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THE JOURNAL REPORT

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WORLD NEWS 9

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Associated Press

Finance Minister Brian Lenihan admitted problems in Ireland's banks became too big to go it alone.

Ireland gives a green light to aid package

By Charles Forelle and Marcus Walker

Ireland applied Sunday for a bailout worth tens of billions of euros from the European Union and the International Monetary Fund to prop up its ailing banks and public finances, bending to pressure from other European countries that fear Ireland's financial crisis could spread.

EU finance ministers "welcome" the application, they said in a statement late Sunday, and indicated they were prepared to endorse a package of loans from two European stability mechanisms, the International Monetary Fund, and possibly the U.K. and Sweden. No figures were announced Sunday, but the aid is expected to be in the "high double-digit billions," according to a senior European official.

The rescue package would include money both to fill the Irish government's fiscal gap and also to rescue Ireland's ailing banking sector. The finance ministers' statement also suggested a significant overhaul of Irish banking would be in the works.

"A comprehensive range of measures—including deleveraging and restructuring of the banking sector—will contribute to ensuring that the banking system performs its role in the functioning of the economy," the finance ministers said.

Analysts say Ireland may need at least €80 billion ($109 billion) to convince financial markets that it can stay solvent in the face of an outsized budget deficit and rising losses in its banking system.

Ireland's call for help marks a climbdown for the country's government, which insisted as recently as last week that it didn't need money. One Irish cabinet minister called reports of bailout negotiations as "total fiction."

But Ireland has been hemorrhaging cash, and with markets scorning Irish government debt, the country's insistence that it could limp through until the middle of 2011 and hope things got better was viewed dimly by the rest of Europe.

Fueling the worries is the vast uncertainty over the cost of rescuing Irish banks. Ireland has promised capital injections of €50 billion—almost a third of one year's economic output—but markets still doubt that will be enough to cushion all their potential losses.

On Sunday, Irish Finance Minister Brian Lenihan admitted that problems in Ireland's banking sector have become

Please turn to page 5

The Quirk

Putting a cap on bad juju conjures up some good business. Page 29

World Watch

A comprehensive rundown of news from around the world. Pages 30-31

Editorial & Opinion

Niall Ferguson on the rise of China and the country's four 'mores.' Page 12

Germany seeks to track pair of suicide bombers

By David Crawford

BERLIN—Germany is bracing for a possible terrorist attack amid growing signs that Islamic extremists are preparing an assault somewhere in the country in the coming weeks.

Authorities in Berlin are racing to track two suspected suicide bombers believed to be planning to strike a prominent location in the German capital, according to a person familiar with the investigation, while more terrorists are reported preparing to travel to Germany from the Pakistan with plans to launch a small-arms attack on one or more urban centers.

Police are combing through travel and visa records and scrutinizing arrivals from the Middle East and South Asia as they search for the pair of suspected bombers, this person said.

The threat, just one of several to emerge over the past week, has unnerved many Germans after government officials downplayed similar warnings from U.S. intelligence in recent months. Concerns of an imminent attack prompted a rare public warning Wednesday by Germany's interior ministry that terrorists plan to strike one or more crowded public locations in major German cities by the end of this month.

The warnings have put a damper on planned holiday festivities. Cities across Germany have begun opening their traditional Christmas markets, but many citizens are worried that the traditional holiday fairs offer terrorists a prime target.

Chancellor Angela Merkel urged her countrymen to remain calm in the face of the threats. Speaking to the press during a summit of North Atlantic Treaty Organization leaders in Lisbon over the weekend, Ms. Merkel said German security officials are "doing everything" possible to protect people in Germany.

Authorities believe the two prospective suicide bombers they are searching for in Berlin arrived in the German capital

Please turn to page 4

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PAGE TWO

Dublin fights a losing battle against a new breed of absentee landlord

[Agenda]

BY IRWIN STELZER

Plucky little Ireland, attempting to head off the Belgian hordes. The Irish thought they could appease Brussels and deflect the massed might of the EU Brussels-led euro-armies by adopting the euro and ceding control over their monetary policy. No such luck. Herman Van Rompuy's shock troops, armed with computers and spread sheets, are poised to occupy Ireland's Finance Ministry and gain control over fiscal policy. A major policy error by Ireland's government—agreeing to bail out the nation's banks—is about to put control of the Republic's economy in foreign hands—absentee landlords say the history-minded.

Ireland's desperate search for allies has come to naught: no country on the continent is prepared to take on Germany, which has long wanted Ireland to raise its 12.5% corporate tax rate that Germany, France and the entire Eurocracy have labeled "predatory." By which they mean a competitive threat to the high-tax regimes in their own countries. Even Britain, which should know a thing or two about standing alone, has joined the armies aiming to force Ireland to trade economic independence for Eurogold. Chancellor of the Exchequer George Osborne will join in by lending £7 billion ($11.18 billion) he does not have to the Irish because, he says, "we are good neighbors of Ireland and not because we have particular concerns about any particular U.K. bank." Nothing to do, then, with the fact that the governor of the Bank of England, Mervyn King, estimates the exposure of British banks to be a non-trivial £83 billion, £50 billion by RBS. Or that Northern Ireland cannot compete with the lower-tax Irish Republic, which is why Owen Paterson, Secretary of State for Northern Ireland, is seeking permission to lower tax rates. Or that **Essenta Foods**, the recent merger of Northern Foods and Greencore, just announced it will be based in Dublin to take advantage of the 12.5% corporate tax rate, less than half the rate Mr. Osborne has set for the U.K. from April of next year. Just being neighborly.

Reuters

Herman Van Rompuy is focussed on 'the euro area as a whole,' say analysts.

Ireland's troubles have done nothing to reduce the flow of foreign direct investment.

With Finance Minister Brian Lenihan now prepared to recommend to the cabinet that it apply for "a program" of assistance, all that is left for Ireland is to negotiate the terms of its surrender to the European Central Bank, the International Monetary Fund, the EU, and, not least, the bond market. Ireland's banks, locked out of wholesale markets and hemorrhaging deposits, desperately need the continued support of an ECB increasingly reluctant to continue lending at its 1% interest rate. So Irish premier Brian Cowen has little room for maneuver, even though the government says it has enough cash—some €22 billion ($30 billion)—to last until it has to repay a bond in November. Perhaps, but not certainly. The €31 billion it injected into the banks was in the form of government IOUs, 10% of which come due in 2011 and every year thereafter. And it will have to roll over some €6 billion of notes that come due in the first quarter of the new year. More important, it will have to chalk up economic growth at a 3% annual rate between 2012 and 2014 in the face of headwinds created by the €15 billion, four-year fiscal tightening agreed by the Irish cabinet Sunday and signed off on by EU Economic and Monetary Affairs Commissioner Olli Rehn.

All this is now of less relevance to the EU team than achieving its initial goal of saving the euro and with it the European Project. Mr Van Rompuy & Co. are focused "first and foremost on the euro area as a whole," conclude analysts at Citigroup Global Markets. If Ireland goes under, the Eurocracy is convinced that Greece, Portugal, Italy and Spain will be the next to find bond markets effectively closed. Never mind that there is no proof that such contagion is inevitable, or that the problems of other countries would be solved by an Irish bailout.

There is little doubt that exposure to Ireland is substantial. Goldman Sachs estimates sovereign debt, €85 billion; Irish bank bond debt, €80 billion; ECB loans to Irish banks, €130 billion.

The only question now is whether the price Ireland will pay for help will include an agreement to raise the low corporate tax rate, as French and German officials are demanding. France's President Nicolas Sarkozy "cannot imagine that our Irish friends" will not raise taxes. If Ireland caves in to EU pressure, which Goldman Sachs analysts deem "not implausible... [but] unlikely," it will be forfeiting its best chance to recover from its current ills. Ireland's troubles have done nothing to reduce the flow of foreign direct investment: the Irish agency in charge of wooing foreign investors reports that FDI this year will be the at the highest level in seven years. Little wonder: the wages of well-educated, English-speaking Irish workers are down, as are rents and factory-construction costs. If Ireland retains its attractive corporate tax rate, it just might ease its plight with some significant economic growth. Whatever problems Greece, Portugal and Spain have, they are not Ireland's.

—Irwin Stelzer is a director of economic-policy studies at the Hudson Institute.

What's News

■ **Disagreements between** Afghan President Karzai and the U.S.-led allies over how the war should be pursued burst into the open at a NATO summit, with Obama rejecting Afghan demands to curtail raids and air strikes, and telling Karzai he must listen to U.S. concerns. 8

■ **Volatility is mounting** in commodities as speculators pump cash into the market. The flood of money has raised concern that recent price gains could reverse. 17

■ **Criticism of the Fed's** bond-buying plan is limiting the program's potential benefits for the U.S. economy. 7

■ **For the launch** of the Fiat 500 subcompact, Chrysler is giving car buyers something they don't usually see these days: a dizzying array of options and feature choices. 17

■ **The latest "Harry Potter"** movie took in a franchise record of $125.1 million at U.S. theaters over the weekend. 17

Inside

Smartphone on the wall: the launch of Android TV. **27**

Sébastien Loeb could be the world's best driver. **28**

ONLINE TODAY

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3. Standout House
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'A month ago, EU ministers buoyed the market with claims the Irish debt crisis had been averted. What happened?'

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Question of the day

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Previous results

Q: Do you think an Irish bailout will alleviate pressure on other struggling euro members?

Yes **22%**

Not sure **10%**

No **68%**

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NEWS

Gas and fire hinder rescue of miners

Rescuers attempting to locate 29 workers trapped in a collapsed New Zealand coal mine are being hindered by poisonous gas and an underground fire, as the country's mining union called for an independent inquiry into the disaster.

*By **Lucy Craymer** in Greymouth, New Zealand and **Rebecca Howard** in Wellington*

Prime Minister John Key and Energy Minister Gerry Brownlee visited the scene of the disaster over the weekend and expressed hope that engineers could draw on lessons from the rescue of 33 miners trapped underground for 69 days in Chile last month. Australian Prime Minister Julia Gillard and Chile's government both offered assistance.

A combination of poisonous gas and indications of a fire inside the mine so far have stopped any direct efforts by engineers to locate and extract the miners, who have been unreachable since an explosion was reported at 3:50 p.m. local time on Friday. Unlike in the Chile mine disaster, the New Zealand mine's shaft is sunk horizontally—allowing access for heavy machinery that could assist a rescue—but engineers are wary of a secondary explosion.

Though the cause is as yet unknown, the disaster has prompted union leaders to call for a government inquiry. **Pike River Coal** Ltd., the mine's owner, employs about 150 miners at the site, which is located on the remote west coast of New Zealand's South Island.

Agence France-Presse

People embrace as family and friends of 29 miners trapped underground leave a briefing from Pike River Coal, Sunday.

"I think this is too big and too significant an event," said Andrew Little, national secretary of the Engineering, Printing and Manufacturing Union, which represents all of the miners trapped in the pit. "There needs to be a thorough investigation into the causes." Government officials haven't yet responded to the union's request.

Pike River Chief Executive Peter Whittall defended the mine's "safety first" policy over the weekend and said there was no reason to believe the miners were operating in an unsafe pit. "My expectation is that they were working within the safety systems we have in place," he said.

Mr. Little said the union has been "pretty satisfied with the safety gear and equipment and the measures that were in place." But Friday's explosion isn't the first technical problem encountered at the mine, which first hit coal in 2008 and is expected to produce around one million tons a year of premium hard coking coal used to make steel. Last year, a rock fall in one of the ventilation shafts stopped work on the mine, though no injuries were reported.

