from China—are behind some of the largest deals.

“The U.S. is excited about VR,” said NextVR Executive Chairman Brad Allen. “But China is even more excited about VR.”

New investors include China Assets Holdings Ltd., Citic Guoan Information Industry Co., **CMC Holdings** Ltd. of Hong Kong, **Founder H Fund** Co., **NetEase** Inc., Japan’s **SoftBank** Corp., San Francisco-based Spectrum 28 Capital LLC and VMS Investment Group Ltd.

Corporate investors, especially from China, are behind virtual-reality deals.

“Smart Chinese money wants early access to the best VR companies in order to drive this trend in China,” said Michael Yang, **Comcast Ventures** managing director and NextVR investor.

Mr. Allen, of NextVR, said there are more than 100 companies in China that are developing head-mounted displays and that many of those devices are powered by mobile phones. He compared them to the Samsung Gear VR, a popular phone-powered headset in the U.S. He said many in China view the medium as the next computing platform.

Currently consumers need a Samsung phone and Gear VR headset to watch NextVR but the company is expanding to other head-mounted displays. “China looks at this as an opportunity to be in on the ground floor,” he said.

Two other California companies that make movie-like experiences in VR grabbed funding from China in recent months. Jaunt Inc. raised \$65 million with participation from **China Media Capital**. The company recently launched Jaunt China with **CMC** and **Shanghai Media Group**. The Virtual Reality Co., first backed by Steven Spielberg, raised \$23 million from **Hengxin Mobile Business Co.**

On the head-mounted display side, Alibaba Group Holding Ltd. is among the investors that have poured more than \$1 billion into Magic Leap Inc., a maker of mixed-reality glasses.

To be sure, there will be challenges for NextVR as it seeks to navigate an extremely fragmented market with many head-mounted-display manufacturers. Mr. Allen said having strategic investors in Chinese technology, media and entertainment will help the company understand the sector.

“It’s not unlike the early days of the web browsers or flip phones, where you would’ve had to write your app multiple times to multiple platforms,” said Mr. Yang, of Comcast Ventures.

According to industry data tracker Dow Jones VentureSource, virtual- and augmented-reality startups have raised \$985.17 million across 29 deals in the first half of 2016. This is a sharp increase from a year earlier, when investment totaled \$157 million. Much of the increase was driven by a large investment in Magic Leap.

In the U.S., traditional venture capitalists continue to hold back on writing large checks for later-stage virtual-reality companies. Though most believe a market for virtual reality will materialize, it is unclear when the market will take off. Virtual reality hasn’t exactly achieved mass-market appeal and is still considered years away from being able to do so.

There is a classic chicken-and-egg problem at the core of unlocking virtual reality’s market potential.

Virtual-reality headsets won’t be in many households until there is either engaging content to watch on them or a “killer app” that makes consumers feel they need to buy them. But it is risky to invest in content before enough people get access to headsets to experience it.

Many say more opportunities lie with companies creating the “picks and shovels” that will create virtual-reality content. That funding cuts across hardware or software categories because many of these companies are blended models—building the cameras to capture video, the programs to edit and stitch it in 360 degrees and the software that renders and distributes content across various head-mounted displays.

“You look at most of Sand Hill, and they’re sitting on their hands,” Mr. Yang said in a recent interview, referring to the Silicon Valley venture capital community in Menlo Park, Calif.

NextVR previously raised about \$30 million in funding from U.S. investors, which all participated in this \$80 million round. They include Formation Group, **Time Warner Investments**, Comcast Ventures, Stephen Ross’s RSE Ventures, Mandalay Entertainment CEO Peter Guber, Madison Square Garden Co. and Dick Clark Productions Inc.



Above, a Jet.com distribution center in Kansas City, Kan., last year. The company is selling itself to Wal-Mart Stores for \$3.3 billion.

Startups Opt to Cash Out

By ROLFE WINKLER

Jet.com Inc.’s decision to scrap its ambitious plan to challenge **Amazon.com** Inc. in favor of a \$3.3 billion sale to **Wal-Mart Stores** Inc. marks the third time in recent weeks a cash-guzzling startup has chosen to sell.

With venture capitalists growing pickier, the IPO market largely shut, and investors newly insistent that startups operate in the black, flush corporations are providing lucrative paydays for some startups that once had grander ambitions.

Jet, which only launched its online discount marketplace a year ago, was burning \$40 million a month as of last fall, according to its October financial information reviewed by The Wall Street Journal.

Last week, **Uber Technologies** Inc. sold its China car-hailing operation to **Didi Chuxing Technology Co.** after losing north of \$1 billion a year. And in July, unprofitable razor retailer **Dollar Shave Club** Inc. sold itself to **Unilever PLC**, rather than fight bigger brands like Gillette in a marketing war.

All three companies spent heavily to acquire customers and none had proved it could profit. Yet each built operations that a buyer viewed as strategic. Other startups haven’t been so lucky. Dozens of venture-backed companies have laid off staff, raised capi-

tal at lower valuations or shut down.

The common denominator, say venture capitalists, is tighter capital markets.

By this point last year, at least 53 startups raised capital at a valuation of \$1 billion or more for the first time, according to VentureSource. This year, nine have reached that milestone. Also so far this year, just nine U.S.-based tech companies have staged an IPO, according to Dealogic. That is down from an average of 24 through the first week of August the prior four years.

“When gas is free, people buy large cars and don’t think about it,” Bob Ackerman, managing director of venture firm Allegis Capital, said about startups raising vast sums of capital in the past.

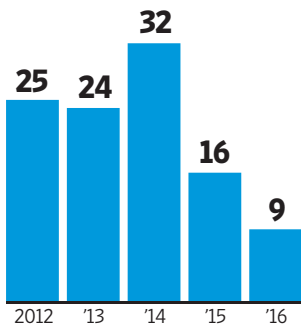
For two years, mutual funds and hedge funds flooded tech startups with cash, but last fall they dialed back. Volatility in stock markets, starting in China, and a lack of lucrative IPOs discouraged investors.

A February drop in public tech stocks splashed “cold water on the face of the venture guys,” says Michael Brown, general partner with Battery Ventures. “Growth at all costs may not be rewarded in public markets, and profitability will matter.”

Jet’s sale, while lucrative for investors, falls short of co-founder and Chief Executive Marc Lore’s vision that Jet would take on Amazon.com

IPO Drought

Number of IPOs for U.S.-based tech companies*



*Through first week of August
Source: Dealogic

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alone. Mr. Lore said in a statement Monday that being owned by Wal-Mart would “allow us to deliver more value to customers.”

Scarcer capital could have been a roadblock for Jet.

A Jet investor presentation last summer reviewed by the Journal said it would need to raise about \$3 billion by 2020, when it expected to reach profitability. The presentation anticipated that Jet would raise capital at a \$4.8 billion valuation by January, compared with nearly \$600 million months earlier.

Instead, in November investors valued it at \$1.35 billion.

Fortunately for Jet investors, Wal-Mart needs help in its own fight against Amazon. Wal-Mart says \$3.3 billion is

worth it to bring on Jet’s e-commerce team led by Mr. Lore, who previously sold Diapers.com parent Quidsi Inc. to Amazon for over \$500 million.

“It might not be what [Mr. Lore] wanted to do, which was kill Amazon,” said Battery’s Mr. Brown. “But it’s \$3 billion in your pocket.”

Uber, meanwhile, said it hoped to conquer China, spending hundreds of millions of dollars there to attract drivers and riders. But rival Didi matched its fundraising, leading to a price war many investors believed had no end.

Pressured to stanch losses, Uber merged its China operations with Didi in exchange for an 18% stake. Uber CEO Travis Kalanick said in a statement that sustaining its China operations was “only possible with profitability.”

Propelled by a viral 2012 marketing video, Dollar Shave gained share in the razor market from Procter & Gamble Co.’s Gillette. But Dollar Shave also burned through cash, in part because it later turned to pricier, traditional advertising to power growth.

Peter Pham, an investor in Dollar Shave with tech incubator Science, said the company projected being profitable later this year.

Dollar Shave’s investors ultimately calculated Unilever’s \$1 billion cash offer—about four times the startup’s expected revenue for 2016—was the best chance for success.

News Corp Gains From Legal Settlement

By LUKAS I. ALPERT

News Corp swung to a profit in the June quarter, helped by a legal settlement, as the book and digital real estate units posted growth and newspaper advertising revenue remained weak.

The company—which publishes The Wall Street Journal as well as other newspapers in the U.K., Australia and the U.S.—reported net income of \$89 million, or 15 cents a share, compared with a loss of \$379 million, or 65 cents a share, in the year-earlier period. Revenue rose 5% to \$2.2 billion.

The latest quarter’s results included a \$122 million gain in the real estate unit from the settlement of a trade-secret theft lawsuit with **Zillow Group**. When it announced the settlement in June, Zillow said the parties reached an “amicable resolution” and that the agreement didn’t contain any admission of liability, wrongdoing or responsibility.

Factoring out the settlement, restructuring charges and other special items, adjusted per-share earnings were 10 cents in the fourth quarter, up from 8 cents a year ago.

Analysts polled by Thomson

Reuters had expected total revenue of \$2.06 billion in the quarter and adjusted earnings of 13 cents a share.

The news and information services segment, which accounts for roughly two-thirds of News Corp’s total revenue, reported a 1% gain in sales to \$1.42 billion. Advertising revenue fell 5% in the unit.

“While global print ad trends remain challenging at our news and information services segment, we are continuing our aggressive growth in digital, which now accounts for 23% of segment revenues, up from 19% last year,” News Corp

Chief Executive Robert Thomson said in prepared remarks.

News Corp Chief Financial Officer Bedi Singh said in a call with analysts that domestic advertising revenue at the Journal fell 12% in the quarter year-over-year, “with declines in print partially offset by modest growth in digital.”

At the same time, he said circulation revenue rose 5% on the year. Revenue in News Corp’s book publishing segment rose 11% to \$433 million.

Meanwhile, the small-but-growing digital real-estate business reported a 21% gain in revenue to \$229 million.

Business Watch

MARRIOTT

China Seeks Time To Examine Merger

Marriott International Inc. agreed to a request from China’s antitrust authority to extend the time frame for reviewing Marriott’s proposed marriage with **Starwood Hotels & Resorts Worldwide** Inc., extending the last regulatory hurdle before the transaction may close.

The two hotel chains said the additional review period could last up to 60 days.

The companies, which didn’t specify why the Chinese Ministry of Commerce needed more time to complete its review, say their planned merger poses no anticompetitive issues in China.

The transaction has received clearances from regulators representing more than 40 countries world-wide, including the U.S. and the European Union.