New Zealand's only listed coal mine operator, Pike River is about 29% owned by **New Zealand Oil & Gas** Ltd., with India's **Saurashtra World Holding Private** Ltd. and **Gujarat NRE Coke** Ltd owning 5.5% and 7.1% respectively. Its shares traded in New Zealand closed down 4.4% on Friday and shares listed in Australia are suspended.

Pike River has missed several of its own production targets at the pit in the past 18 months and has been forced to raise additional funds to keep the mine working.

Over the weekend, families were informed about the delays to the rescue, with some leaving a private meeting at the Grey District Council chambers in tears. Efforts to contact the trapped miners by telephone have so far failed and no sign of human activity has been detected.

Police say the names of the miners may be released Monday. They include 24 New Zealanders, two Australians, two British nationals and one South African.

Mining-safety experts say the workers could be located and rescued if they survived the initial incident, provided they have access to oxygen from the mine's ventilation shaft and that a build up of gasses doesn't trigger another explosion.

"It is possible they survived the explosion and are in an air pocket and are trapped in the mine due to the atmospheric conditions between them and the outside," said David Cliff, operations manager of the University of Queensland's Minerals Industry Safety and Health Centre in Brisbane, Australia.

Work has started on sinking a 150-meter hole into the mine that will allow engineers to gauge the levels of gas present and possibly insert a camera to help locate survivors, said Mr. Whittall.

Pope's comments set off firestorm

BY STACY MEICHTRY

VATICAN CITY—The Vatican rushed to clarify a recent interview by Pope Benedict XVI, in which the pontiff states for the first time that there may be some cases in which the Roman Catholic Church's ban on condoms isn't absolute.

The pope made the comments in a book-length interview over the summer with the German writer Peter Seewald that will be officially released this week. Mr. Seewald asked the pope about criticism of the Vatican's perceived opposition to condom use to fight the spread of HIV-AIDS in Africa.

The pope's response, while carefully couched, has ricocheted around the globe, reigniting one of the most tensely debated issues facing the Roman Catholic Church. To some, the interview signaled a radical shift in the Church's approach to combating the spread of AIDS as well as an unprecedented departure from the Church's long-time practice of condemning any form of condom use.

The Vatican, however, played down the potential impact the remarks might have on church teaching. "The pope's thinking certainly can't be defined as a revolutionary shift," said Vatican spokesman Rev. Federico Lombardi said in a lengthy statement issued Sunday.

In the interview, the pope said condom use had become a "fixation" for some people, according to the English-language edition of the book viewed by The Wall Street Journal.

The pope then added: "There may be a basis in the case of some individuals, as perhaps when a male prostitute uses a condom, where this can be a first step in the direction of a moralization, a first assumption of responsibility, on the way toward recovering an awareness that not everything is allowed and that one cannot do whatever one wants."

The pope added that the church remained opposed to any widespread use of condoms that "implies a banalization of sexuality."

Father Lombardi acknowledged, however, the pope had to "consider exceptional situations where the exercise of sexuality represents a real risk to someone's life." Having "disordered" sex isn't morally justified, Father Lombardi added, but the use of condoms in such situations can "reduce the danger of infection."

For decades, the Vatican's ban on condom's appeared iron-clad, because church teaching rejected contraception. The rise of HIV in developing countries, however, has prompted many humanitarian aid agencies to press the Vatican to modify its opposition to condoms. The Catholic Church is one of the biggest providers of humanitarian aid in Africa, and some Catholic aid workers there have begun to simply ignore the Vatican's rule.

Over the years, a handful of cardinals and one Vatican official in charge of health care have suggested that condom use could be condoned in extreme situations, such as when a woman asks her HIV-infected husband to wear one.

EU crisis expands clout of IMF chief Strauss-Kahn

By Bob Davis

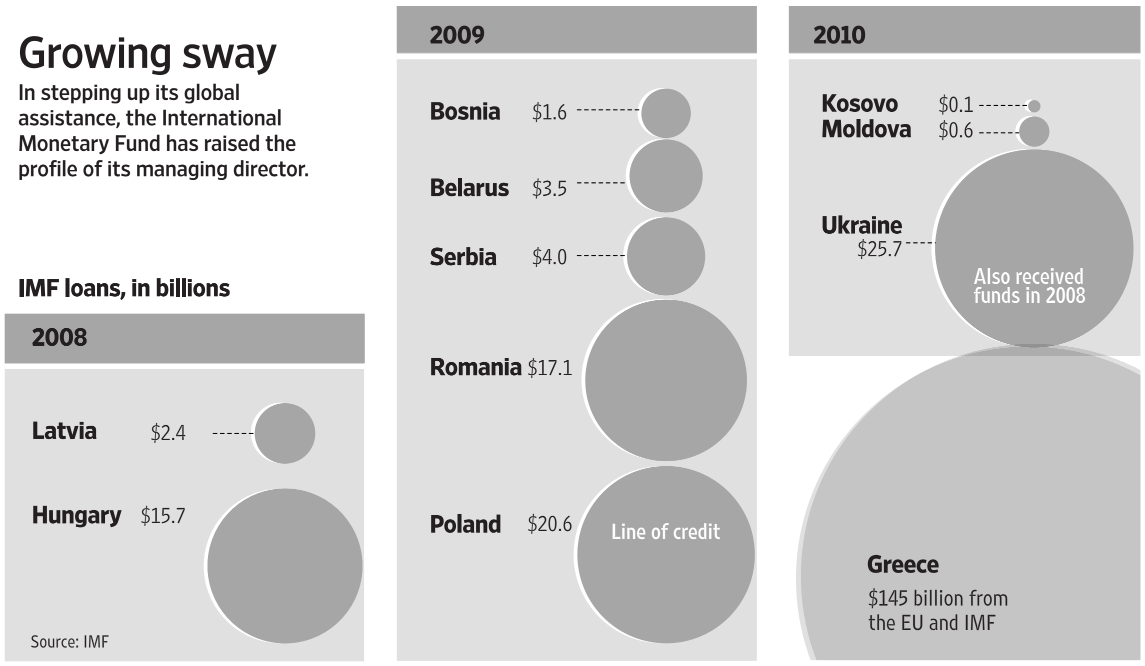
WASHINGTON—IMF chief Dominique Strauss-Kahn has seen his international standing rise as Europe's sovereign-debt crisis grows deeper.

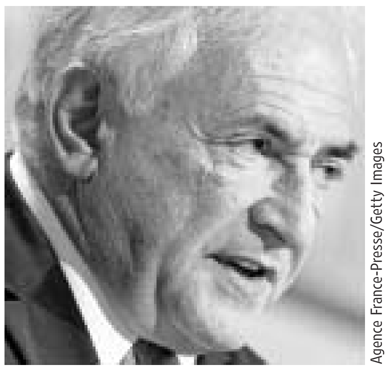
As managing director, Mr. Strauss-Kahn has maneuvered the International Monetary Fund to the center of the European economic stage, provided tens of billions of dollars in loans to keep European countries afloat and earned a reputation as a problem solver in a time of economic woe. That has translated into a big lead in polls in France, where Mr. Strauss-Kahn, a former Socialist candidate in presidential primaries, has hinted at challenging Nicolas Sarkozy in the 2012 election.

Mr. Strauss-Kahn, who wasn't available to comment for this article, recently told Germany's Stern magazine, "I'm going to see my term as IMF managing director through to the end" of his term in 2012.

For decades, running the IMF has been a political liability. The managing director, by tradition a European, was viewed in Latin America and Asia as a foreign bully during past crises. Chief among the problems: requiring countries to make difficult changes that weren't crucial to fix their problems, such as forcing Indonesia to dissolve cartels and boost fuel prices.

But this crisis is different. The biggest problems occurred in Europe, so the European-led IMF wasn't viewed as foreign. And the 61-year-old Mr. Strauss-Kahn, who took office in 2007— before the financial meltdown—quizzed staffers about what the IMF had done wrong





Under Managing Director Dominique Strauss-Kahn the International Monetary Fund has assumed a pivotal role in extending loans to countries weakened by the economic crisis.

Under Mr. Strauss-Kahn, the IMF scaled back the conditions it imposed, focusing on reduced government spending, so there were fewer points of contention. He also tried to keep some political distance from the U.S. Treasury, which had been seen as the power behind the IMF during the Asia crisis a decade earlier. He struck alliances with then-British Prime Minister Gordon Brown, who pushed for expanded IMF funding, and with emerging markets such as Mexico and Brazil.

Still, Germany, France and other European countries objected to an IMF role when the crisis first hit Hungary in 2008, equating an IMF loan as a lifeline for struggling developing countries. According to those who know him well, Mr. Strauss-Kahn didn't lobby directly for an IMF role in conversations with European leaders, whom he knew from years as finance minister of France. Rather he explained the IMF's analysis of the problem and what was needed, figuring that European governments would come to realize they needed IMF cash and restructuring expertise.

"The longer he stays at the IMF, the more Europeans become fascinated by his pragmatism and his vision," says Domenico Lombardi, a Brookings Institution European specialist.

Mr. Strauss-Kahn's position as a possible presidential contender also helped. "It's his potential as a future president of France that gets him access to top politicians in Europe who take him seriously," says former IMF chief economist Simon Johnson.

As Europe's problem spread earlier this year to Greece, Mr. Strauss-Kahn again refrained from overtly lobbying for an IMF role, instead relying on the U.S. to press his case and also Mexico and Brazil. Once the IMF became an important part of the Greek rescue package and the €750 billion ($1 trillion) rescue fund created to help other countries, its participation in an Irish rescue package was assured.

In Greece, the big IMF role has begun to produce some of the resentment once seen in Asia and Latin America. According to an SKAI television poll published this month, 74% of Greeks had a "negative opinion" of the IMF, compared with 51% who thought so in February. Protestors regularly shout, "Down with the IMF" and "IMF out [of Greece]" at demonstrations.

In France, though, Mr. Strauss-Kahn's profile is rising. He would trounce Mr. Sarkozy in a run-off, 59% to 41%, according to an August survey conducted by TNS-Sofres. But he might have a tough time getting to such a contest.

Polls show that Mr. Strauss-Kahn's chances wouldn't be as strong in a socialist primary, where voters are more to the left politically than Mr. Strauss-Kahn.

Still, some in the Socialist party are trying to help Mr. Strauss-Kahn stay in the IMF as long as possible, so he can preserve his above-the-fray stature. While candidates for the primary must apply by June 2011, some Socialists say the deadline could be moved for Mr. Strauss-Kahn. "This won't be a problem," said Socialist lawmaker René Dosière. "We won't disqualify one of our best horses on some minor technical grounds."

—David Gauthier-Villars and Alkman Granitsas contributed to this article.

Al Qaeda sets demands for France

By David Gauthier-Villars

PARIS—Al Qaeda's affiliate organization in North Africa has warned France that the release of five French hostages held in the Sahara desert depends on France's pulling its troops out of Afghanistan.

In an audio message, al Qaeda in the Islamic Maghreb—a group of Islamic militants who pledged allegiance to al Qaeda in early 2007—also said the release had to be negotiated directly with al Qaeda leader Osama bin Laden, a sign that the once-peripheral Maghreb group may be seeking to play a bigger role in global jihad.

The audio message was attributed to AQIM leader Abdelmalek Droukdel, also know as Abu Mossab Abdelouadoud, and broadcast late Thursday by Qatar-based news station Al-Jazeera. The five French nationals were kidnapped together with a Madagascan and a Togolese two months ago.