In March, Starwood agreed

to a sweetened cash-and-stock deal from Marriott, currently valued at roughly \$13.42 billion. That move came after China’s Anbang Insurance Group Co. walked away from its all-cash \$14 billion bid to buy Starwood, a surprise move that capped a three-week bidding war with Marriott. Starwood chose to stick with Marriott’s boosted offer, which at the new price, Anbang effectively forced Marriott to pay roughly \$1 billion extra for Starwood.

Marriott shares, up 5% in the past three months, were down 30 cents at \$72.24 midday Tuesday in Nasdaq Stock Market trading.

—Joshua Jamerson

TRANSURBAN GROUP

Toll-Road Company Swings to a Profit

Transurban Group, Australia’s biggest toll-road operator, swung to an annual net profit, helped by robust revenue growth on its Sydney and Brisbane roads and a ramp-up in traffic on the recently constructed 95 Express Lanes in North Virginia.

Transurban, which owns stakes in 13 Australian toll roads and two U.S. assets, said it expects its dividend to grow by 11% this year to 50.50 Australian cents (38.63 U.S. cents) a share.

Steady population growth in Sydney and Melbourne is boosting use of Transurban’s roads. The company reported a A\$99 million net profit for the year ended June 30, compared with a loss of A\$182 million a year earlier when it invested heavily in road upgrades and paid for acquisitions.

Proportional earnings before interest, tax, depreciation, amortization and significant items—a measure of underlying earnings closely watched by analysts—increased by 15% to A\$1.48 billion.

Analysts say Ebitda is a more relevant measure of financial performance for toll-road operators, as large acquisition or development costs attract high rates of depreciation in early years, while toll revenues ramp up over concessions that often run for several decades.

Proportional Ebitda, Transurban’s preferred measure, excludes minority interests in the company’s controlled roads and includes the company’s interests in noncontrolled assets.

—Rebecca Thurlow

PETRONAS

Canadian Project To Get ‘Total Review’

Malaysia’s state oil company **Petroleum Nasional** Bhd. also known as Petronas, said Tuesday that it needs to conduct a “total re-



A Petronas station in Malaysia. The company wants to review its planned Canadian LNG project

view” of its planned Pacific Northwest liquefied natural gas project in Canada, and is awaiting the final environmental report for the project.

The Wall Street Journal had earlier reported that Petronas was considering delaying the US\$27.5 billion project over concerns about oversupply and cheap competing fuels.

The unlisted company, which generates most of the Malaysian government’s oil and gas revenue, said it is waiting for the finalization of the Canadian Environmental Assessment Agency’s extended review of the environmental report for the LNG project.

“Upon the finalization of the report, we need to conduct a total review of the proposed project prior

to tabling it to the project’s partners for Final Investment Decision,” the company said in an emailed statement to The Wall Street Journal.

“Petronas reiterates that a project of this magnitude requires coherent support from the various relevant stakeholders to work within a reasonable time frame for successful project implementation,” it said.

—Yantoultra Ngui

MANAGEMENT

WORKAROUNDS



CEO of Zappos Has His Own Way To Handle Email

Tony Hsieh wants to hack your email. Not literally, of course. The chief executive of **Zappos.com**, Inc. has figured out a clever way to help busy employees avoid what he calls the "never-ending treadmill" of daily messages.

Several years ago, Mr. Hsieh devised an email management technique he calls "Yesterbox." The idea is to go through yesterday's messages today. That way, Mr. Hsieh says, "you know exactly how many emails you have to get through," rather than constantly battling incoming missives throughout the day. At the end of the day, you can reach a point when you have no more email left to process from the day before, he says.

Mr. Hsieh says he often completes his emailing by noon. He rarely responds to a nonurgent email the day he receives it, and says the methodology has speeded up his email response time because he procrastinates less often on tough-to-write responses, which used to take up to several months.

Mr. Hsieh forces himself to process—by filing, replying, deleting or adding to the calendar—at least 10 of yesterday's messages before he checks more recent incoming email.

—Rachel Emma Silverman

Management Style: When Is It Seen as Abusive?

You've seen it in the workplace: One boss shouts at staffers, scolds them at every turn and still develops a reputation as a masterful leader. Meanwhile, another executive who does virtually the same gets labeled an abuser. Why?

Often, it comes down to results. Managers who communicate clear motives, engender trust within their teams, and have a record of winning tend to be viewed positively even if their style is aggressive or extremely demanding, according to new research by Robert Bies, professor of management at Georgetown University's McDonough School of Business.

Abusive leadership is in the eye of the beholder, says Mr. Bies. Employees view hard-driving management techniques differently, depending on who is delivering the directives and the circumstances.

The research mentions Vince Lombardi, the professional football coach, and media and merchandising impresario Martha Stewart, as "performance-demanding" leaders who applied heavy-handed leadership styles, largely with great success.

—John Simons

JetBlue CEO Seeks to Pivot Toward Change

Robin Hayes expands airline's premium service, weighs flights from U.S. East Coast to Europe

By SUSAN CAREY

In the eventful 18 months since he was elevated to the top job at **JetBlue Airways Corp.**, Robin Hayes has learned what it is like to manage a small, close-knit company that sees itself as an industry disrupter.

In April, he tried to buy smaller San Francisco-based airline **Virgin America Inc.** in the hopes of building up JetBlue's presence on the West Coast. But Mr. Hayes was outbid by **Alaska Air Group Inc.**

The CEO quickly pivoted and announced plans to help the New York-based, low-fare carrier grow organically, primarily by expanding its new premium service, **Mint**.

Mr. Hayes made waves last month, when he said JetBlue might buy a longer-range version of the single-aisle Airbus plane it already operates so it could fly to Europe from the East Coast. While the decision hasn't been made, it would be a big strategic departure from JetBlue's predominantly domestic model and bring competition from a squadron of new rivals.

The British-born former engineer was named JetBlue

president in early 2014, becoming the third leader in its 16-year history. He joined the company in 2008 as chief commercial officer after 19 years at **British Airways**, a full-service international carrier whose lineage dates back to 1919. BA is now a unit of **International Consolidated Airlines Group SA**.

In a recent interview, Mr. Hayes, who is 50 years old and now holds dual U.S. and U.K. citizenship, talked about JetBlue's evolving strategy. Edited excerpts:

WSJ: JetBlue is the fifth-largest U.S. airline. It's neither a global carrier nor an ultradiscounter. Do your rivals take you seriously and what's it like to be in the middle?

Mr. Hayes: When we add a route to one of their high-fare monopoly markets, they seem to notice us because their fares come down a lot. Being in the middle is actually where most people are. There's a role for all these models, but if I could choose where we want to be, we're actually where I want to be. We have an amazing customer loyalty.

WSJ: How do you keep that love when you are taking



Robin Hayes

Q: Window or aisle?

A: Always aisle.

Q: As a child, what did you want to be when you grew up?

A: A train driver.

Q: The one thing a gate agent should never say?

A: 'Unfortunately.' At JetBlue, we say 'As it turns out.'

things away, like charging for the first bag and putting more seats on the planes?

Mr. Hayes: We have to make sure for our owners we're delivering competitive financial performance. I would better describe it as changing. The new cabins we're creating have improved in-flight entertainment, bigger screens, more channels, more movies, new ergonomically designed seats. We've started rolling out fresh food

on longer flights.

WSJ: You also are known for making some things free, like in-flight TV. Take me inside a decision to do that.

Mr. Hayes: Wi-Fi is the best example. We were actually the first airline to have Wi-Fi in the U.S. It was on one airplane as a test. It was very narrow bandwidth so it didn't really meet the needs. Then some of our competitors started to install the Gogo Wi-Fi product on their planes. I think we were like three years behind everybody else. But we don't like this model of putting in a me-too product that is expensive to use. We want to wait for a much better technology we can bring to the market and offer something to our customers for free. We ended up with ViaSat.

WSJ: How much of a leap was it to leave all-coach and start Mint?

Mr. Hayes: Mint was a hotly debated topic. If we do this, are we going to change the future of the airline? Many

of our crew members were concerned. The problem we were trying to solve was our business performance on the [transcontinental routes] lagged our competitors and the main reason was the lack of exposure to the higher-fare premium segment. Now crew members are absolutely so excited by it.

WSJ: What would it mean if JetBlue started serving Europe?

Mr. Hayes: What's held us back is that our growth priorities have been elsewhere. Second, there is a different operating model. It does require a new airplane. Either you have to go into the wide-body market, which is a step change for us. Or you have to take advantage of new technology, like the A321 Long-Range [which Airbus is due to roll out in 2019].

Watch the video

and find more management coverage at **WSJ.com/Management**

Female CEOs, Still a Rarity, Face Extra Pressures

By RACHEL FEINTZEIG AND JOANN S. LUBLIN

Top female executives wonder what's next for Marissa Mayer—and for the rest of their slim ranks.

The **Yahoo Inc.** CEO is wrapping up one chapter of her career, as the internet company works to sell its core assets to **Verizon Communications Inc.** For many women leaders, she embodies the particular challenge of being female and in charge.

Some say Ms. Mayer and other female CEOs frequently face extra scrutiny for their management decisions, strategy plans and personal lives. Others are concerned that they have little margin for error, which can make risk-taking perilous and winning crucial.

"So few women make it to this level. You don't want to give them an example of, 'Well she didn't work,'" said Melanie Cox, chief executive of retailer **Wet Seal LLC**.

Ms. Cox has led the company since last year, after it emerged from bankruptcy-court protection. A veteran of turnarounds at retailers **Scoop NYC** and **G-G**



Yahoo's Marissa Mayer is one CEO who has faced scrutiny.

Retail Inc., she has worried that a rocky tenure could mar her credentials as a female CEO.

"You get the opportunity and then if it doesn't work out, are you ever going to get it again? That's the pressure," Ms. Cox said.

Women "are getting harsher treatment than men leading difficult turnarounds," said Jeffrey Sonnenfeld, a senior associate dean at Yale

School of Management. "We are just learning how to understand women as leaders," he added.

Still a rarity in the highest offices of corporations, women hold just 4.4% of CEO spots at S&P 500 companies, according to Catalyst, a research group that tracks executive women.

Katia Beauchamp, CEO and co-founder of **Birchbox Inc.**, a beauty e-commerce company, said she thinks "a lot about the burden to succeed" as a female leader. "For people who are less represented, there are fewer examples of great success."

Birchbox has struggled to raise funds, scaling back growth plans and laying off workers. Still, Ms. Beauchamp, who like Ms. Mayer has had children while serving as CEO, said she aims to serve as a successful role model, telling herself, "If you have the 'at bat,'...you swing for the home run."

Hired to run **Yahoo** when she was 37 years old and six months pregnant with her first child, Ms. Mayer was celebrated as a path-breaker who could save the struggling search giant. But she was criticized for everything from her brusque management

style to appearing in *Vogue*.