French authorities said they would spare no effort to obtain the release of the hostages, who were kidnapped in their sleep near a French-run uranium mine where they worked in Niger. Speaking Saturday before the AQIM message had yet to be authenticated, French President Nicolas Sarkozy said that "France cannot accept that its policy be dictated by anyone outside."

The AQIM message represents the group's boldest statement to date that it is willing to participate in Mr. bin Laden's global campaign, according to analysts. Before allying with al Qaeda, AQIM militants were mainly Algerians pursuing a domestic goal: seize power and set up a radical Islamic government in Algeria. But Algeria, the main military power in north Africa, has repelled AQIM militants into the northern, mountainous region of Kabylie and the south.

While Mr. Droukdel is believed to be entrenched in Kabylie, according to Algerian officials, some of his lieutenants have set up bases in the Sahara desert and hopscotch borders between Algeria, Mauritania, Mali and Niger.

When it joined al Qaeda four years ago, AQIM's main assignment was to extend the jihad into Western Europe, said Jean-Pierre Filiu, a professor in the Middle East department at the Paris Institute of Political Studies. Back then, one of Mr. bin Laden's lieutenants had warned that AQIM militants would become "a bone in the throat of U.S. and French crusaders." But unable to strike in Europe, the AQIM group has focused on European targets in the Sahara desert.

French authorities have said they believe the seven hostages, including the five French nationals, who were kidnapped in Niger on Sept. 15, are alive and detained by AQIM in northern Mali.

The AQIM message coincided with a summit of the North Atlantic Treaty Organization in Lisbon, where the U.S., France and other members discussed how to fight Taliban resistance in Afghanistan and set a 2014 deadline for leaving.

France has about 3,750 soldiers involved in the NATO-led war.

Germany is preparing for possibility of terror hit

Continued from first page

ital about six weeks ago from the Waziristan region of Pakistan, according to a person familiar with the investigation. The suspects are trying to avoid detection by wearing Western clothes, avoiding mosques and changing their hideouts regularly, according the people. Authorities believe the two men are waiting for a shipment of bomb detonators that may be transported from Turkey to Berlin by unwitting friends or relatives.

The German news magazine Der Spiegel reported Saturday that police fear the attack involving bombs and small arms could be aimed at the German parliament building, known as the Reichstag. A senior intelligence official said the Reichstag hasn't been specifically named as a terrorist target, although it fits the outlines of the alleged terrorist goal of attacking an "important office."

A temporary fence was erected around the historic building last week as a precaution, a spokesman for the German parliament said.

German authorities have also received indications that a second group of terrorists is planning to travel from Waziristan via the United Arab Emirates to Germany in the coming weeks, according to a person briefed on the investigation.

The suspected terrorists are believed to be planning a small-arms attack on one or more urban centers in Germany by the end of February, this person said. The cities Berlin, Frankfurt, Hamburg and Munich have been named as possible sites for an attack, the person said. The attack would be modeled on the 2008 attack in Mumbai, which killed more than 160 people.

One official said terrorists may be leading authorities to believe they are planning several attacks at once.

This brings the number of suspected terrorist hit teams focusing on Germany or other European countries to at least three. A senior intelligence official said terrorists may be attempting to confuse counter-terrorist preparations by leading authorities to believe they are planning several attacks at once.

Authorities in Namibia, meanwhile, appeared closer to solving a mystery surrounding a fake suitcase bomb that nearly made it onto a flight bound for Germany earlier in the week.

Namibian police told their German counterparts Saturday the suitcase—which they said was designed by a U.S. company as a tool for testing the readiness of airport security personnel—was placed in the loading area by an airport security official. The official has been arrested, a spokesman for the German interior ministry wrote in an email response to questions. It remained unclear why the official would have placed the suitcase in the luggage hall or what charges he faces. A spokesman for the Namibian Police Force couldn't be reached to comment.

EURO-ZONE CRISIS

Ireland's bailout threatens Cowen

BY NEIL SHAH

As Irish Prime Minister Brian Cowen grudgingly accepts a politically unpopular bailout to fix Ireland's economy, his government faces a mounting backlash from angry lawmakers and voters that could undermine his razor-thin grip on power.

The leaders of Ireland's two biggest opposition parties have called for the resignation of Mr. Cowen and his fragile coalition government, which holds a slim majority in parliament. Members of Mr. Cowen's own ruling Fianna Fail party are angry about the government's mishandling of banking problems and its lack of forthrightness over the looming rescue, accusing officials of misleading Irish voters and betraying the country's sovereignty.

One of the biggest fears is that some European governments may press Ireland to raise its low corporate tax rate—a linchpin of the economy for 50 years—in exchange for aid. Mr. Cowen has countered that Ireland's expected rescue by the European Union and the International Monetary Fund won't involve any loss of sovereignty—a flashpoint for the Irish, who struggled for years before gaining independence from Britain in 1922.

The government's next big test comes Tuesday, when it is expected to unveil an unpopular plan to slash its budget for the next four years by €15 billion ($20.4 billion) to rein in a budget deficit projected to surpass 30% of its gross domestic product this year, the highest in the 16-nation euro zone's history.

Fianna Fail could suffer another blow on Thursday if it loses a special election in northwestern Ireland for a vacant parliamentary seat to Ireland's small Sinn Fein party, slashing its majority from three seats to two.

The parties are fighting hard to secure the seat. Mr. Cowen spent Saturday rallying his troops in Donegal, while the heads of Ireland's Labour and Fine Gael parties, Eamon Gilmore and Enda Kenny, have been on the ground in a last-minute push to pull voters away from both Fianna Fail and the likely winner of the election, Sinn Fein, which holds just four seats in Ireland's 166-seat parliament, the Dail.

But even if Fianna Fail hangs on in Donegal, more trouble lies ahead in the form of three special elections next spring. Local media, meanwhile, are speculating the government could fall before Christmas.

"The likelihood of this government surviving long beyond the first month or two of next year is virtually gone now," says David Farrell, professor of politics at the University College Dublin.

Another near-term hazard for the government involves losing more support from within its own ranks, which could result in its inability to pass a crucial budget on Dec. 7, triggering new elections and possibly eroding the market's confidence in the country.

Most observers expect the government to pass its 2011 budget, as outside assistance by the IMF may give Fianna Fail dissidents cover to support politically painful budget cuts. While Irish voters' anger at the government is growing, they seem resigned to their country's economic mess, with protests muted and anti-European sentiment low.

Fianna Fail, which presided over Ireland's economic boom and subsequent bust and has held power since 1997, has been weakened for some time. While Mr. Cowen doesn't need to call elections before 2012, he is expected to be forced to do so early next year. A poll this month showed support for Mr. Cowen falling to 11% from 18% in July. Most observers expect a coalition of the Fine Gael and Labour parties—both of which support deficit-cutting—to take over.

A bailout would inflict a major wound on this small, European country's national pride. IMF loans often come with strict budget requirements and a loss of some sovereignty to the Washington-based institution—not to mention a stigma that could tarnish Fianna Fail's reputation for decades. The government also has been accused of misleading the Irish public in recent days over the rescue planning. Writing in Ireland's Sunday Independent newspaper, Willie O'Dea, a Fianna Fail lawmaker, said "the Government's actions and comments over the past 10 days have fundamentally undermined public trust."

"There's a possibility that intervention was kept confidential," says Michael Noonan, finance spokesman for opposition party, Fine Gael. "When you do that, you lose the confidence of the population."

Irish Finance Minister Brian Lenihan told parliament Thursday the government was "reticent" to protect the taxpayer's interest.

Bloomberg News

Ireland's central bank, center, in Dublin. Some lawmakers and voters are angry over bailout plans.

Green light for aid package

Continued from first page

"too big a problem for the country."

He told Irish broadcaster RTE Radio 1 that international aid money would ensure that Dublin can fund its budget deficits, while also allowing the creation of a "standby fund" to so that Irish banks can cover possible losses on their loan portfolios.

Ireland also needs to clean up its own finances. Earlier this month, the government put forward the outlines of a budgetary plan for 2011 to 2014. It calls for austerity—spending cuts and tax increases to total €6 billion next year and €2 billion to €4 billion in the three subsequent years.

The country is awaiting more details of the measures as soon as Monday, with political wrangling intense over who gets hit. A formal budget for 2011 comes Dec. 7.

Despite the austerity push, Ireland will be bleeding cash for the next several years, due largely to a sudden drop in tax revenue: tax receipts fell from €47.2 billion in 2007 to a projected €31 billion this year.

All told, Ireland needs to borrow €63.1 billion between 2011 and 2013, according to a recent estimate made by the country's debt-management agency. Those funds are needed to plug a persistent budget gap, redeem maturing government bonds and make payments to banks under promissory notes it issued to shore up their capital.

Ireland needs about half as much as Greece did to finance its government. Greece had an estimated funding gap of €128.2 billion, excluding roll-over of short-term debt, for the three-year period after it took a bailout. In total, Greece received €110 billion from euro-zone countries and the IMF, which was expected to relieve Greece of the need to do any long-term borrowing for nearly two years.

A similar pattern would suggest Ireland needs about €50 billion for its own finances.

That doesn't count the banks. As recently as Sept. 30, the Irish central bank and the government said the capital injections Ireland had already promised—up to €50 billion—were sufficient to put the banks on solid footing.

Markets apparently don't think so, but it is difficult to assess just how much would be enough.

A key source of Irish reluctance to ask for help is worries about what lenders will ask for in return. The Irish government, fearing a voter backlash, is fighting to prevent the imposition of tax increases or spending cuts beyond those in its own four-year plan. Mr. Lenihan said the issue of Ireland's 12.5% corporate tax rate, which some other euro-zone countries want Ireland to raise, is "off the agenda."

U.S. NEWS

School voucher plan debated

By Stephanie Simon

Chris Schneider for The Wall Street Journal

Principal John Gutierrez makes a point on Friday during a meeting at Cougar Run Elementary in Highlands Ranch, Colo., where parents of Douglas County school children discussed a propoal to use public funds to pay for private-school tuition.

CASTLE ROCK, Colo.—The school board in a wealthy suburban county south of Denver is considering letting parents use public funds to send their children to private schools—or take classes with private teachers—in a bid to rethink public education.

The proposals on the table in Douglas County constitute a bold step toward outsourcing a segment of public education, and also raise questions about whether the district can afford to lose any public funds to private educators.

Already hit hard by state cutbacks, the local board has cut $90 million from the budget over three years, leaving some principals pleading for family donations to buy math workbooks and copy paper.

"This is novel and interesting—and bound to be controversial," said Chester E. Finn Jr., president of the Thomas B. Fordham Institute, a conservative, educational think tank in Washington, D.C.

Vouchers for private and parochial schools have been used in a handful of states to aid students who are poor, disabled or trapped in failing urban schools, but according to school-choice experts, they have never been tried in affluent suburban districts noted for high-performing public schools.

Douglas County is one of the wealthiest in the nation, with median family income topping $105,000 and just 8% of students qualifying for subsidized lunches, compared with 72% in the Denver Public Schools.

All the private schools in the county that go beyond first grade are Christian-based—except for one academy with just 21 students—and many require Bible study or devotions.

"Faith permeates everything we teach," said Donna Heintz, an administrator at Valor Christian High School in Highlands Ranch.

In 2002, the U.S. Supreme Court ruled in a case involving a voucher program in Cleveland that public money could be used for private religious schools as long as parents were not steered to any one particular faith-based program and had a "genuine choice" on where to use their vouchers. About 160,000 children in the U.S., mostly low-income or with special needs, use vouchers or scholarships subsidized indirectly by the state to attend private schools, according to the Brookings Institution in Washington, D.C.