Ms. Mayer's decision to take very short maternity leaves following the birth of her first child in 2012 and again with twins in 2015 stirred controversy.

But some women leaders noted the double standard. No one would have blinked an eye at a male CEO heading back to the office soon after the birth of a child, Ms. Cox said.

The intense spotlight on female CEOs may deter them from taking risks, said Kathleen Mason, ousted in 2012 as chief of Tuesday Morning Corp., a home-furnishings closeout retailer. She left after a 12-year run during which the company's stock fell nearly 60%. (She later settled a discrimination suit that alleged the retailer fired her after she developed breast cancer.)

"It is difficult when it [the criticism] starts piling on. And when it starts piling on, it can become unfair," particularly in turnarounds, said Ms. Mason, now a consultant for the retail and wholesale industries.

"And turnarounds are what's available for women CEOs for the most part," Ms.

Mason continued. An outside spokesman for Tuesday Morning declined to comment.

Indeed, research suggests that women tend to be picked for top roles when a company is in turmoil, a phenomenon known as the 'glass cliff.' Researchers from Germany and the U.S. found 62% of participants in an experiment chose a man to head a company that was performing well, while 69% chose a female candidate when the company was in crisis.

When a female CEO can't revive the fortunes of an ailing company, onlookers might be quick to forget she took the job at a firm heading downhill.

"She will be more likely to fail and we don't see it as due to the conditions she was entering the position under," said Nyla Branscombe, a psychology professor at University of Kansas who co-wrote the 2010 paper about glass cliffs that included that experiment. "Rather we'll see it as, 'Well, women just can't do it.'"

Yet female business leaders expect Ms. Mayer to find another plum corporate role if she wants one after she leaves **Yahoo**.

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FINANCE & MARKETS

Chinese Roil Commodity Markets

Trading volume on the Shanghai and Dalian exchanges has exploded

By WEI GU

Lin Chengdong has traded hundreds of millions of dollars in China's commodities markets, using mathematical models rather than detailed knowledge of commodities to identify trading opportunities.

He is one of a number of speculators who have piled into China's commodities markets recently, propelling previously little-known futures contracts for iron ore and steel to the ranks of the world's most heavily traded, and influencing global prices in the process.

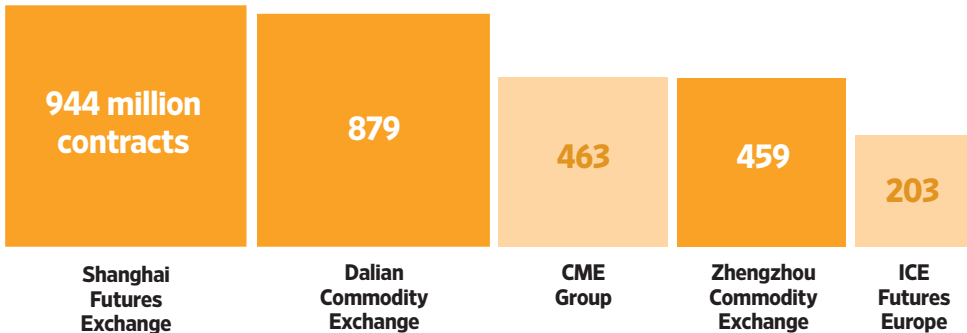
"It is easy for professional traders like us to make money in this market," said the 40-year-old Mr. Lin, whose hedge fund, Foresee Investment Co., manages \$1.5 billion in assets. It is among the biggest in China that invests in commodities, according to fund-tracking website Howbuy.com. Foresee's commodities funds posted annual returns of 36% to 40% each year since 2013 and their assets have quadrupled to more than \$400 million, Mr. Lin said.

Chinese markets remain largely closed to foreign investors, and data on them are scarce. But traders say that, for years, buying and selling was dominated by state-owned conglomerates, and a handful of funds trading commodities.

Until roughly the past year, metal prices were essentially set in London. Now, China, the world's top consumer and producer of metals, has become a mover of global prices. Chinese exchanges are staying open until late afternoon in London and midday in New York. That means traders around the



China accounts for three of the top-five commodity-trading exchanges by futures contracts traded this year.



Note: All figures are through the end of June. Source: The World Federation of Exchanges

world monitor moves in places like Shanghai and Dalian for trading cues, and Chinese traders such as Mr. Lin exert a

greater sway over global prices. In July, for example, when silver was trading at relatively cheap levels to gold, Chinese

investors plowed into the Shanghai exchange, driving up silver futures there by 13%, which in turn pushed up the in-

ternational spot price by 6.9%, to a two-year high of \$21.10 an ounce.

Earlier this year, a similar spike in iron futures traded in China's northeastern city of Dalian prompted a 60% rally in the price of physical iron ore traded in global markets.

Trading volume on the Shanghai and Dalian exchanges has exploded, more than doubling year over year in the first four months of 2016, according to China's National Bureau of Statistics. Dalian-traded iron-ore futures have generated as much dollar volume this year as gold futures in New York, according to Citigroup. Shanghai's steel rebar futures became the third-most-traded contract in the world by dollar volume.

Financial investors such as Mr. Lin are becoming more active, often using the kind of computer-driven trading programs that have become popular on Western markets in recent years. The average tenure of contracts on Chinese futures markets is less than four hours, indicating that "most speculative trades have been conducted through high-frequency transactions," analysts at Citigroup said in an April report. On the London Metal Exchange, the benchmark futures contracts are for three months.

Mr. Lin earned a doctorate in finance from Shanghai Jiaotong University, where he learned about high-frequency trading, then took a job in the securities industry. In 2007, he co-founded Rosefinch Investment, one of China's largest investment firms, and left to start Foresee in 2013. He trades in an office atop Shanghai's China Financial Futures Exchange. He first saw physical palm oil, soybean meal and iron ore in late May, during a visit to the Dalian Commodity Exchange.

—Biman Mukherji contributed to this article.

Alibaba's Ant Pushes Expansion In Europe

By ALYSSA ABKOWITZ

BEIJING—Ant Financial Services Group, the financial-services affiliate of online shopping company **Alibaba Group Holding Ltd.**, is joining with France's **Ingenico Group SA** to push its mobile-payment system into Europe.

Paris-based payments provider Ingenico will allow users of Ant's Alipay, China's biggest online-payments platform by transaction volume, to access Ingenico's network of offline merchants in Europe, according to a person familiar with the situation. The collaboration comes after Ingenico disclosed in its latest earnings release an agreement to handle some of Alipay's cross-border online payments.

While no investment will occur, a person familiar with the collaboration said Ingenico will receive service charges from Alipay and expects to see transaction volume rise. In 2015, Ingenico processed transactions in 170 countries; Alipay is accepted in 70 countries.

Ant's push into Europe with the Ingenico partnership is the latest in its ambitious expansion plans. In June, it bought a 20% stake in Ascend Money, a Thai online-payment provider. A month earlier, Ant Financial orchestrated a collaboration with **Uber Technologies Inc.** that gives Alipay users the ability to pay for rides in the 68 countries where the ride-hailing service operates. This spring, Ant Financial hired **Goldman Sachs Group Inc.** veteran Douglas Feagin to spearhead its global push.

Schools Prep for Brexit Exodus

For some London bankers, if forced to decamp following the U.K.'s vote to leave the European Union, the choice of where to move could come down to infrastructure—for their children.

By *Natascha Divac in Frankfurt and Sam Schechner in Paris*

Cities across Europe have been touting their financial infrastructure, office space and tech savvy. But for executives considering a move to Frankfurt, Paris, Dublin or Amsterdam, factors such as language and schooling options may matter more.

"People won't accept an assignment if they think it will hurt their children's education, if the infrastructure isn't there," said Simon Murray, director of the International School of Paris, which has "received some exploratory nibbles" from families worried about Brexit.

There are just over 775,000

students attending English-language international schools in kindergarten through 12th grade throughout Europe, according to the International School Consultancy, which tracks the international schools market.

James Wykes, a British former banker who moved to Frankfurt with his family in 2014, said families with children enrolled in London's competitive high-end schools may hesitate to remove them if the education abroad won't prepare them for a potential return later. "They'll be concerned how easy it will be to get back in."

Compounding the problem, many of Europe's top English-language schools say they are full. Paris has many international schools and bilingual programs, but capacity at most of those schools is tight and government efforts to meet demand wouldn't match a post-Brexit surge, say locals.

French Prime Minister Ma-

nuel Valls said shortly after the June 23 Brexit vote that France would build as many bilingual classes as needed.

Frankfurt, which is touting itself as a financial center and the home of the European Central Bank, has even fewer international schools.

"Should there be an influx, it will be tight," said Daniela Wuestenberg, who helps families relocate to Frankfurt.

Education options may matter more to bankers forced to leave London.

The city has four international schools and one funded by the EU for children of staff. It also has several bilingual private schools and all are in high demand.

"In terms of capacity, we're at our limit," said Ferdinand Patscheider, the director of the EU's European School Frankfurt.

The EU's London-based European Banking Authority will probably relocate, but to where is undecided. If Frankfurt succeeds in its lobbying to land the EBA, "we'll just about manage to accept the children of those employees," said Mr. Patscheider. "Then we're full."

Relocation specialists say that the independent Frankfurt International School and International School Frankfurt Rhein-Main would probably be most appealing to families moving from Britain.

FIS, which was founded in 1961 and helped create the

widely recognized International Baccalaureate program, has several hundred students on its waiting list, said Director Paul M. Fochtman. The school's main campus, in a Frankfurt suburb, is full, but "solutions can be found" if Brexit increases demand, he said.

An influx of thousands of new students could force some schools to expand, said Kate des Places, external-relations director at Marymount International School, an English-language Catholic school in the affluent suburb of Neuilly-sur-Seine. The school plans to address the impact of Brexit in its new strategic plan this fall.

For Londoners looking abroad who don't want to deal with a foreign language, Dublin is an obvious choice. But the Irish capital presents other schooling issues.

The majority of Irish schools are Catholic and relocation companies say most expat families prefer nonreligious or multidenominational education. Many expat families have focused on a narrow range of multidenominational schools.

Amsterdam, home to about 2,700 international companies, is in a particularly difficult spot, relocation specialists say. The city has been drawing an increasing number of companies, resulting in enormous demand for international or bilingual education.

"The companies are annoyed that there are no places in the schools," said Eline Hausel of the Young Expat School, a company that specializes in helping families move to the Netherlands.

Falling Rates Create A Bond-Call Frenzy

By BEN EISEN

Bond issuers are heeding the call of tumbling interest rates.

Companies and government agencies are "calling" bonds at the fastest pace in four years, taking advantage of provisions that let them redeem securities under certain circumstances and save money by reissuing at lower rates.