The Douglas County proposal would allow religious schools in the voucher program to base admissions on faith. Critics of the proposal said it might be vulnerable to challenges under the Colorado constitution.

"But even if it is constitutional, that doesn't mean it's a good idea," said Joyce Rubin, interim regional director of the Anti-Defamation League. Taxpayers should not be forced to cover the cost of religious indoctrination, she said.

Douglas County School District board members are also considering letting students enrolled in public schools opt out of some classes in favor of district-approved alternatives offered at for-profit schools or by private-sector instructors. Students might skip high-school Spanish, for example, to take an advanced seminar in Chinese, or bypass physics to study with a rocket scientist, in person or online.

Public schools would likely lose some funding for each student who chooses to opt out, with the money redirected to independent contractors organizing the alternative curriculum.

Another proposal under review calls for expanding publicly-funded services for families that home-school their children.

Superintendent Elizabeth Celania-Fagen said she is not sure which proposals she might support. But in a recent letter to parents of the district's 56,000 students, she said her leadership team "did not find the ideas alarming" and pledged the district would "set the stage for new thinking in education."

The school board is dominated by conservatives, including several who won election last fall on vows to expand educational choices.

"These days, you can build a custom computer. You can get a custom latte at Starbucks," said board member Meghann Silverthorn. "Parents expect the same out of their educational system."

The opposing view holds that "a common cultural experience comes out of public schools" and districts shouldn't undermine it by letting parents design a "boutique education" for their children at public expense, said Russ Whitehurst, director of the Brown Center on Education Policy at the liberal Brookings Institution.

Douglas County, a swath of tidy cul-de-sacs and look-alike subdivisions, already boasts nine charter schools, two magnet schools and an online school as well as 65 traditional schools—all funded by tax dollars. Students receive high scores on standardized tests and a recent community survey found overwhelmingly positive views about the public schools. Fewer than 4,000 students in the district chose private or home schools last year, according to state statistics.

No financial analysis has yet been done, and a final vote is several months away.

"Is there a win-win? Can we give parents maximum flexibility without taking resources away from public schools?" Ms. Celania-Fagen, the superintendent, said. "I'm perfectly comfortable having the conversation."

Erasing a hurtful label from the books

By Clare Ansberry

Jeff Swensen for The Wall Street Journal

Eddie Belasco, who is developmentally disabled, plans to get engaged soon.

Cliff Poetz of Minnesota, now 61 years old, went to Washington 40 years ago and told lawmakers they shouldn't use the term "mentally retarded" to describe him and others with intellectual disabilities.

"It meant we were dumb and stupid," said Mr. Poetz, who is neither. Born with cerebral palsy and other developmental disabilities, he spoke out about what it was like living in institutions and was invited by the late Sen. Edward Kennedy to testify at a hearing on the Developmental Disabilities Assistance and Bill of Rights Act. He now works at the University of Minnesota.

His plea, and that of thousands of other early activists with disabilities, remained largely unheeded until recent years when grass-roots and national groups representing those with disabilities, including the Special Olympics, created a campaign to "Spread the Word to End the Word."

They said "retarded" had become a mainstream putdown of anyone who was considered incompetent or acting unacceptably.

The movement gained an indirect boost earlier this year when it was disclosed that former White House Chief of Staff Rahm Emanuel told a group of liberal activists that it was "retarded" for them to run ads attacking some Democrats.

Mr. Emanuel later met with disabilities advocates and apologized.

"It's used a million times a day by schoolchildren and adults to denigrate. It's a gross insult to people with intellectual disabilities and their families," said Paul Marchand of the Arc, a national advocacy group for people with intellectual and developmental disabilities.

For decades, "mentally retarded," which came into popular use in the 1950s, was considered medically accurate. It was also a huge improvement over earlier labels: mentally deficient; imbecile; and moron.

But Charlie Lakin, who studies disability-related issues at the University of Minnesota, said the term became prejudicial, implying that a person was incompetent.

Now, states have begun removing "mentally retarded" from departments and regulations, the latest being New York and Rhode Island.

Last month, Congress stripped the words "mentally retarded" from most federal, health, education and labor statutes, and replaced it with an "individual with an intellectual disability."

The swap doesn't affect services, benefits or eligibility. But for those with such disabilities, and their families, it is a significant breakthrough.

Many had to be declared or labeled as "mentally retarded," which they found hurtful, in order to receive services, because that was the legal term.

"This doesn't solve prejudice or discrimination, but it helps that the government isn't reinforcing it," Mr. Lakin said. Other countries dropped the term years ago, he added.

A few weeks ago, in a ceremony in the East Room of the White House, President Barack Obama signed legislation removing the term "mentally retarded" from most federal laws.

U.S. insists pat-downs at airports here to stay

By Evan Perez

Uncomfortable and "invasive" airport security pat-downs are here to stay, the top U.S. transportation security official said Sunday.

The Transportation Security Administration has triggered a public outcry with wider use of graphic full-body scanners, or full-body pat-downs for those who decline the scans or who require secondary screening.

The security measures come in response to the attempted airline bombing last Christmas, when a Nigerian passenger allegedly hid a bomb in his underwear and failed to detonate it properly.

John Pistole, TSA administrator, acknowledged travelers' concerns about body-scanning machines that can see through clothing. He agreed that, to some, the pat-downs, which involve groin and breast checks, are "demeaning." But he said the policy is "not going to change."

"TSA is really the last line of defense for the U.S. government in trying to keep the traveling public safe," Mr. Pistole said Sunday on CNN's "State of the Union."

He noted that "we face a determined enemy who has been adept at devising and concealing explosive devices, bombs, that will target not only aviation in terms of commercial aircraft but also cargo aircraft."

The U.S. says it plans to have 500 of the scanners, which cost $100,000 apiece, installed in airports by the end of this year, with another 500 installed next year.

The TSA on Friday agreed to let pilots skip the body scans and pat-downs, yielding to complaints from pilot groups about radiation from the machines, given how frequently pilots pass through security. Pilots also criticized the screening procedures as unnecessary since any pilot intent on terrorism could easily crash a plane, and they noted that some are allowed to be armed in the cockpit. The agency will still require pilots to be screened by metal detectors and to show identification.

The new procedures have ignited outrage from some travelers, who have taken to the Internet to protest.

The public reaction has also raised concerns in the business community, particularly industries reliant on air travel.

After Homeland Security Secretary Janet Napolitano and Mr. Pistole convened a recent meeting with travel industry CEOs to explain the TSA's new security procedures, a top U.S. Travel Association official emerged telling reporters the meeting was "informative but not entirely reassuring."

On Saturday, the Business Travel Coalition, which represents corporate travel managers, criticized the new procedures, saying "treating all passengers transiting the aviation system as if they are equal threats to national security represents worst practice because it is ineffective, costly and distractive of better practices."

Mr. Pistole said that the airport procedures are part of a broader security net that includes intelligence gathering on potential threats.

U.S. NEWS

Criticism hinders Fed's easing plan

Doubts about the central bank's ability to expand its bond-buying program have driven Treasury yields higher

By Sudeep Reddy

Criticism of the Federal Reserve's latest bond-buying program, both from insiders and from U.S. politicians, is muting the plan's potential benefits for the economy.

Amid widely publicized skepticism about the efficacy and wisdom of the bond buying, investors and traders are questioning whether the Fed would be able to expand its bond purchases beyond $600 billion—even if inflation continues falling and unemployment remains high. Those doubts have contributed to an increase in yields on U.S. Treasury bonds since the Fed announced the program on Nov. 3, they say.

The criticism "has raised questions about the Fed's ability and resolve to control the yield curve," said Mohamed El-Erian, chief executive and co-chief investment officer of Pimco, the bond-fund giant. "The criticism has unsettled markets naturally inclined to worry about the politicization of the Fed and its loss of autonomy," he said.

The success of the latest round of quantitative easing, or QE2 as it is known, hinges on shaping expectations. The more investors believe the Fed is likely to keep buying bonds to depress long-term interest rates until the economy comes back, the more likely the markets are to keep long-term rates from rising.

Communicating a willingness to do more bond buying if needed despite dissent from inside the Fed and political pressure is proving a challenge for Fed Chairman Ben Bernanke and a policy-setting committee with a diverse set of views.

"The behavior of longer-term Treasury rates is a measure of the

Bloomberg News

Kevin Warsh, right, usually an ally of the Fed's Ben Bernanke, has publicly expressed skepticism about the policy.

credibility problem that the Fed is facing now," said Alfred Broaddus, former president of the Federal Reserve Bank of Richmond, who deems QE2 a "reasonable step" to guard against deflation.

As a result, he said, Mr. Bernanke may need to speak more about his strategy and emphasize, as he did in the spring, that the Fed has both the tools and the willingness to withdraw stimulus to prevent too much inflation, Mr. Broaddus said. "To me, this largely is a communications issue."

In the weeks after the Fed announcement, several top Republicans—including incoming House Speaker John Boehner of Ohio and potential presidential candidate Sarah Palin—have expressed concern that the Fed's latest policy will result in too much inflation down the road. Some conservative economists have called on Mr. Bernanke to halt the bond-buying program. Few analysts see that outcome as likely, but the pressure on the Fed has been clear.

Inside the Fed, a handful of regional bank presidents have been vocal about their opposition to the bond-buying program, while others have voiced doubts about it. Just days after the Nov. 3 decision, Fed Governor Kevin Warsh, usually an ally of Mr. Bernanke and one of those who voted in favor of QE2, publicly expressed skepticism about the policy's ability to boost the economy, saying it should be reconsidered if the U.S. dollar continued to fall or if commodity prices rose too much.

The bond buying—which the Fed plans to pursue at $75 billion a month through the middle of next year—was designed to lower yields on Treasury securities as the Fed soaked up the supply of debt and thereby raised bond prices. Yields on the 10-year Treasury note, a benchmark for corporate and mortgage borrowing, fell in the weeks after Mr. Bernanke hinted at the move in late August. In mid-October, the 10-year note was trading at 2.38%.

Last week, it closed as high as 2.91%, settling at 2.87% on Friday.

"The criticism and resulting market reaction makes QE2 less effective," said Axel Merk, a Fed critic who runs funds focused on currencies. "If the Fed wants to achieve the same goal, they have to print even more money. Of course, they can pursue the policy, but it'll be more expensive for everyone involved."

The public blowback has been only one factor pushing yields higher. David Ader, head of government-bond strategy at CRT Capital LLC, said many investors were simply closing positions established in the run-up to the QE2 announcement.

Many traders expect rates to fall again as the Fed buying continues, unless the economy shows unanticipated signs of growth or inflation.

Mr. Ader said the Fed also is showing signs of speaking more forcefully, as Mr. Bernanke did on Friday in response to foreign complaints about Fed policy.

"I think we've seen over the course of the last couple of weeks the attack, and now we've seen the defense," Mr. Ader said. "It seems to me they're [Fed officials] gaining a little bit of gumption."

For harsh lesson on quantitative easing, turn to Japan

[The Outlook]

By Yuka Hayashi

TOKYO—The Federal Reserve has moved to pump up the U.S. economy with an unconventional program to buy government bonds known as "quantitative easing," or QE. But the experiences of the QE pioneer—the Bank of Japan—show how difficult it is to make this approach work.

Nearly a decade after Japan's central bank first experimented with the policy, the country remains mired in deflation, a general decline in wages and prices that has crippled its economy.

And just as politicians in the U.S. are criticizing the Fed for veering beyond traditional monetary policy and are threatening to curtail the bank's independence as a result, lawmakers in Japan say they'll do the same to the BOJ as punishment for its failure to cure the scourge of falling prices.

The BOJ began doing quantitative easing in 2001. It had become clear that pushing interest rates down near zero for an extended period had failed to get the economy moving. After five years of gradually expanding its bond purchases, the bank dropped the effort in 2006.

At first, it appeared the program had succeeded in stabilizing the economy and halting the slide in prices. But deflation returned with a vengeance over the past two years.

So why didn't quantitative easing work in Japan? Critics say the Japanese central bank wasn't aggressive enough in launching and expanding its bond-buying program—then dropped it too soon. In 2006, prices had just started rising, a sign that quantitative easing was beginning to work. But some indicators were already signaling a slowdown in the economy.

Others say Japan simply waited too long to resort to the policy. Tomoya Masanao, who oversees the Japanese portfolio for bond fund giant PIMCO, points out it took the BOJ two years after Japan's consumer prices started falling to launch its bond-buying program.

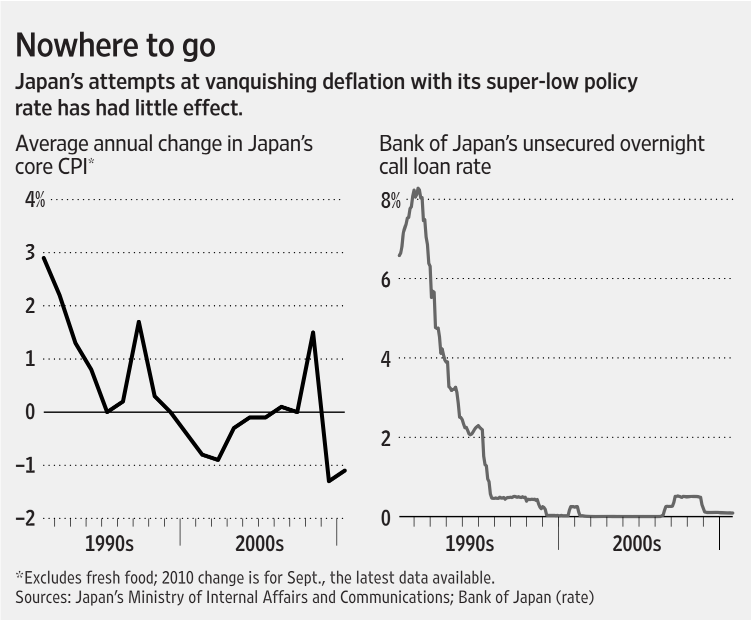
BOJ officials also seemed half-hearted as they launched the policy, failing to explain it sufficiently or making a strong case for public support. Confidence also eroded as the bank started and stopped various programs over the years. In 2000, for instance, the bank ended a zero-interest-rate program, only to resume it several months later when it became clear they had halted it too soon.

BOJ officials have said quantitative easing wasn't the right tool to fight Japan's deflation, which was rooted in structural problems such as a rigid employment system that obliges companies to cut salaries for all rather than eliminate unneeded jobs.

The governor of the Bank of Japan, Masaaki Shirakawa, in a speech in Washington in October, warned the U.S. and other developed countries that their circumstances may differ from Japan's.

"Japan's 'lost decade,' " he said, "was crucially attributed to the decline in population and productivity." The U.S., in contrast, has a growing population and rising productivity.

If the lesson other countries draw from Japan's experience, he said, is that "short-term stimulative policy measures" are the only cure, then "they will face a risk of writing the wrong policy prescription." Maintaining what he described as "the flexibility of the economic structure" is just as important, he said, though hard to do in the aftermath of a burst bubble.



The BOJ remains cautious about launching any major new programs aimed at boosting the economy, which has opened the door for politicians to step up pressure on the bank. "Every policy has its side effect," says Yoichi Kaneko, a ruling party lawmaker leading efforts to reduce the Bank of Japan's independence.

Mr. Kaneko's party is studying whether to change the central-bank law to force the BOJ to adhere to a government-approved inflation target and to give politicians more say in appointing top bank officials. While the ruling party now lacks the majority needed to guarantee passage of such a law, support from smaller opposition parties gives the proposal a fair shot.

WORLD NEWS

Suu Kyi vows to continue activism

By a WSJ Staff Reporter

Reuters

Myanmar's Aung San Suu Kyi arrives at her National League for Democracy headquarters in Yangon on Friday.

In her words

■ On the elections and the response of her organization: **"We never accepted the election. We boycotted from the beginning. We did say that this is no reason for us to ignore what went on."**

■ On how sanctions affect ordinary people: **"This is what I want to find out first. Are they doing any good? Are they harmful?"**

■ On her allies' encouragement of some tourism to Myanmar: **"They decided it would not be a bad idea...if individuals were to come, not just to bring trade to small tourist enterprises, but also to be able to study the situation in the country better. I agree with that in general."**

■ On what the regime should do to promote change: to promote positive change: **"Open dialogue is the key."**

Newly released democracy advocate Aung San Suu Kyi made clear in an interview that she doesn't intend to rein in her political activities in Myanmar even if it risks landing her back under house arrest again.

"I don't worry about" getting arrested again, she told The Wall Street Journal Friday in the brief interview.

Ms. Suu Kyi said she hasn't decided whether to back lifting international sanctions against Myanmar's military regime. She intends to study the issue and decide in "a matter of months," she said.

The comments came amid speculation over whether the Nobel laureate would change her views on sanctions imposed by the U.S. and other Western nations since 1990. She has strongly supported the sanctions in the past.

Critics say the sanctions, which include restrictions on trade and investment in Myanmar, have harmed ordinary citizens while failing to influence a government accused of widespread human-rights violations and economic neglect.

"We'll have to study the whole package, if you like, and decide which sanctions we think should be lifted immediately, if any," Ms. Suu Kyi said by telephone. "I have to go into this rather carefully," she said, adding that she hoped to consult reports by the International Monetary Fund, the United Nations Development Program and others before making a decision.

Myanmar's government released Ms. Suu Kyi from more than seven years of house arrest in Yangon last Saturday, in a move interpreted as a bid to curry favor with residents and the outside world after a disputed election Nov. 7 that was dominated by junta-backed candidates.

The government had held Ms. Suu Kyi in detention for 15 of the past 21 years and ignored the results of an earlier election her political allies won in 1990.

Attempts to reach the Myanmar government, which rarely speaks to the foreign media, in recent days have been unsuccessful.

Ms. Suu Kyi said she's not concerned about getting re-arrested. "That doesn't mean I want to be back under house arrest. But there's no point in worrying about it."

"I'll do as much as I can while I am free. With any luck I'll continue to be free to do much, much more. And if they put me back in again, I'll try to do as much as I can" from under house arrest, she said.

Ms. Suu Kyi will now have to decide how far she is willing to go to work with the new government that resulted from the Nov. 7 elections.

Ms. Suu Kyi said she has detected little improvement in the country's economic or political climate since she last was free in 2003, despite claims by some newer opposition groups that Myanmar's regime was becoming more open to collaboration with critics.

But Ms. Suu Kyi said she was heartened by one important change since 2003—an increase in the number of young people, including some in their teens, turning out for her public appearances or otherwise expressing support.

Obama rejects push from Karzai on raids

LISBON—Disagreements between Afghan President Hamid Karzai and the U.S.-led allies over how the war should be pursued burst into the open at a coalition summit this weekend, with U.S. President Barack Obama rejecting Afghan demands to curtail raids and air strikes, and telling the Afghan leader he must listen to American concerns.

By Yaroslav Trofimov, Adam Entous and Stephen Fidler

Mr. Obama's unusually blunt remarks came after talks with Mr. Karzai in Lisbon, where the leaders of the North Atlantic Treaty Organization endorsed a plan to hand over security responsibilities to Afghan forces across the country over the next four years.

On Sunday, the Taliban hailed the summit's decision, expected to lead to the pullout of most international forces by late 2014, as "good news for the Afghan people" and "a sign of failure for the American government." The Taliban statement urged a speedier pullout, saying coalition members "should not postpone the withdrawal of their forces even by one day."

During the summit—which also saw a rapprochement between NATO and Russia and expressions of NATO support for Mr. Obama's push to ratify the arms-control treaty with Moscow—President Karzai reiterated his frequent calls to restrain allied military operations. In a speech to the closed-door NATO session, released by Mr. Karzai's office on Sunday, he named "civilian casualties, detentions, lawless behavior by some security companies and, at times, the NATO posture" as "issues of serious concern to the Afghan people."

At the same meeting, the coalition forces commander, U.S. Gen. David Petraeus, pointed to a recent ramp-up of Special Operations raids and strikes on Taliban commanders as the reason why the insurgency's momentum has been stymied, and in some places reversed.

Mr. Obama told a news conference after the talks that he is sensitive to Afghan requests and appreciated that Mr. Karzai is "eager to reassert full sovereignty, including control of security operations within his country."

However, the president added, "if we're ponying up billions of dollars, if the expectation is that our troops are going to be there to...ensure that President Karzai can continue to build and develop his country, then he's got to also pay attention to our concerns."

German Chancellor Angela Merkel warned Mr. Karzai during a closed-door session Saturday that his criticism of NATO troops risked undermining domestic support for the war among troop-contributing nations, according to participants.

For now, the summit put a lid on pressure by some European countries, such as Italy and Spain, to speed up the transition of the Afghan provinces where their troops are deployed, enabling a pullout.

Egypt rejects bid to monitor elections

Egypt's government has rejected Obama administration requests that Cairo allow international monitors to observe next Sunday's parliamentary elections, undercutting U.S. hopes to bring greater transparency to a crucial political transition in the Middle East.

*By **Jay Solomon** in Washington and **Ashraf Khalil** in Cairo*

President Hosni Mubarak's decision comes as security forces arrested over 200 members of the opposition Muslim Brotherhood over the weekend in the coastal city of Alexandria and in the provinces of Sharqeya and Beheira. Mohammed Mursi, a senior leader of the Brotherhood, which seeks to impose Islamic law in Egypt, said the arrests were an attempt to "terrorize the Brotherhood" before the vote.

The Nov. 28 legislative vote for Egypt's lower house is a precursor to presidential elections scheduled for next year. Many Middle East observers believe those polls will be used by the 82-year-old president to extend his own rule or to pass power to an anointed successor, possibly his son.

In recent weeks, President Barack Obama, Secretary of State Hillary Clinton and other top U.S. officials have pressed Cairo to allow international monitors, to lend credibility to the transition process leading up to the presidential polls next year, according to American diplomats.

"An open electoral process would include a credible and impartial mechanism for reviewing election-related complaints, a domestic election-observation effort according to international standards, and the presence of international observers," U.S. State Department spokesman P.J. Crowley said last week.

Egyptian officials say they don't need international observers.

"The government has repeatedly stated that it will not allow international monitors to observe these elections, as there are numerous safeguards enshrined in the electoral law to guarantee transparency," said Karim Haggag, a spokesman for the Egyptian embassy in Washington.

In June, U.S. officials and international organizations said there was credible evidence of voter fraud and intimidation during elections for the country's upper house. Mr. Haggag said Egypt's High Election Commission is well-equipped to oversee the vote and is staffed with senior judiciary officials independent of Mr. Mubarak. He also said civic groups and candidate representatives will be allowed to monitor polling stations on Sunday. International monitoring "raises sensitivities about external interference in domestic politics," Mr. Haggag said.

Successive U.S. administrations have struggled with the dilemma of how hard to push for democracy in Egypt. Cairo remains among Washington's closest political allies in pursuing a comprehensive Arab-Israeli peace agreement. And Egyptian security forces have cooperated closely with the U.S. in combating al Qaeda and other militant Islamist organizations.