Redemptions hand investors their money back at a time when many portfolio managers are struggling to find attractively priced securities to purchase. Some investors now are paying up for so-called noncallable bonds, ones that don't give the issuer a redemption option.

The trends are particularly acute in the markets for bonds sold by government-sponsored enterprises such as the Federal Home Loan Banks, **Fannie Mae** and **Freddie Mac**, companies that provide financing to the mortgage market. Investors have had almost \$248 billion in callable GSE debt redeemed this year through July, according to Performance Trust Capital Partners LLC, a fixed-income trading firm. GSE calls in the second quarter hit \$125 billion, the most since 2012.

"We've seen lots and lots of callable bonds," said Andrew Pace, a vice president at the firm. "It's interesting to see how different returns can be with that call feature."

The FHLB sold debt in both formats in July 2015, offering coupons of 2% on callable bonds and 1.875% on noncallable ones. The callable debt was redeemed in July of this

year, giving investors an annual return about 2%. The noncallable debt returned 4.3% during that year, according to Performance Trust data, reflecting the price increase as investors snapped up noncallable debt.

Last month, the FHLB issued new callable bonds, offering a coupon of 1.32%. Hypothetically, that means it stands to save about \$6.8 million in interest costs for every \$1 billion in debt. That assumes one bond was issued to replace the other, which isn't necessarily the case.

Calls are growing more popular throughout the bond market. Mr. Pace said 59% of GSE debt sold in the last quarter of 2015 already has been called. Global corporate issuers have called more than \$300 billion, including roughly \$90 billion in U.S. corporate bonds, according to Performance Trust.

The large amount of calls comes as the yield on the 10-year Treasury note has fallen more than half a percentage point this year. It touched the lowest on record last month.

Still, some investors are using calls as an opportunity to bulletproof their portfolios in case rates rise. Craig Brothers, who manages about \$3 billion of mostly municipal bonds at Bel Air Investment Advisors in Los Angeles, said many of his holdings that are eligible to be called already have been redeemed.

"The calls are helping us," Mr. Brothers said. "Getting the money back is essentially allowing us to take that money and redeploy it" in investments that are less sensitive to rising interest rates.

Called Out

Prices of noncallable debt have surged as falling interest rates prompt issuers to exercise their rights to repurchase some bonds.



Note: Bonds issued by the Federal Home Loan Banks in July 2015 Source: FactSet THE WALL STREET JOURNAL.

Better Banking for Customers in U.K.

By MARGOT PATRICK

LONDON—Banks in the U.K. could lose around £1 billion (\$1.3 billion) in annual revenue under new measures designed to give retail customers more choices and better deals.

Customers will also be encouraged to share personal data, including records of their banking transactions, over digital applications designed to scout out the best banking deals.

For years, Britain has been trying to foster greater compe-

titition in retail banking and small-business lending. However, despite more banks springing up, customers have stubbornly stuck with a handful of lenders.

Unarranged overdraft charges, or fees for customers going into debit on their accounts without permission, will be all but stamped out under an order from the country's Competition and Markets Authority. Banks make around £1.2 billion a year from such charges, accounting for around one-third of their retail reve-

nue, the CMA said.

The new rules require banks to send alerts to customers when their account dips below zero and to give them a grace period to avoid charges. Banks will also have to set a monthly cap on unarranged charges.

Analysts said banks would have to work harder but said it shouldn't have a big effect on the sector's profits.

The measures are part of changes announced Tuesday to shake up a sector largely controlled by five lenders—**Barclays PLC**, **HSBC Holdings PLC**,

Royal Bank of Scotland Group PLC, **Lloyds Banking Group PLC** and **Santander UK**. The banks house most of the country's checking accounts and provide the bulk of mortgages and small-business loans.

The banks' major lobbying group, the BBA, said the sector is already competitive and the plan for cross-sector digital apps will further help customers find the best products.

Some smaller banks said the CMA's recommendations are too tame and won't make major inroads on the oligopoly.

FINANCE & MARKETS

LendingClub CFO Resigns, Loss Widens

Change comes three months after the company ousted its founder and CEO

By Peter Rudegeair

Online lender **LendingClub** Corp. said Monday that its finance chief had resigned to pursue a new opportunity, a management shift that comes three months after the company ousted its founder and CEO.

The announcement that Chief Financial Officer Carrie Dolan was departing came as the company reported a second-quarter loss of \$81.4 million, or 21 cents a share, on revenue of \$103.4 million. That compared with a year-earlier loss of \$4.1 million, or a penny a share.

The latest result included a \$35.4 million write-down related to LendingClub's April 2014 acquisition of health-care lender Springstone Financial. Excluding that and other items, LendingClub's net loss was nine cents a share.

The San Francisco company's shares were down 1.7% to \$4.71 in midday trading on Tuesday. LendingClub was expected to lose two cents a share on revenue of \$100.5 million, according to analysts polled by Thomson Reuters.

LendingClub has spent much of the past three months



LendingClub's San Francisco headquarters. Carrie Dolan, inset, stepped down as the online lender's finance chief.

VIVIAN JOHNSON FOR THE WALL STREET JOURNAL; LENDINGCLUB (INSET)

trying to contain the fallout from the surprise ouster of former Chief Executive Renaud Laplanche in early May. The company's board pushed out Mr. Laplanche after it found he failed to report details of a problematic sale of loans to an investment bank in addition to his personal stake

in an outside investment fund.

Scott Sanborn, who was named permanent chief executive in late June, cut 12% of the company's staff and committed to spend tens of millions of dollars on incentives to keep money managers buying its loans as well as on employee retention.

Mr. Sanborn said in a news release that Ms. Dolan approached management in early 2016 about leaving the company but that the board had asked her to remain until it could "navigate recent events." In a sign of how much Mr. Sanborn wanted Ms. Dolan to stay, LendingClub in May

granted her \$4 million in restricted-stock and cash as part of an incentive-compensation package, Ms. Dolan won't receive the bulk of those awards because she is leaving before they fully vest.

Several large money managers had paused purchases of LendingClub loans in the wake of Mr. Laplanche's exit, which damped its second-quarter lending. Unlike a traditional bank, LendingClub had historically matched borrowers and investors rather than funding loans itself, although in the second quarter it funded \$135 million in loans, the majority of which it resold.

Overall loan volume fell nearly 30% to \$1.96 billion from the previous quarter, although Mr. Sanborn said 15 of the company's top 20 loan buyers had returned. Executives told investors to expect quarterly loan volume to remain flat for the remainder of the year and that investor incentives would conclude at the end of August.

The company, which also appointed Fannie Mae Chief Executive Timothy J. Mayopoulos to its board, named principal accounting officer Bradley Coleman as its interim finance chief. Mr. Coleman, who has been corporate controller since 2013, will continue in that role. The company has hired an executive search firm to assist in its search for a new finance chief.

Shares of LendingClub have lost nearly one-third of their value since the company announced Mr. Laplanche's exit.

Separately, **OnDeck Capital** Inc., which offers loans to small businesses, reported second-quarter results that topped expectations even as it swung to a loss for the period.

Originations surged 41% to \$589.7 million, while loans under management increased 47% to \$1.05 billion.

The company posted a loss of \$17.9 million, or 25 cents a share, versus a year-earlier profit of \$4.98 million, or seven cents a share. Excluding one-time items, its loss was 20 cents a share. Analysts had expected a loss of 24 cents.

Gross revenue rose to \$69.5 million from \$63.3 million, beating the \$68 million expected by analysts, driven by higher interest income.

OnDeck maintains a more flexible strategy than LendingClub, as it can either sell loans to third-party investors or hold them on its balance sheet.

But that latter option can be problematic, too. The longer it holds those loans, the greater the risk they could go bad. OnDeck lost about one-third of its market value following its previous earnings report when the company sold fewer loans than anticipated.

—Tess Stynes
and Telis Demos
contributed to this article.

Munich Re Profit Drops; Investment Income Rises

By Ulrike Daur

Munich Re AG said profit fell 9% in the second quarter on higher costs related to payouts for natural disasters that were partly cushioned by the reinsurer's improved income from investments, positive currency-translation effects and the release of reserves.

The world's biggest reinsurer by revenue said it "successfully withstood the capital-market turbulence in the wake of the Brexit referendum" and was on track for an after-tax profit of €2.3 billion (\$2.55 billion) for the year. It reached €1.4 billion of this in the first six months.

Net profit fell to €974 million in the three months to the end of June, from €1.07 billion in the year-earlier period, better than the €556 million that analysts were expecting according to a Wall Street Journal poll.

Analysts hadn't factored in higher net income from investments, which rose 9.1% to €2.75 billion. Analysts had forecast a 27% decline to €1.85 billion.

The year-over-year rise in net

investment income was mainly due to higher book gains related to the sale of fixed-income securities and equity. This resulted in additional net investment income of around €910 million. Another €176 million came from valuation gains of hedges aimed to protect the reinsurer against falling interest rates.

In the quarter, Munich Re protected its balance sheet against capital-market turbu-

The reinsurer says it is on track for profit of €2.3 billion for the year.

lence related to the U.K.'s Brexit by lowering exposure to the British pound while increasing exposure to Japanese yen and U.S. dollar. This resulted in a positive currency-translation effect of €340 million.

Munich Re said revenue fell 4.3% to €11.93 billion.

Munich Re had to pay some €542 million for major disasters

in the quarter, including the wildfires in Canada, earthquakes in Japan, floods and hailstorms. That was more than twice the year-earlier figure of €207 million. But Munich Re was able to cushion some of that impact by releasing claims reserves made in prior years no longer needed because the claims turned out to be lower than anticipated. Munich Re released some €230 million in such claims reserves.

In May, the reinsurer had already cut its full-year profit guidance to around €2.3 billion, the lower end of its previous target range. Munich Re announced the more cautious guidance after net profit almost halved in the first quarter.

It said it expects more costs to restructure the group's Ergo primary insurance business, which it now pegs at €1 billion over the next four years. In the second quarter, the group invested €400 million in making Ergo's operations more efficient. Ergo contributed an after-tax loss of €34 million in the quarter.



TOMOHIRO TAKAHASHI/AEIO/ZUMA PRESS

Munich Re had to pay some €542 million in the quarter for major disasters, including earthquakes in Japan, more than twice the year-earlier figure. Here, collapsed houses in Japan in April.

Barclays Settles U.S. States' Labor Probes

By Aruna Viswanatha

Barclays PLC agreed to pay \$100 million to end investigations in the U.S. into its alleged manipulation of the London interbank offered rate in the mid-2000s, authorities said Monday.

The settlement with 43 states and the District of Columbia comes four years after the British bank resolved similar charges in the U.K. and with federal authorities in the U.S. that led to the resignation of its top leadership.

Attorneys general from several states, led by New York and Connecticut, began their own probes in 2012 following those charges.

The states said government entities and not-for-profit groups in their states were "defrauded of millions of dollars" when they entered into swaps or other financial contracts based on Libor without knowing that Barclays and other banks were working to manipulating the benchmark, according to a copy of the agreement announced Monday.

"There has to be one set of rules for everyone, no matter how rich or how powerful," New York Attorney General Eric Schneiderman said.

A Barclays spokesman said the bank was pleased to have

resolved the state investigations into "legacy" activities.

Several global banks including **UBS Group** AG and **Deutsche Bank** AG have paid billions of dollars in penalties to resolve similar criminal and civil charges that they manipulated Libor, which is calculated based on submissions from a panel of banks.

In connection with the earlier settlements, Barclays and other banks admitted to submitting inaccurate rates to move the benchmark in a way that would benefit their trading positions.

Barclays also admitted to making inaccurate submissions during the financial crisis to disguise liquidity problems.

Barclays is the first to resolve allegations from state attorneys general and neither admitted nor denied the states' allegations. In the agreement, the states said their investigations into Libor manipulation were continuing and that Barclays' cooperation "has been extensive" and "of substantial value in furthering" the probes.

New York said the states would use \$93.35 million to pay restitution to agencies and organizations that lost money on Libor-linked products. The rest of the fund will be used to cover investigative costs and other uses.

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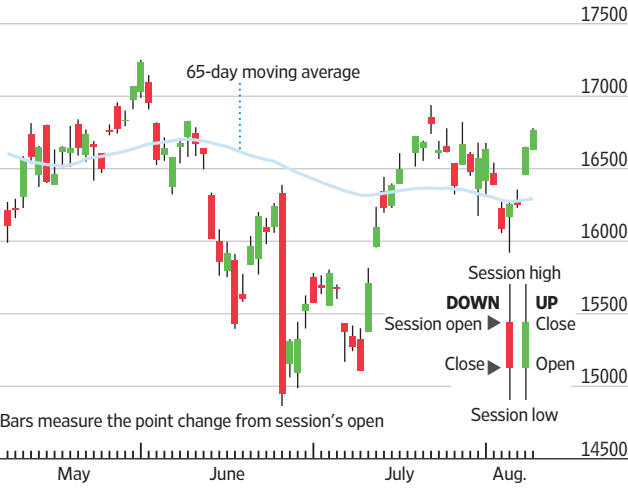
Location: To be determined – job # 161252

The ideal candidate will have capital markets experience in emerging markets, with exposure to local currency and cross-border bond issuances, structured repo financings, financial derivatives, securitizations, diversified payment rights & capital relief transactions.

MARKETS DIGEST

Nikkei 225 Index

16764.97 ▲114.40, or 0.69%
High, low, open and close for each trading day of the past three months.



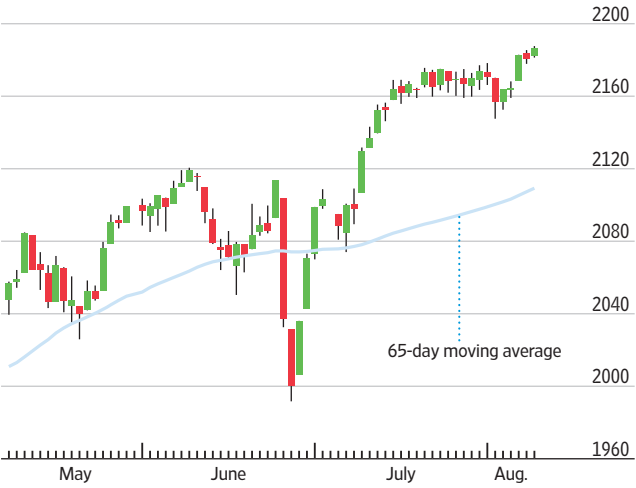
STOXX 600 Index

344.67 ▲3.14, or 0.92%
High, low, open and close for each trading day of the past three months.



S&P 500 Index

2186.44 ▲5.55, or 0.25%
High, low, open and close for each trading day of the past three months.



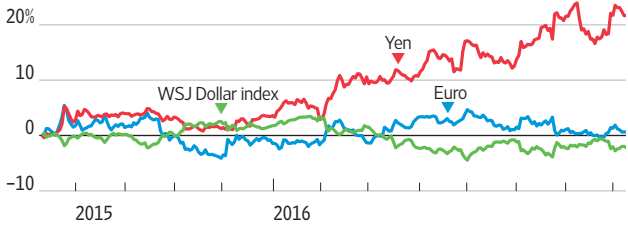
International Stock Indexes

Region/Country	Index	Close	Latest NetChg	% chg	Low	52-Week Range Close	High	YTD % chg
World	The Global Dow	2441.84	17.14	▲0.71	2033.03	2516.31	4.5	
	MSCI EAFE	1694.56	19.56	▲1.17	1471.88	1956.39	-1.3	
	MSCI EM USD	901.37	5.84	▲0.65	691.21	1044.05	13.5	
Americas	DJ Americas	527.58	1.70	▲0.32	433.38	527.83	8.3	
	Brazil Sao Paulo Bovespa	57801.15	165.72	▲0.29	37046.07	58094.57	33.3	
	Canada S&P/TSX Comp	14820.38	64.76	▲0.44	11531.22	14835.15	13.9	
	Mexico IPC All-Share	47731.99	363.34	▲0.77	39256.58	47801.77	11.1	
	Chile Santiago IPSA	3228.97	3.01	▲0.09	2730.24	3243.62	9.7	
U.S.	DJIA	18577.16	47.87	▲0.26	15370.33	18622.01	6.6	
	Nasdaq Composite	5236.03	22.89	▲0.44	4209.76	5238.54	4.6	
	S&P 500	2186.44	5.55	▲0.25	1810.10	2187.66	7.0	
	CBOE Volatility	11.24	-0.26	▼-2.26	11.02	53.29	-38.3	
EMEA	Stoxx Europe 600	344.67	3.14	▲0.92	303.58	393.61	-5.8	
	Stoxx Europe 50	2881.78	21.11	▲0.74	2556.96	3462.68	-7.0	
	France CAC 40	4468.07	52.61	▲1.19	3892.46	5184.21	-3.6	
	Germany DAX	10692.90	260.54	▲2.50	8699.29	11561.00	-0.5	
	Israel Tel Aviv	1474.22	0.87	▲0.06	1378.80	1722.93	-3.6	
	Italy FTSE MIB	16796.14	52.32	▲0.31	15017.42	23979.61	-21.6	
	Netherlands AEX	453.80	4.73	▲1.05	378.53	499.55	2.7	
	Russia RTS Index	953.98	0.34	▲0.04	607.14	975.21	26.0	
	Spain IBEX 35	8665.40	102.90	▲1.20	7579.80	11319.10	-9.2	
	Switzerland Swiss Market	8229.42	60.58	▲0.74	7425.05	9501.99	-6.7	
	South Africa Johannesburg All Share	52486.65	...	Closed	45975.78	54760.91	3.5	
	Turkey BIST 100	78524.89	745.79	▲0.96	68230.47	86931.34	9.5	
Asia-Pacific	FTSE 100	6851.30	42.17	▲0.62	5499.51	6863.10	9.8	
	DJ Asia-Pacific TSM	1460.14	11.50	▲0.79	1188.42	1461.26	5.1	
	Australia S&P/ASX 200	5552.50	14.70	▲0.27	4765.30	5587.40	4.8	
	China Shanghai Composite	3025.68	21.40	▲0.71	2655.66	3993.67	-14.5	
	Hong Kong Hang Seng	22465.61	-29.15	▼-0.13	18319.58	24498.21	7.5	
	India S&P BSE Sensex	28085.16	-97.41	▼-0.35	22951.83	28208.62	2.5	
	Indonesia Jakarta Composite	5440.29	-18.69	▼-0.34	4120.50	5458.98	18.4	
	Japan Nikkei Stock Avg	16764.97	114.40	▲0.69	14952.02	20720.75	-11.9	
	Malaysia Kuala Lumpur Composite	1671.71	-0.97	▼-0.06	1532.14	1727.99	-1.2	
	New Zealand S&P/NZX 50	7363.16	14.86	▲0.20	5546.88	7363.16	16.4	
	Pakistan KSE 100	39663.71	187.54	▲0.48	30564.50	39800.64	20.9	
	Philippines PSEI	8055.06	61.48	▲0.77	6084.28	8102.30	15.9	
South Korea	Straits Times	2870.78	...	Closed	2532.70	3196.66	-0.4	
	Kospi	2043.78	12.66	▲0.62	1829.81	2052.77	4.2	
	Weighted	9155.08	4.82	▲0.05	7410.34	9155.08	9.8	
	SET	1548.21	5.95	▲0.39	1224.83	1548.21	20.2	

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Tue in US\$	Tue per US\$	YTD chg (%)
Americas			
	Argentina peso-a	0.0677 14.7640	14.1
	Brazil real	0.3188 3.1366	-20.8
	Canada dollar	0.7625 1.3115	-5.2
	Chile peso	0.001534 651.70	-8.0
	Colombia peso	0.0003364 2972.48	-6.4
	Ecuador US dollar-f	1 1	unch
	Mexico peso-a	0.0544 18.3836	6.9
Peru	sol	0.3028 3.3020	-3.3
	Uruguay peso-e	0.0342 29.200	-2.4
	Venezuela bolivar	0.100100 9.99	58.4
Asia-Pacific			
	Australia dollar	0.7675 1.3029	-5.1
	China yuan	0.1502 6.6560	2.5

Country/currency	Tue in US\$	Tue per US\$	YTD chg (%)
Hong Kong	dollar	0.1289 7.7568	0.1
	India rupee	0.0150 66.7682	0.8
	Indonesia rupiah	0.0000763 13103	-5.3
	Japan yen	0.009806 101.98	-15.2
	Kazakhstan tenge	0.002887 346.43	2.3
	Macau pataca	0.1252 7.9883	-0.2
	Malaysia ringgit-c	0.2491 4.0148	-4.8
	New Zealand dollar	0.7177 1.3933	-6.7
	Pakistan rupee	0.0096 104.650	-0.2
	Philippines peso	0.0213 46.861	0.0
	Singapore dollar	0.7439 1.3442	-5.2
	South Korea won	0.0009075 1101.95	-6.3
Sri Lanka	rupee	0.0068672 145.62	1.0
	Taiwan dollar	0.03196 31.291	-4.9
	Thailand baht	0.02865 34.900	-3.1