Nuclear claims spur scramble

By Evan Ramstad

Back and forth | North Korea's nuclear ambitions

1994 North Korea and the U.S. agree that the North halts production of plutonium in return for the U.S. building two nuclear power plants

June 2002 U.S. intelligence officials piece together North Korea's efforts to buy equipment to enrich uranium for weapons instead of plutonium.

October 2002 U.S. diplomats visit Pyongyang, announce they have evidence North Korea has a covert uranium enrichment program. The following day, North Korean official gives a presentation that U.S. officials interpret as acknowledgment of the program.

2003 North Korea enters six-party talks, an aid-for-disarmament process with the U.S., South Korea, Japan, China and Russia.

September 2005 In six-party talks, North Korea agrees to abandon all nuclear weapons and development programs and return to Non-Proliferation Treaty in return for energy assistance. But a day later, it says would not stop its nuclear program without two nuclear plants built by the U.S.

October 2006 North Korea tests a nuclear weapon for the first time.

February 2007 In six-party talks, North Korea agrees to close and dismantle its nuclear reactor in return for energy assistance, security guarantees. U.S. backs off previous assertions about North Korean uranium program.

July 2008 North Korea dismantles nuclear reactor from which spent plutonium was used for nuclear-weapons fuel.

May 2009 North Korea tests a second nuclear weapon.

November 2010 North Korea shows American scientist a lab where it claims to be enriching uranium.

Bloomberg News

Stephen Bosworth, the U.S. State Department's North Korea envoy, is scheduled to meet with South Korean diplomats Monday to discuss North Korea's claims.

SEOUL—The prospect that North Korea might be able to make nuclear weapons from uranium it claims to be processing for electricity set off a diplomatic scramble over the weekend after the nation for the first time showed a visiting American scientist a lab where it claimed to be processing uranium.

The U.S. State Department dispatched its North Korea envoy, Stephen Bosworth, to discuss the development with North Korea's neighbors. He was to arrive in Seoul on Sunday night local time for meetings on Monday with South Korean diplomats, then visit Japan and China later in the week.

In Washington on Sunday, U.S. officials voiced alarm about the apparent advances of North Korea's uranium-enrichment program. They said that Mr. Bosworth, in his meetings with Asian leaders, will seek to pursue new ways to contain Pyongyang's nuclear advances as well as its ability to export these technologies to third countries.

Still, senior U.S. officials pushed back against the idea that North Korea's activities will make it more likely that Washington will re-engage with Pyongyang. Obama administration officials have repeatedly stated that they aren't going to renegotiate agreements North Korea made and then reneged on.

Indications that North Korea is farther along with a uranium-based weapons program suggested to U.S. officials that Pyongyang isn't prepared to meet the administration's conditions for direct talks. The White House has said it is "prepared to negotiate with North Korea if it demonstrates that it is serious about honoring its commitments by taking concrete and irreversible steps toward denuclearization," a senior administration official said.

The U.S. and other countries have long suspected North Korea was building the capability to enrich uranium for use in power plants and weapons—and North Korea initially confirmed its effort in 2002. But Pyongyang has kept the scope of its uranium research hidden.

In a paper published online Saturday, the scientist, Siegfried Hecker of Stanford University, said North Korea earlier this month showed him far more equipment to convert uranium for electricity and weapons use than he previously believed it possessed. The lab he saw was at North Korea's main nuclear-research site and power plant in Yongbyon, a city about 100 kilometers north of the capital.

But Mr. Hecker wasn't able to confirm the North Koreans' claim that they could actually enrich uranium to a level that could be used for either making weapons or electricity, according to the paper published on the website of Stanford's Center for International Security and Cooperation.

Mr. Hecker, who visited North Korea two weeks ago, told U.S. government officials about the lab last week. He didn't respond to several messages left at his office and home.

"The first look through the windows of the observation deck into the two long high-bay areas was stunning," Mr. Hecker wrote in the eight-page paper. "Instead of seeing a few small cascades of centrifuges, which I believed to exist in North Korea, we saw a modern, clean centrifuge plant of more than a thousand centrifuges all neatly aligned and plumbed below us."

Centrifuges are cylindrical devices used to change molecules in uranium. North Korea was first believed to have obtained centrifuges for uranium enrichment in the mid-1990s from Pakistani nuclear merchant A.Q. Khan. But Mr. Hecker said he was told the centrifuges in the lab were made in North Korea based on designs at uranium-enrichment facilities in the Netherlands and Japan.

Mr. Hecker wrote that the senior official at Yongbyon said the centrifuge lab was being used only for low-enriched uranium capable of fueling a nuclear power plant, not the highly enriched uranium used in nuclear weapons. Of the concern that other countries will show that North Korea might use uranium for nuclear weapons, the official told Mr. Hecker, "They can think what they want."

The prospect that North Korea is farther along with a uranium-based weapons program than previously believed is likely to be used by people in the U.S. government who want to sit down with Pyongyang's authoritarian government to bolster their case for such meetings. U.S. President Barack Obama hasn't authorized high-level meetings with the North because of the perception that previous diplomatic efforts with Pyongyang didn't slow its pursuit of nuclear weapons.

If true, the lab development at least shows once and for all that North Korea is actively engaged in the pursuit of uranium-based technology. The U.S. has worried about the prospect since the mid-1990s, when North Korea acquired centrifuges from the Pakistani arms dealer Mr. Khan. It formally accused North Korea of using uranium in 2002, leading to a breakdown in an aid-for-disarmament deal the U.S. made with the North in 1994.

North Korean supporters in other countries for years blamed the U.S. for the breakdown of that 1994 deal, citing scant evidence of the North's uranium program.

The 1994 pact allowed international monitors to keep tabs on North Korea using a different way to make nuclear weapons—reprocessing spent plutonium fuel from nuclear power plants. U.S. officials said North Korea violated the deal by pursuing uranium enrichment.

Mr. Hecker, a former director of Los Alamos National Laboratory who has been to North Korea six times and to the Yongbyon complex four times, last year wrote in the Bulletin of Atomic Scientists that he believed Pyongyang's uranium-enrichment program was "not at an industrial scale."

In his new paper, Mr. Hecker writes that the uranium lab's capability "significantly exceeds my estimates and that of most other analysts."

Saudi king to travel to U.S. for health treatment

By Summer Said And Margaret Coker

RIYADH—Saudi Arabia's elderly monarch will travel to the U.S. to seek medical care after being hospitalized late last week, according to a statement released by his palace on Sunday.

On Friday, the palace announced that King Abdullah bin Abdelaziz al-Saud, believed to be 86 years old, was suffering from a herniated disc, a relatively routine but painful back ailment, which the palace said required him to rest. Another statement the same day said the king had been hospitalized with blood accumulation in the spine. He was photographed in a wheelchair greeting well-wishers.

But the limited information about the king's ailment over the weekend fanned speculation of a more serious problem with the health of the ruler of the world's largest oil exporter. In recent days the king has farmed out some of his responsibilities to key deputies.

A brief statement released Sunday said the king would travel to the U.S. on Monday to complete tests recommended by his medical team. A Saudi official familiar with the king's health issues said that he wasn't in a serious condition. He has been lucid and conducting government business all weekend, the official said.

A separate statement Sunday said Crown Prince Sultan, the king's brother, was scheduled to arrive back in Saudi Arabia on Sunday evening. The Saudi official said the king would hand over power temporarily to another brother, Prince Nayyaf, his deputy crown prince and interior minister.

Prince Sultan, who also serves as defense minister, has suffered his own serious health problems. His return to the kingdom is seen as a legal formality necessary under Saudi law, which states that only one of the kingdom's top two officials can be abroad at a given time.

King Abdullah also turned over to Prince Nayyaf his duties overseeing the Haj, the just-ended annual Islamic pilgrimage to holy sites in Saudi Arabia.

The issue of succession in Saudi Arabia is murky. Two of the king's brothers, Sultan and Nayyaf, hold the titles of crown prince and deputy crown prince, respectively. But there is no fixed protocol about who will rule next, in the event of King Abdullah's demise or incapacitation.

European Pressphoto Agency

Saudi Arabia's King Abdullah

INTERVIEW

European Pressphoto Agency

Henri Proglio, the chairman and chief executive of EDF, sees room for expansion in Europe and says the U.S. 'won't be our top priority.'

EDF looks beyond the U.S.

The French nuclear giant is dreaming of new markets in Asia and the Middle East, not America, says its CEO

[Henri Proglio]

By Géraldine Amiel

PARIS—The future of **Électricité de France** SA lies primarily in nuclear energy, but probably not in the U.S.—at least according to Henri Proglio, the French power group's chairman and chief executive.

Mr. Proglio admits he is one of the few top-ranking business executives in France without an American dream. For EDF, the world's biggest nuclear operator, the U.S. represents "a significant stake but not an essential one," he told The Wall Street Journal in an interview in his central Paris office.

In the 12 months since taking the helm of the state-controlled power behemoth, Mr. Proglio says, he has worked hard to address the numerous problems left by the previous management, from industrial action to the company's growing debt and a fall in nuclear output and capacity usage in France.

He sold EDF's U.K.-based power distribution networks to repay some of its debt and in a matter of weeks settled what was shaping up to be an ugly fight with U.S. partner **Constellation Energy Group** Corp.

In 2008, EDF acquired half of Constellation's nuclear assets, helping the U.S. company out of a liquidity crisis. The companies set up a joint-venture, **UniStar**, to develop nuclear reactors in the U.S. But disagreements emerged over the strategy on nuclear expansion. Whereas the two companies had planned to apply for federal loan guarantees to help finance the building of an additional reactor, Constellation pulled back and also threatened to exercise a put option that would have obliged EDF to buy $2 billion of mostly coal-fired power plants. In October, after a few tense weeks of negotiation, EDF became the sole owner of UniStar and the put option is now dead. It's unclear whether EDF will pursue plans for a new reactor, but the company won't go so far as to say they are frozen.

Just four or five years ago, nuclear was considered by many the ultimate solution for cheap, clean power, but the emergence of unconventional natural gases such as shale gas, notably in the U.S., and the global economic turmoil, have since dimmed prospects for the civil nuclear industry. But this is just a short-term setback, Mr. Proglio argues.

Estimates from the World Nuclear Association based on planned nuclear programs around the world support his confidence. The association says global nuclear capacity is likely to increase from 367 gigawatts at present to 1,350GW by 2030, and in the same time frame, China's capacity is likely to rise to 200GW from 9GW.

"The global economy will recover one day, while unconventional gas resources are not so important," Mr. Proglio says. "Actually, apart from the U.S., unconventional gas fields are less important in other regions of the world. There's room for nuclear. It might take time, but on a long-term basis the potential for nuclear is huge."

He also points out that not all EDF's eggs are in the nuclear basket—the company is also big in wind power, through its EDF Energies Nouvelles unit, and hydro power.

Mr. Proglio is confident of EDF's prospects as a major player once the economy recovers, thanks to its expertise as a long-time nuclear operator and as an architect-assembler, controlling the development of a plant from conception to completion—a strategy the company has pursued in China for years. EDF is now looking at the rest of Asia and the Middle East, as potential new markets, he says.

Nonetheless, EDF's main market is Europe, "and there's still a lot of room for us to expand our business there," he says.

While he is looking closely at the U.K., where EDF acquired British Energy in 2008 and is looking to build third-generation nuclear reactors, Mr. Proglio, who is of Italian extraction, also has his heart firmly set on Italy, where the government is planning to revive the nuclear sector.

In Europe and in China, governments have established clear energy strategies, Mr. Proglio says, but the U.S. regulatory environment is fragmented, patchy and confusing. "To say we have an unconditional American dream would be a tad too much," he says, adding, "Of course, we would like to be a proper nuclear power operator there—look at what talents and technologies there are—to be present, but it won't be our top priority."

EDF still owns half of Constellation Energy's nuclear plants in Calvert Cliffs, Md. It also operates wind farms, through its EDF Energies Nouvelles unit, notably in California and Minnesota.

The French government, which owns 83% of EDF, has put the company at the heart of its plans to secure France's status as a nuclear champion in international markets, after a French consortium lost out on a $20 billion contract to build four reactors in Abu Dhabi.

To Mr. Proglio, one thing is clear: "There is no French nuclear industry without EDF." Mr. Proglio makes no apologies for his blunt manner, which certainly didn't prevent him from turning French utility **Veolia Environnement** SA into the world's biggest waste and water utility in terms of sales. He left the company last year, asked by French President Nicolas Sarkozy to turn his attentions to the heavily indebted EDF. As of June 2010, the company had €44.1 billion ($60.2 billion) in debt.

So EDF is now in charge of leading any French team bidding for nuclear contracts abroad. For Mr. Proglio, this will mean setting aside his animosity toward Anne Lauvergeon, the feisty boss of French nuclear engineering firm **Areva** SA, with whom Mr. Proglio, himself no shrinking violet, has publicly clashed over a number of issues.

EDF is Areva's biggest single customer. And while reluctant to increase friction further, Mr. Proglio has a few ideas about the company's commercial strategy, saying it needs to sell smaller, cheaper reactors than its current 1,650MW Evolutionary Pressurized Reactor.

The government has asked EDF to increase its stake in Areva from its 2.4%, but Mr. Proglio has reservations. "My life's ambition is not to take a piece of Areva," he says.

Is being 83% state-owned a burden for a company with international ambitions, particularly considering France's history as the cradle of Colbertism and economic Dirigisme? Mr. Proglio doesn't think so. "We take it into consideration; that can be handled," he says, grinning broadly.

OPINION: REVIEW & OUTLOOK

The Verdict on Holder

Terrorist Ahmed Khalfan Ghailani was acquitted Wednesday on 284 of 285 counts associated with murdering 212 innocents, but the verdict on Attorney General Eric Holder was guilty as charged. His strategy of force-feeding terrorists into the civilian court system has turned into a legal and security fiasco.

Ghailani was indicted in 2001 for his role in the 1998 bombings of the U.S. embassies in Kenya and Tanzania. The Pakistani military captured him after a July 2004 battle and the CIA held him at a secret location until he was transferred in 2006 to Guantanamo with 13 other high-value detainees. Ghailani admitted his role during interrogation, and in 2008 military prosecutors charged him with war crimes. But last year the Obama Administration transferred him to downtown Manhattan to await a civilian trial.

The follies began early when Judge Lewis Kaplan ruled that prosecutors could not call a key witness, Hussein Abebe. Mr. Abebe was to testify that he sold Ghailani the TNT that blew up the embassy in Dar es Salaam, killing 11. Authorities learned of Mr. Abebe from Ghailani, who named him during his CIA interrogation, and defense lawyers claimed the interrogation was abusive.

"The government has elected not to litigate the details of Ghailani's treatment while in CIA custody," Judge Kaplan noted in his ruling. "It has sought to make this unnecessary by asking the Court to assume in deciding this motion that everything Ghailani said while in CIA custody was coerced." Since the government had not demonstrated that Mr. Abebe's testimony was "sufficiently remote or attenuated" from the alleged coercion of Ghailani, Judge Kaplan held the testimony inadmissible. Prosecutors elected not to appeal and also chose not to use Ghailani's confession, which he later repudiated.

> How to botch a terrorist trial and harm the U.S. reputation for justice.

Mr. Holder's response was dismissive. "We are talking about one ruling, in one case by one judge," he told reporters. "I think it's too early to say that at this point the Ghailani matter is not going to be successful."

It's not too early now. The dozen civilian jurors issued one of the more puzzling verdicts in recent history, convicting him on one charge of conspiracy to destroy government property but acquitting him of conspiring to kill Americans. One news report suggests the verdict was a compromise to appease one juror who was holding out for an acquittal on all charges. We may learn more in the days ahead, but the blunder wasn't the jury's or Judge Kaplan's. They were working with the bad hand they were dealt under the rules of criminal due process that are designed to protect the innocent, not admitted enemy combatants.

The blunder was Mr. Holder's decision to dump Ghailani into the civilian system when a perfectly adequate military tribunal was available. Despite interminable legal challenges from white-shoe law firms and the political left, the Supreme Court has ruled that military commissions are lawful and part of a long U.S. tradition from revolutionary days through FDR. Their advantage is that military tribunals have somewhat more liberal rules of evidence and are designed to handle classified material in a way that protects national security without disqualifying pertinent facts.

Mr. Holder's choice was wholly political, intended to appease the anti-antiterror left that helped to elect President Obama. In a bad decision for the ages, last November he even proposed to try 9/11 mastermind Khalid Sheikh Mohammed near Ground Zero.

That plan was run out of town by Democrats, with New York Senator Chuck Schumer saying in April that the Administration was never going to get its New York trial and that "they should just say it already." Mr. Holder's department nonetheless waited until after the recent election to disclose to the Washington Post last week that he won't hold any trials for KSM and other Gitmo terrorists until after the 2012 election. Where's the candor and competence of Alberto Gonzales when you really need them?

The jurors did do Mr. Holder the favor of convicting Ghailani on the one charge. Had they acquitted him on all counts, Mr. Holder would have been left with the choice of letting a terrorist go free to kill Americans again, or ignoring the verdict and holding him indefinitely in Guantanamo as an enemy combatant. As Judge Kaplan noted during the trial, Ghailani's "status as an 'enemy combatant' probably would permit his detention as something akin to a prisoner of war until hostilities between the United States and al Qaeda and the Taliban end, even if he were found not guilty in this case."

Savor that irony. Trying terrorists in civilian courts is supposed to showcase American justice, but even if they're acquitted they'll be held indefinitely. Meanwhile, terrorists already know that if they're captured they'll get less vigorous interrogation than your average U.S. street criminal, and that they can play their civilian trial for propaganda purposes. Mr. Holder and his boss, the U.S. President, have in their ideological willfulness managed to hurt both the reputation of U.S. civilian justice and national security.

The right policy is to separate the laws of war from the laws of civilian society. Burglars and muggers should be tried in civilian courts. Unlawful enemy combatants captured on the battlefield deserve to be held in Guantanamo and tried in military commissions. And if Mr. Holder can't tell the difference, he should find a new job.

The Fed's Bipolar Mandate

If there is a silver lining to the uproar over the Federal Reserve's decision to create $600 billion in new reserves in the next few months, it is the renewed public attention to the Fed's impossible dual political mandate for stable prices and maximum employment.

To be specific, Representative Paul Ryan suddenly has company. The Wisconsin Congressman has since 1999 proposed legislation that would let the Fed focus monetary policy solely on the goal of stable prices. Last week he was joined by fellow Republicans Mike Pence of Indiana and Tom Price of Georgia, while Senator Bob Corker of Tennessee told us he plans to work with Mr. Ryan to introduce legislation next year that would lift the dual mandate. If the 112th Congress did nothing else, this would be worth the price of its election and a major contribution to better economic policy.

> Time to repeal the Humphrey-Hawkins Act of 1978.

These columns have decried the dual mandate since it became the law of the land in 1978 with the Full Employment and Balanced Growth Act, aka Humphrey-Hawkins. To appreciate the problem, consider that in the original Federal Reserve Act of 1913 Congress asked the central bank to supervise banks. It did not mention explicit economic goals. Even in the Keynesian heyday of the Employment Act of 1946, Congress did not ask the Fed to manage the economy.

But with Humphrey-Hawkins, Congress ordered the central bank to "promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates." The political context in that age of Jimmy Carter will sound familiar. U.S. unemployment was stubbornly high and the fiscal policies (tax rebates) of a Democratic Congress had failed to stimulate. So the politicians decided to conscript the Fed in its job creation mission by ordering the ostensibly independent central bank to target employment as well as prices.

The contradictions were as apparent then as now; as Mr. Corker puts it, a central bank cannot have "a bipolar mandate." The pressure to bring down unemployment using money creation during difficult economic times will inevitably complicate the task of maintaining stable prices. As the Fed pushes money out the door, whether or not there is an economic demand for more dollars, there will be an illusion in the short-run that people are better off. But the longer-term effect may be inflationary as too much money chases too few goods.

The U.S. spent the end of the 1970s and early 1980s digging out of the mess created by the Fed's effort to boost job creation by printing money. That experience was also seared into the minds of the founders of the European Central Bank, who in 1998 explicitly rejected the dual mandate in favor of a single goal of price stability. The ECB has performed far better than the Fed over the last decade by following that single lodestar.

Over time, the Fed has internalized the dual mandate to such a degree that it is now built into its economic models. This takes the form of the "output gap," which posits that inflation can't rise as long as there is unused capacity in the economy. One measure of the output gap is high unemployment. The output gap model led the Fed astray in the last decade, persuading Alan Greenspan and Ben Bernanke to keep interest rates too low for too long even as commodity and housing prices soared and the dollar fell.

Now the dual mandate is being used again to justify the latest round of "quantitative easing." New York Fed President William Dudley has referred explicitly to the high jobless rate as one justification for QE2.

The larger problem with the dual mandate is that it inevitably makes the Fed a political actor. Fed governors are forced to pretend they can be economic saviors, able to rescue workers and business from the consequences of failed fiscal and regulatory policies. This is precisely what the Fed is being asked to do today, using QE2 to save the Obama Administration from a 9.6% jobless rate despite trillions spent on economic stimulus, foreclosure mitigation and cash for clunkers. Mr. Bernanke has too often made the Fed appear to be an agent of the Treasury, as he did again last week in Frankfurt by blaming China's pegged currency for U.S. economic ills.

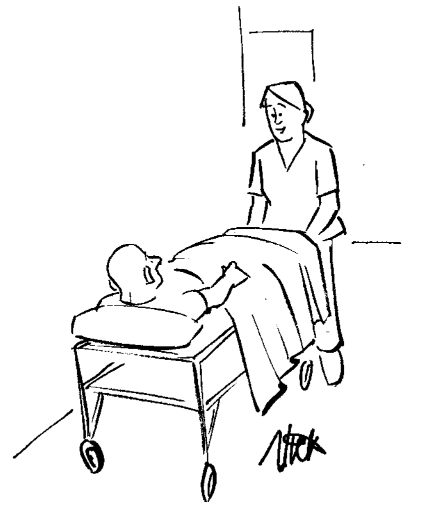
The irony is that critics of QE2 are being portrayed as enemies of Fed independence, when the truth is the opposite. Ending the dual mandate would liberate the central bank to focus on the single task of stable prices, which is hard enough in a world of fiat money and no formal price rule. Mr. Greenspan once understood this and urged Congress to repeal Humphrey-Hawkins.

We're told Mr. Bernanke has also expressed this desire in private. With monetary policy and the fate of the dollar back at the forefront of public debate, the next Congress can do a service by repealing the damage done in 1978.

Comments? The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

Pepper . . . and Salt

THE WALL STREET JOURNAL



"Think of it as riding in the world's most expensive vehicle."