Country/currency	Tue in US\$	Tue per US\$	YTD chg (%)
Europe			
	Bulgaria lev	0.5678 1.7611	-2.2
	Croatia kuna	0.1484 6.738	-3.9
	Euro zone euro	1.1112 0.9000	-2.3
	Czech Rep. koruna-b	0.0411 24.319	-2.3
	Denmark krone	0.1494 6.6940	-2.6
	Hungary forint	0.003578 279.46	-3.8
	Iceland krona	0.008363 119.57	-8.2
	Norway krone	0.1191 8.3983	-5.0
	Poland zloty	0.2606 3.8378	-2.2
	Russia ruble-d	0.01549 64.573	-10.2
	Sweden krona	0.1172 8.5319	1.0
Switzerland	franc	0.10175 0.9828	-1.9
	Turkey lira	0.3370 2.9674	1.7
	Ukraine hryvnia	0.0403 24.8195	3.4
	U.K. pound	1.3006 0.7689	13.3

Country/currency	Tue in US\$	Tue per US\$	YTD chg (%)
Middle East/Africa			
	Bahrain dinar	2.6526 0.3770	-0.03
	Egypt pound-a	0.1126 8.8788	13.4
	Israel shekel	0.2621 3.8155	-2.0
	Kuwait dinar	3.3109 0.3020	-0.5
	Oman sul rial	2.5976 0.3850	0.01
	Qatar rial	0.2746 3.642	-0.03
	Saudi Arabia riyal	0.2666 3.7503	-0.1
	South Africa rand	0.0744 13.4359	-13.2
	WSJ Dollar Index	86.64 -0.22	-0.25 -3.92

Sources: Tullett Prebon, WSJ Market Data Group

Global government bonds






























Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Latest	Spread Over Treasuries, in basis points	Previous	Year ago	Yield
3.250	Australia 2	1.480	75.0	77.6	98.1	124.0	1.506
4.250	10	1.944	38.0	36.9	53.2	68.7	1.962
1.250	Belgium 2	-0.618	-134.8	-132.2	-119.9	-91.8	-0.592
1.000	10	0.137	-142.7	-143.3	-134.6	-117.6	0.160
1.000	France 2	-0.567	-129.7	-128.5	-121.6	-92.7	-0.555
0.500	10	0.141	-142.4	-143.7	-125.2	-120.3	0.156
0.000	Germany 2	-0.619	-134.9	-134.4	-129.9	-98.5	-0.614
0.000	10	-0.077	-164.1	-166.0	-154.8	-124.3	-0.067
0.250	Italy 2	-0.102	-83.2	-79.7	-69.1	-67.4	-0.067
1.600	10	1.115	-45.0	-46.2	-24.7	-33.5	1.131
0.100	Japan 2	-0.185	-91.5	-90.0	-96.8	-72.4	-0.170
0.100	10	-0.079	-164.4	-164.2	-164.9	-174.9	-0.049
4.000	Netherlands 2	-0.604	-133.4	-133.6	-121.6	-96.1	-0.606
0.500	10	0.012	-155.2	-156.5	-147.3	-133.2	0.028
4.450	Portugal 2	0.379	-35.1	-36.4	-26.6	-34.9	0.366
2.875	10	2.787	122.2	123.0	170.1	27.6	3.062
0.250	Spain 2	-0.177	-90.7	-89.1	-74.5	-62.5	-0.161
1.950	10	0.992	-57.3	-58.5	-22.5	-27.4	1.008
4.250	Sweden 2	-0.666	-139.6	-139.1	-125.5	-121.9	-0.661
1.000	10	0.118	-144.7	-146.2	-121.1	-146.3	0.150
1.250	U.K. 2	0.096	-63.4	-63.7	-48.3	1.9	0.093
2.000	10	0.580	-98.4	-98.0	-62.5	-29.8	0.613
0.750	U.S. 2	0.730	...	...	...	...	0.730
1.625	10	1.564	...	...	...	...	1.593

Commodities

Prices of futures contracts with the most open interest 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; CME: Chicago Mercantile Exchange; ICE-US: ICE Futures U.S.; MDEX: Bursa Malaysia Derivatives Berhad; TCE: Tokyo Commodity Exchange; COMEX: Commodity Exchange; LME: London Metal Exchange; NYMEX: New York Mercantile Exchange; ICE-EU: ICE Futures Europe. *Data as of 8/8/2016

	Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
	Corn (cents/bu.)	CBOT	334.25	-0.50	-0.15% 	449.00	329.00
	Soybeans (cents/bu.)	CBOT	995.00	10.00	 1.02%	1,186.25	868.00
	Wheat (cents/bu.)	CBOT	414.50	-2.50	-0.60 	533.75	399.25
	Live cattle (cents/lb.)	CME	115.675	1.025	 0.89	125.475	105.250
	Cocoa (\$/ton)	ICE-US	2,952	-23	-0.77 	3,216	2,728
	Coffee (cents/lb.)	ICE-US	144.95	0.15	 0.10	157.65	119.40
	Sugar (cents/lb.)	ICE-US	20.65	0.10	 0.49	21.22	12.92
	Cotton (cents/lb.)	ICE-US	73.05	-3.00	-3.94 	77.98	54.19
	Robusta coffee (\$/ton)	ICE-EU	1822.00	-3.00	-0.16 	1,866.00	1,400.00
	Copper (\$/lb.)	COMEX	2.1525	-0.0125	-0.58 	2.3295	1.9690
	Gold (\$/troy oz.)	COMEX	1345.70	4.40	 0.33	1,384.40	1,066.00
	Silver (\$/troy oz.)	COMEX	19.850	0.045	 0.23	21.225	13.930
	Aluminum (\$/mt)*	LME	1,652.50	14.50	 0.89	1,695.50	1,451.50
	Tin (\$/mt)*	LME	18,200.00	-110.00	-0.60 	18,310.00	13,225.00
	Copper (\$/mt)*	LME	4,810.00	-0.50	-0.01 	5,070.50	4,320.50
	Lead (\$/mt)*	LME	1,801.00	-4.00	-0.22 	1,909.00	1,598.00
	Zinc (\$/mt)*	LME	2,282.00	11.50	 0.51	2,282.00	1,467.00
	Nickel (\$/mt)*	LME	10,840.00	195.00	 1.83	10,860.00	7,750.00
	Rubber (Y.01/ton)	TCE	153.00	-0.40	-0.26 	159.30	150.80
		Palm oil (MYR/mt)	MDEX	2479.00	40.00	 1.64	2,672.00	2,172.00
Crude oil (\$/bbl.)		NYMEX	43.08	0.06	 0.14	52.73	32.85
NY Harbor ULSD (\$/gal)		NYMEX	1.3411	-0.0025	-0.19 	1.5985	0.9858
RBOB gasoline (\$/gal)		NYMEX	1.3542	-0.0078	-0.57 	1.6344	1.1171
Natural gas (\$/mmBtu)		NYMEX	2.653	-0.095	-3.46 	2.9900	2.0090
Brent crude (\$/bbl.)		ICE-EU	45.32	-0.07	-0.15 	53.56	31.92
Gas oil (\$/ton)		ICE-EU	393.00	3.00	 0.77	474.50	291.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

THE PROPERTY REPORT

Hong Kong Mortgage Deals Too Sweet?

Critics say some developers' cheap loans are putting buyers at risk

By DOMINIQUE FONG
AND ANJIE ZHENG

As Hong Kong home prices climb out of reach for many buyers, developers are rolling out easy money in hopes of winning sales.

In a move reminiscent of the U.S. housing boom a decade ago, Hong Kong builders in recent months have been enticing buyers with mortgage deals covering as much as 123% of the price of new homes.

Analysts and the city's banking regulator have said the loans introduce more risk to borrowers and could delay a long overdue correction in home prices.

One recent weekend in Hong Kong, close to the mainland Chinese border, shuttles carried families from a shopping mall to one of the city's newest apartment blocks, Park Yoho Venezia. Crowds trickled into a foyer packed with real-estate agents and buyers, elbow to elbow, hunched over paperwork. Popcorn and ice cream were served.

May Tai, 56 years old, was tempted by one financing deal on the table: a 120% loan being offered by the developer **Sun Hung Kai Properties**. The loan, which carried an interest rate initially lower than a bank mortgage, seemed appealing.

One of the homes she toured, a one-bedroom apartment with an open kitchen, looked ideal to rent out for extra income amid a sluggish economy, she said. Although it appeared to be a good opportunity, she wasn't ready to make a deal that day.

"I'll have to do the math," Ms. Tai said.

The loan plans are essentially short-term bridge loans



A pamphlet, shown at right, advertises Park Yoho Venezia, a residential site by Sun Hung Kai Properties in Hong Kong, above.

at low interest rates for three years. After that, borrowers have to refinance—usually at higher rates—either with a bank or the developer.

For instance, one financing offer for apartments at Park Yoho Venezia included loans with a 2.15% interest rate for the first three years, after which it would rise to 4% if the homeowner applied for another loan, according to Sun Hung Kai. Hong Kong banks typically offer mortgages with 2.3% rates these days, according to Jack Tong, a director at brokerage Savills Hong Kong.

Developers are touting the loans to boost sales, rather than cutting prices on new apartment complexes, which would hit their bottom lines more quickly.

Sun Hung Kai Properties, Hong Kong's largest developer by market value, and **Cheung**

Kong Properties, headed by tycoon Li Ka-shing, have offered some of the most-aggressive plans. In June, both gave potential buyers the option of a home-financing loan worth 120% and 123%, respectively, of a home's sale price at their new real-estate projects. The plans require having an existing home as collateral.

In addition to covering the down payment, the loans can be used to pay other fees and stamp duties. Another advantage is that buyers don't have to sell their existing home in a tough market, and they can use the new loan to help pay down the mortgage on the first home.

Hong Kong home affordability is a major point of dissatisfaction in the city. While property prices have tripled since 2003, inflation-adjusted wages have stagnated, accord-



ing to UBS, making it difficult for the average Hong Kong resident to afford housing. Research firm Demographia ranked Hong Kong the least-affordable city in the world in 2016, with the median home price 19 times higher than the median household income.

The government has repeatedly rolled out price-cooling measures, such as raising

down-payment requirements. Yet the requirement to pay at least 40% of the value of a home up front means many young people believe it is nearly impossible to own their own homes.

The Hong Kong Monetary Authority, the city's de facto central bank and regulator, restricts banks to granting mortgages for no more than

60% of the value of the property. Because the developers' loans are offered by their own financing units, they are able to skirt banking rules.

Sun Hung Kai and Cheung Kong say the plans aim to help buyers looking to upgrade their homes while foregoing the strict financial scrutiny of a bank.

One result of the developers' loan plans is that buyers bear the brunt of the risk, said Mr. Tong of Savills Hong Kong. Borrowers are betting that the value of their home will hold up such that they can refinance or sell their home. "Personally, I wouldn't be making those bets," he said.

The danger is that buyers could get stuck with negative equity on their property—or owing more than the value of the home. In that case, selling the home or refinancing would be challenging, and the risk of foreclosure would increase. Already, the number of residential mortgage loans in negative equity surged to 1,307 cases at the end of June, compared with 95 cases at the end of December 2015, according to the HKMA.

The developers' loans elicited words of caution from the HKMA. "Even though the short-term carrot may look attractive, potential buyers should take into account any changes that may occur in the future," Arthur Yuen, HKMA's deputy chief executive, said in an online statement.

Sun Hung Kai said its plan is "not intended to increase buyers' risk," because it allows buyers to dispose of their previous properties through a bridging loan. Cheung Kong Properties didn't respond to requests for comment on the risks of their mortgages.

Should developers continue to skirt bank mortgage rules and offer financing plans rather than cutting prices, Hong Kong home prices are likely to stay high, analysts said.

The Horse Comes Before the House

By CHRIS KIRKHAM

When a prime piece of property dotted with 100-year-old oak trees came up for sale in coastal Orange County, Calif., five years ago, it was a natural draw for residential developers.

But there was a catch. Since the 1980s the property, situated along a creek with rolling hills in the background, had housed a popular horse-breeding and -training ground, part of a complex that played host to U.S. Olympic equestrian trials. It had become a fixture in the city of San Juan Capistrano, which calls itself "the equestrian capital of the West Coast."

Although the city's zoning allowed about 30 homes to be built on the property, much of it still had to be set aside as open space for equestrian use.

It is a challenge many developers face in coastal California and other top-tier markets across the U.S., where there is ample demand for high-end housing but scarce amounts of land on which to build. That often prompts builders to experiment outside their comfort zones, or risk losing out on projects altogether amid local opposition.

"There's a negotiation that goes on, and that's where the story has to be a good one," said Bill Davidson, the builder who ultimately took up the challenge on the property,

known locally as The Oaks. "Because the community is not going to roll over in California just for another house to be built."

Two developers initially showed interest in the property before him, but quickly pulled out. A broker then brought it to Mr. Davidson, a boutique builder who had a reputation for not shying away from complex historical projects in California.

In the late 1980s he found a crumbling 1920s-era mansion with a windmill in the hills of San Diego County. He refurbished the site and developed a golf-course community with 189 homes surrounding it.

Zoning allowed for about 30 homes, but much of the space was for equestrian use.

When Mr. Davidson began exploring equestrian property in San Juan Capistrano in 2013, he said it was the kind of land that comes along only a handful of times in a builder's career.

"The property was beautiful. It had that traditional story. It had all those dreams built into it," said Mr. Davidson, who owns **Davidson Communities** in Del Mar, Calif. "I just didn't think I could ever finance it."

Having the zoning for housing was a plus, but getting the entitlements—basically, the go-

ahead to build from the city—was another challenge entirely. Lenders often are wary of unentitled projects because of the uncertainty.

San Juan Capistrano has had its share of conflicts with developers in the past, and currently is fighting two major lawsuits brought on behalf of developers frustrated with project delays or denials, according to the city manager's office.

Nonetheless, Mr. Davidson's investors at Isles Ranch Partners saw the project's promise and decided to take a chance.

The first task was figuring out how to merge a subdivision and an active sporting center

where horses are constantly jumping over obstacles on a dirt course.

Mr. Davidson had a number of questions from the outset: What's to prevent one of the horses from accidentally jumping into a backyard pool? Would a child jumping on a trampoline spook or distract the horses while practicing? Would the smell turn off prospective buyers?

As he talked to riders at The Oaks and others in town, he learned that backyard playtime

distractions could actually be beneficial to the horses. Training the horses to concentrate is a key part of succeeding in competitive environments, where loud spectators are making noise from all directions.

To keep horses from bounding into swimming pools or kitchens, Mr. Davidson designed a moat between the houses and the nearby course. Rather than build fences that might entice trained horses to jump over them, he created a gently sloped trench to prevent horses from intruding.

To control the odor, Davidson Communities has employed a full-time grounds crew to clean the course and the stables every day. After talking with several prospective buyers who are riders and horse lovers, Mr. Davidson said he found out "that smell is like perfume. It's intoxicating to them."

Mr. Davidson's final plans for the project were well-received by neighbors and city officials. He got unanimous approval from both the city's planning commission and city council—a rarity, said Councilman and former Mayor Sam Allevato.

"They walked in and were able to build it with just some minor tweaks," Mr. Allevato said.

Davidson Communities preserved and relocated 12 large oak trees and four sycamore trees, boxing up the roots and replanting them to retain the original feel of the property. They collected old barn wood and fencing to be used on the exteriors of many of the homes, which are intended to lend a farmhouse feel. Other homes were designed in a Spanish mission style, a nod to the city's history as one of the oldest mission towns in California.

Cliff Chandler and his wife, Desiree, an active rider, weren't quite ready to move from their home 10 miles south last year. But when Ms. Chandler was riding her horse, C.J., along the San Juan Creek Trail, she spotted the new development and couldn't look away.

"We had to take this opportunity," Ms. Chandler said. "This is the closest thing to having our horse in our backyard."

WeWork Misses Some Lofty Targets

By ELIOT BROWN

When shared-office-space giant **WeWork** Cos. sought fundraising in 2014, it told investors it planned to open 14 locations with dormlike residences dubbed "WeLive" by the end of 2016, accounting for 12% of the company's revenue.

Now, the company is on track to have just two by the end of 2016. Another, in Seattle, isn't expected to open until at least 2018, and no others have been publicly disclosed.

Six years after it was founded in a small space in Manhattan, WeWork has amassed a valuation of \$16 billion, placing it among the world's most valuable startups.

But as many startups that raised Silicon Valley cash in recent frothy times are finding, a business model based on super-rapid growth projections might not play out as expected.

WeWork Chief Executive Adam Neumann has previously boasted that one of the reasons WeWork has been successful at fundraising is because it has met or surpassed its targets. Still, he acknowledged that the pressure to perform has risen with its valuation.

WeWork leases space, then fills it with glassy offices, conferences and lounges with beer on tap. Then it sublets the space to startups and other businesses packed in cool communal digs they can rent a month at a time. It has

collected more than \$1.4 billion from investors so far on the premise that its fast growth will continue.

Yet WeWork is lagging behind early projections on a series of targets and business lines. In addition to the problems with WeLive, membership has flatlined for a \$45-a-month plan in which WeWork customers pay additional fees every visit, once a promising business line. Likewise, a plan to have landlords pay in full for extensive renovations, in exchange for a cut of a location's revenue, has failed to catch on, leading to capital expenses significantly higher than expected.

A handful of locations, meanwhile, have lowered rents, including one of the largest ones in the Dumbo neighborhood of Brooklyn, where the company's website advertises individual offices for \$550 a month, down from \$750. The company fired 7% of its staff earlier this year—a move it characterized as culling unproductive workers—and it has pushed back its projection of reaching \$1 billion in annualized revenue to 2017 instead of this year.

Artie Minson, WeWork's president and chief financial officer, said the company's early projections assumed a more aggressive rollout strategy. Despite some missed targets, he said, the company is on pace to have 350,000 members within the next few years, a level that should lead to more than \$1 billion in operating income.



Builder Bill Davidson took up the challenge to develop the property known as The Oaks in California.

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FINANCIAL ANALYSIS & COMMENTARY

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‘Harry Potter’ Is Comcast’s Chosen One

NBCUniversal may have paid a high price for “Harry Potter,” but a strong franchise could prove more useful than a magic wand in standing up to rival **Walt Disney**.

Comcast’s media unit said Monday it had struck a deal with **Time Warner’s Warner Bros.** for the TV rights to the eight “Harry Potter” movies and the coming “Fantastic Beasts” franchise, starting in 2018. NBCUniversal also will get the rights to include exclusive content and host events at its **Universal Studios** parks. Disney holds the rights to air the movies until 2018.

The deal, whose terms weren’t disclosed, reportedly could be worth as much as \$250 million. But as Disney has shown with its purchases of assets such as “Star Wars” creator **Lucasfilm** and **Marvel Entertainment**, the sales boost that comes from a good brand can be worth a lot.

NBCUniversal is one of the few companies that can offer a broad portfolio of venues for “Harry Potter.” Its USA and Syfy channels could use the content to help justify higher affiliate fees. NBCUniversal also could promote “Harry Potter” on its broadcast network.

Granted, Disney’s recent deals have been purchases of intellectual property, as opposed to simply rights. That has allowed the company to profit on everything from box-office receipts to consumer products. But those deals have come with higher prices—\$4 billion each for Lucasfilm and Marvel—and thus higher risk. For NBCUniversal, it won’t take magic for “Harry Potter” to be worth the admission price.

—Miriam Gottfried

India’s Inflation Progress at Risk

And, it’s a wrap. In his closing act, India’s outgoing central bank chief Raghuram Rajan found himself facing the issue he fought the hardest against: inflation.

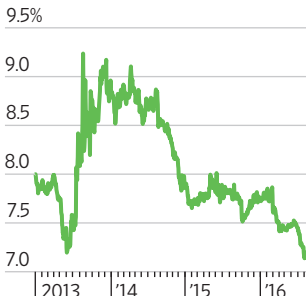
Mr. Rajan, a former International Monetary Fund chief economist, has much to take credit for as he bids farewell, including a major rescue effort at the height of the so-called taper tantrum when he took office in 2013. As important, he cracked the whip on India’s stubborn inflation problem. Yet that is where his legacy may be at risk. On Tuesday, at Mr. Rajan’s last policy meeting, the central bank warned of continued upside risks to inflation.

India’s government seems to be on the same page with Mr. Rajan in his battle against rising prices. Last week New Delhi formalized Mr. Rajan’s inflation-targeting framework by officially setting the inflation target of 4% for the next five years, albeit with 2% leeway on either side.

Low oil prices aside, Mr.

Inflation Tamer

Yield on 10-year Indian government bonds



Source: Thomson Reuters

THE WALL STREET JOURNAL.

Rajan put inflation on a downward path for much of his term. In his statement Tuesday, the outgoing governor said he hoped to reach 5% by March next year.

After averaging 4.9% last year, India’s consumer-price index ticked up this year, averaging 5.5% in the first half and in June to its highest in almost two years. That is still close to Mr. Rajan’s target for



Raghuram Rajan, governor of the Reserve Bank of India.

the year, but if prices drift higher, the onus is on his successor, who is still unnamed.

High inflation, as Mr. Rajan has said in the past, tends to quickly become very high inflation. This year, India’s monsoon, which can upend food prices, seems to be on the **Reserve Bank of India’s** side. But, as the central bank pointed out Tuesday, there are risks that could push it even

higher, such as a government pay increase, a change of course in oil prices, and ultimately households’ expectations of inflation, which are edging higher.

Mr. Rajan was a one-man show, with sole discretion, at least on paper, to set policy. His successor will inherit a newly structured rate-setting committee, chairing a six-person panel, the majority of the appointees coming from the government, including the RBI governor. While more cooperation with the government on inflation is welcome, it also opens more room for tinkering.

The promise of tamed inflation and potential rate cuts this year has sent yields on Indian bonds to multiyear lows, a rare bright spot in the emerging-markets universe. On Tuesday, yields fell even further after the central bank’s meeting. It has been a good show indeed for bond investors. The worry is, the finale may be approaching.

—Anjani Trivedi

Nissan Is Priced Right for Tough Environment

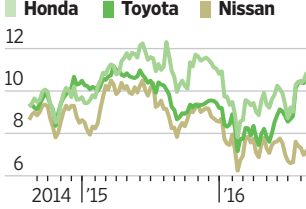
The auto-sales cycle may be turning stormy, but that doesn’t mean it is time to bathe down the hatches. For those with a little faith in the future, **Nissan Motor** looks like a bargain.

Auto sales in the U.S. appear to have downshifted for now. This spells tough times for Japan’s auto makers, which count the U.S. among their biggest markets.

Toyota is also feeling more profit-sapping pain from the strong yen, because a large portion of the vehicles it sells in the U.S. are imports from Japan. Honda and Nissan are better-positioned. Nissan’s level of local production means its North American business doesn’t have substantial yen exposure, accord-

Route Planning

Japanese auto makers’ forward price-to-earnings ratios



Source: Factset

THE WALL STREET JOURNAL.

ing to CLSA’s Christopher Richter.

Nissan has several other things going for it. Its product mix is shifting toward SUVs and light trucks, with strong sales for its Rogue crossover SUV constrained only by sup-

ply issues. A refreshed Titan pickup and the launch of a new Armada SUV should help, too, in the low-gas-price environment.

In Asia, Nissan stands to benefit from coming to the rescue during Mitsubishi Motors’ fuel-economy-test scandal. Nissan is essentially picking up Mitsubishi at a good price. Plus the deal makes strategic sense. Mitsubishi is strong in places Nissan isn’t, such as Southeast Asia. And because Mitsubishi doesn’t have an auto finance business, its million-plus vehicle sales can plug into Nissan’s finance operation.

Like most auto makers’ shares, Nissan’s have been weighed down this year by concerns that sales in the U.S.

can’t get much better. And it does have substantial production in the U.K. that is exported to Europe, and could face tariffs after Brexit is negotiated.

But for these risks, consider that Nissan trades for seven times forward earnings, according to FactSet, versus nearly 11 for Toyota and Honda. Nissan has long traded at a discount to its peers, but the gap is about double the five-year average. The 4.2% trailing dividend yield is also attractive—and somewhat secure. In its earnings call last month, the company reiterated its intention to boost the payout this fiscal year. Nissan appears priced for a smooth ride.

—Alex Frangos

FINANCE & MARKETS

Finance Watch

ANZ Impaired Assets Rise But Margin Steady

Australia & New Zealand Banking Group Ltd. said its net-interest margin was stable over the third quarter of its financial year, but impaired assets continued to edge higher.

The bank said Tuesday its net profit was 4.3 billion Australian dollars (US\$3.3 billion) for the nine months through June, down from a A\$5.04 billion nine-month profit a year earlier.

Cash earnings, a measure followed by analysts that excludes some one-time costs and gains, was down 3% from a year earlier at A\$5.2 billion.

The bank said its net interest margin was stable relative to the 2.01 percentage points recorded at the end of March.

Impaired assets were up 1.9% quarter over quarter for the three months through June.

—Robb M. Stewart

ITALY Banks Battle With Bad Debts

Gross nonperforming loans at Italian banks grew 1% to €197.91 billion (\$219.5 billion) in June from the same month a year earlier, the Bank of Italy said.

Net of provisions for loan losses, the total declined by 0.6% to €83.71 billion over the same period. In June, gross nonperforming loans declined 1% from the May level.

Lenders face intense pressure from investors and regulators to deal with the nonperforming debt.

—Giovanni Legorano

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FUND NAME	NAV				-%RETURN-			
	GF	AT	LB	DATE	CR	NAV	YTD	12-MO 2-YR
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CAM-GTF Limited	OT	OT	MUS	07/29	USD	295770.11	5.6	-1.5 -9.1

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China A-Share Fund CIs A AUD H	OT	OT	HKG	08/08	USD	11.71	-7.6	-8.2 NS
China A-Share Fund CIs A AUD UnH	OT	OT	HKG	08/08	AUD	10.68	-11.7	-14.6 NS
China A-Share Fund CIs A CAD H	OT	OT	HKG	08/08	CAD	10.80	-8.6	-9.5 NS
China A-Share Fund CIs A EUR H	OT	OT	HKG	08/08	EUR	11.52	-9.1	-9.2 NS
China A-Share Fund CIs A EUR UnH	OT	OT	HKG	08/08	EUR	11.30	NS	NS
China A-Share Fund CIs A GBP H	OT	OT	HKG	08/08	GBP	11.51	-6.0	-6.6 NS
China A-Share Fund CIs A GBP UnH	OT	OT	HKG	08/08	GBP	12.92	4.0	3.9 NS
China A-Share Fund CIs A HKD H	OT	OT	HKG	08/08	HKD	11.63	-8.6	-9.2 NS
China A-Share Fund CIs A HKD UnH	OT	OT	HKG	08/08	HKD	11.52	-7.7	-11.5 NS
China A-Share Fund CIs A NZD H	OT	OT	HKG	08/08	NZD	11.49	-7.8	-8.2 NS
China A-Share Fund CIs A NZD UnH	OT	OT	HKG	08/08	NZD	10.03	-11.4	-18.2 NS
China A-Share Fund CIs A USD H	OT	OT	HKG	08/08	USD	12.38	-6.5	-5.8 NS
China A-Share Fund CIs A USD UnH	OT	OT	HKG	08/08	USD	11.50	-7.8	-11.3 NS
China A-Share Fund CIs A USD H	OT	OT	HKG	08/08	USD	11.56	-8.3	-8.9 NS
China Greenchip-A Units	AS	AS	EQ	08/08	HKD	52.17	-1.5	-11.5 -7.9
China Greenchip-A Units AUD H	AS	AS	EQ	08/08	AUD	8.79	-1.1	-11.0 -6.2
China Greenchip-A Units CAD H	AS	AS	EQ	08/08	CAD	8.60	-1.8	-12.1 -9.2
China Greenchip-A Units NZD H	AS	AS	EQ	08/08	NZD	9.00	-0.4	-10.3 -7.0
China Greenchip-A Units USD	AS	AS	EQ	08/08	USD	8.63	-1.6	-11.6 -8.9
China Greenchip-AZ QDIs Units	AS	AS	EQ	08/08	HKD	9.51	-1.5	-11.4 -8.0
GC HI Yield Inc-CIs A GBP H	OT	OT	CYM	08/08	GBP	9.50	10.0	9.1 NS
GC HI Yield Inc-CIs A MDIs AUD H	OT	OT	CYM	08/08	AUD	9.06	11.1	11.1 8.5
GC HI Yield Inc-CIs A MDIs CAD H	OT	OT	CYM	08/08	CAD	9.10	10.2	9.4 6.8
GC HI Yield Inc-CIs A MDIs NZD H	OT	OT	CYM	08/08	NZD	9.34	11.6	12.0 9.8
GC HI Yield Inc-CIs A MDIs USD	OT	OT	CYM	08/08	USD	13.42	10.5	9.6 6.7
GC HI Yield Inc-CIs A MDIs EUR H	OT	OT	CYM	08/08	EUR	8.92	10.5	9.6 6.7
GC HI Yield Inc-CIs A MDIs SGD H	OT	OT	CYM	08/08	SGD	9.78	10.6	10.4 8.5
GC HI Yield Inc-CIs P USD Acc sh	OT	OT	CYM	08/08	USD	13.52	10.3	9.6 6.7
GC HI Yield Inc-CIs P USD MDIs sh	OT	OT	CYM	08/08	USD	8.97	10.3	9.6 6.6
GC HI Yield Inc-CIs A MDIs EUR H	OT	OT	CYM	08/08	EUR	9.93	9.4	8.7 NS
Hi-Div Stk CIs A RMB H	OT	OT	HKG	08/08	CNH	10.27	4.7	-2.7 NS
Hi-Div Stk CIs A RMB UnH Acc	OT	OT	HKG	08/08	CNH	12.15	4.3	1.1 3.6
Hi-Div Stk CIs A1	OT	OT	HKG	08/08	USD	74.39	3.5	-4.8 0.2
Hi-Div Stk CIs A2 AUD H MDIs	OT	OT	HKG	08/08	AUD	9.40	3.8	-4.6 -1.2
Hi-Div Stk CIs A2 CAD H MDIs	OT	OT	HKG	08/08	CAD	9.46	2.9	-6.0 -0.2
Hi-Div Stk CIs A2 GBP H MDIs	OT	OT	HKG	08/08	GBP	8.88	2.3	-6.5 NS
Hi-Div Stk CIs A2 HKD MDIs	OT	OT	HKG	08/08	HKD	9.61	3.7	-4.9 0.0
Hi-Div Stk CIs A2 NZD H MDIs	OT	OT	HKG	08/08	NZD	10.55	3.5	-4.8 0.3
Hi-Div Stk CIs A2 NZD H MDIs	OT	OT	HKG	08/08	NZD	9.54	3.5	-4.2 1.8
Hi-Div Stk CIs A2 RMB H MDIs	OT	OT	HKG	08/08	CNH	9.08	5.2	-2.3 NS
Hi-Div Stk CIs A2 RMB UnH MDIs	OT	OT	HKG	08/08	CNH	9.34	5.0	1.5 NS
Intel-China Conver Fund-A AUD H	AS	AS	EQ	08/08	AUD	8.96	-4.7	NS
Intel-China Conver Fund-A CAD H	AS	AS	EQ	08/08	CAD	10.20	NS	NS
Intel-China Conver Fund-A NZD H	AS	AS	EQ	08/08	NZD	10.31	NS	NS
Intel-China Conver Fund-A USD	AS	AS	EQ	08/08	USD	134.17	-8.2	-15.4 0.9
Intel-Chinese Mainland Foc Fund	AS	AS	EQ	08/08	USD	37.47	-9.3	-14.4 1.1
VP Classic-A Units	AS	AS	EQ	08/08	USD	260.30	-1.0	-7.5 3.1

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