OPINION

In China's Orbit

By Niall Ferguson

"We are the masters now." I wonder if President Barack Obama saw those words in the thought bubble over the head of his Chinese counterpart, Hu Jintao, at the G-20 summit in Seoul last week. If the president was hoping for change he could believe in—in China's currency policy, that is—all he got was small change. Maybe Treasury Secretary Timothy Geithner also heard "We are the masters now" as the Chinese shot down his proposal for capping imbalances in global current accounts. Federal Reserve Chairman Ben Bernanke got the same treatment when he announced a new round of "quantitative easing" to jump start the U.S. economy, a move described by one leading Chinese commentator as "uncontrolled" and "irresponsible."

"We are the masters now." That was certainly the refrain that I kept hearing in my head when I was in China two weeks ago. It wasn't so much the glitzy, Olympic-quality party I attended in the Tai Miao Temple, next to the Forbidden City, that made this impression. The displays of bell ringing, martial arts and all-girl drumming are the kind of thing that Western visitors expect. It was the understated but unmistakable self-confidence of the economists I met that told me something had changed in relations between China and the West.

One of them, Cheng Siwei, explained over dinner China's plan to become a leader in green energy technology. Between swigs of rice wine, Xia Bin, an adviser to the People's Bank of China, outlined the need for a thorough privatization program, "including even the Great Hall of the People." And in faultless English, David Li of Tsinghua University confessed his dissatisfaction with the quality of Chinese Ph.D.s.

You could not ask for smarter people with whom to discuss the two most interesting questions in economic history today: Why did the West come to dominate not only China but the rest of the world in the five centuries after the Forbidden City was built? And is that period of Western dominance now finally coming to an end?

In a brilliant paper that has yet to be published in English, Mr. Li and his co-author Guan Hanhui demolish the fashionable view that China was economically neck-and-neck with the West until as recently as 1800. Per capita gross domestic product, they show, stagnated in the Ming era (1402-1626) and was significantly lower than that of pre-industrial Britain. China still had an overwhelmingly agricultural economy, with low-productivity cultivation accounting for 90% of GDP. And for a century after 1520, the Chinese national savings rate was actually negative. There was no capital accumulation in late Ming China; rather the opposite.

Illustration by Harry Campbell

The story of what Kenneth Pomeranz, a history professor at the University of California, Irvine, has called "the Great Divergence" between East and West began much earlier. Even the late economist Angus Maddison may have been over-optimistic when he argued that in 1700 the average inhabitant of China was probably slightly better off than the average inhabitant of the future United States. Mr. Maddison was closer to the mark when he estimated that, in 1600, per capita GDP in Britain was already 60% higher than in China.

For the next several hundred years, China continued to stagnate and, in the 20th century, even to retreat, while the English-speaking world, closely followed by northwestern Europe, surged ahead. By 1820 U.S. per capita GDP was twice that of China; by 1870 it was nearly five times greater; by 1913 the ratio was nearly 10 to 1.

Despite the painful interruption of the Great Depression, the U.S. suffered nothing so devastating as China's wretched mid-20th century ordeal of revolution, civil war, Japanese invasion, more revolution, man-made famine and yet more ("cultural") revolution. In 1968 the average American was 33 times richer than the average Chinese, using figures calculated on the basis of purchasing power parity (allowing for the different costs of living in the two countries). Calculated in current dollar terms, the differential at its peak was more like 70 to 1.

This was the ultimate global imbalance, the result of centuries of economic and political divergence. How did it come about? And is it over?

As I've researched my forthcoming book over the past two years, I've concluded that the West developed six "killer applications" that "the Rest" lacked. These were:

• Competition: Europe was politically fragmented, and within each monarchy or republic there were multiple competing corporate entities.

• The Scientific Revolution: All the major 17th-century breakthroughs in mathematics, astronomy, physics, chemistry and biology happened in Western Europe.

• The rule of law and representative government: This optimal system of social and political order emerged in the English-speaking world, based on property rights and the representation of property owners in elected legislatures.

• Modern medicine: All the major 19th- and 20th-century advances in health care, including the control of tropical diseases, were made by Western Europeans and North Americans.

• The consumer society: The Industrial Revolution took place where there was both a supply of productivity-enhancing technologies and a demand for more, better and cheaper goods, beginning with cotton garments.

• The work ethic: Westerners were the first people in the world to combine more extensive and intensive labor with higher savings rates, permitting sustained capital accumulation.

Those six killer apps were the key to Western ascendancy. The story of our time, which can be traced back to the reign of the Meiji Emperor in Japan (1867-1912), is that the Rest finally began to download them. It was far from a smooth process. The Japanese had no idea which elements of Western culture were the crucial ones, so they ended up copying everything, from Western clothes and hairstyles to the practice of colonizing foreign peoples. Unfortunately, they took up empire-building at precisely the moment when the costs of imperialism began to exceed the benefits. Other Asian powers—notably India—wasted decades on the erroneous premise that the socialist institutions pioneered in the Soviet Union were superior to the market-based institutions of the West.

Beginning in the 1950s, however, a growing band of East Asian countries followed Japan in mimicking the West's industrial model, beginning with textiles and steel and moving up the value chain from there. The downloading of Western applications was now more selective. Competition and representative government did not figure much in Asian development, which instead focused on science, medicine, the consumer society and the work ethic (less Protestant than Max Weber had thought). Today Singapore is ranked third in the World Economic Forum's assessment of competitiveness. Hong Kong is 11th, followed by Taiwan (13th), South Korea (22nd) and China (27th). This is roughly the order, historically, in which these countries Westernized their economies.

Today per capita GDP in China is 19% that of the U.S., compared with 4% when economic reform began just over 30 years ago. Hong Kong, Japan and Singapore were already there as early as 1950; Taiwan got there in 1970, and South Korea got there in 1975. According to the Conference Board, Singapore's per capita GDP is now 21% higher than that of the U.S., Hong Kong's is about the same, Japan's and Taiwan's are about 25% lower, and South Korea's 36% lower. Only a foolhardy man would bet against China's following the same trajectory in the decades ahead.

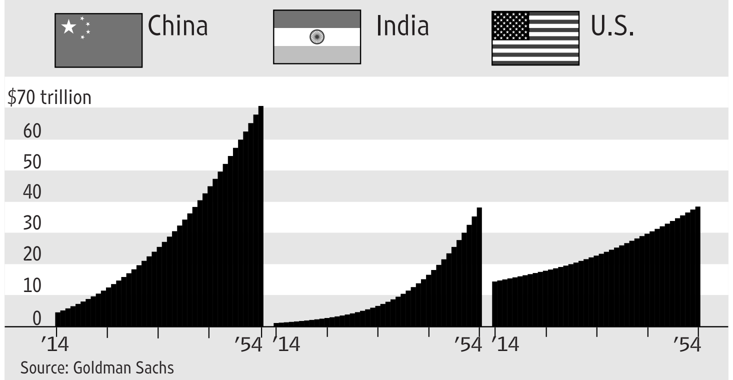
China's has been the biggest and fastest of all the industrialization revolutions. In the space of 26 years, China's GDP grew by a factor of 10. It took the U.K. 70 years after 1830 to grow by a factor of four. According to the International Monetary Fund, China's share of global GDP (measured in current prices) will pass the 10% mark in 2013. Goldman Sachs forecasts that China will overtake the U.S. in terms of GDP in 2027.

But in some ways the Asian century has already arrived. China is on the brink of surpassing the American share of global manufacturing, having overtaken Germany and Japan in the past 10 years. China's biggest city, Shanghai, already sits atop the ranks of the world's megacities, with Mumbai right behind; no American city comes close.

Nothing is more certain to accelerate the shift of global economic power from West to East than the looming U.S. fiscal crisis.

China's Ascent

Projected annual GDP, in 2006 dollars



Source: Goldman Sachs

With a debt-to-revenue ratio of 312%, Greece is in dire straits already. But the debt-to-revenue ratio of the U.S. is 358%, according to Morgan Stanley. The Congressional Budget Office estimates that interest payments on the federal debt will rise from 9% of federal tax revenues to 20% in 2020, 36% in 2030 and 58% in 2040. Only America's "exorbitant privilege" of being able to print the world's premier reserve currency gives it breathing space. Yet this very privilege is under mounting attack from the Chinese government.

For many commentators, the resumption of quantitative easing by the Federal Reserve has appeared to spark a currency war between the U.S. and China. If the "Chinese don't take actions" to end the manipulation of their currency, President Obama declared in New York in September, "we have other means of protecting U.S. interests." The Chinese premier Wen Jiabao was quick to respond: "Do not work to pressure us on the renminbi rate.... Many of our exporting companies would have to close down, migrant workers would have to return to their villages. If China saw social and economic turbulence, then it would be a disaster for the world."

Such exchanges are a form of *pi ying xi*, China's traditional shadow puppet theater. In reality, today's currency war is between "Chimerica"—as I've called the united economies of China and America—and the rest of the world. If the U.S. prints money while China effectively still pegs its currency to the dollar, both parties benefit. The losers are countries like Indonesia and Brazil, whose real trade-weighted exchange rates have appreciated since January 2008 by 18% and 17%, respectively.

But who now gains more from this partnership? With China's output currently 20% above its pre-crisis level and that of the U.S. still 2% below, the answer seems clear. American policy makers may utter the mantra that "they need us as much as we need them" and refer ominously to Lawrence Summers's famous phrase about "mutually assured financial destruction." But the Chinese already have a plan to reduce their dependence on dollar-reserve accumulation and subsidized exports. It is a strategy not so much for world domination on the model of Western imperialism as for re-establishing China as the Middle Kingdom—the dominant tributary state in the Asia-Pacific region.

If I had to summarize China's new grand strategy, I would do it, Chinese-style, as the Four "Mores": Consume more, import more, invest abroad more and innovate more. In each case, a change of economic strategy pays a handsome geopolitical dividend.

The dilemma posed to the "departing" power by the "arriving" power is always agonizing. The cost of resisting Germany's rise was heavy indeed for Britain; it was much easier to slide quietly into the role of junior partner to the U.S. Should America seek to contain China or to accommodate it? Opinion polls suggest that ordinary Americans are no more certain how to respond than the president. In a recent survey by the Pew Research Center, 49% of respondents said they did not expect China to "overtake the U.S. as the world's main superpower," but 46% took the opposite view.

The gentlemen in Beijing may not be the masters just yet. But one thing is certain: They are no longer the apprentices.

Mr. Ferguson is a professor of history at Harvard University and a professor of business administration at the Harvard Business School. His next book, "Civilization: The West and the Rest," will be published in March.

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OPINION

What's Really Behind Bernanke's Easing?

By Andy Kessler

Federal Reserve Chairman Ben Bernanke's $600 billion quantitative easing program has been roundly criticized in this country and around the world. So why is he doing it? Does he know something the rest of us don't?

Mr. Bernanke claimed earlier this month in a Washington Post op-ed that "higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending." But, as Mr. Bernanke must know, the Japanese have been trying to influence their stock market for 20 years, with little effect on their economy. It is also unlikely, as some claim, that the Fed chairman is whipping up a stealth stimulus or orchestrating a currency devaluation. He knows these have been tried and are more likely to destroy jobs than create them.

I have a different explanation for the Fed's latest easing program: Without another $600 billion floating through the economy, Mr. Bernanke must believe that real estate (residential and commercial) would quickly drop, endangering banks.

The 2009 quantitative easing lowered mortgage rates and helped home prices rise for a while. But last month housing starts plunged almost 12%. And in September, according to CoreLogic, home prices dropped 2.8% from 2009. Commercial real estate values are driven by job-creation and vacancy rates, both of which are heading the wrong way.

Because of unexpectedly bad construction loans, the staid Wilmington Trust was sold to M&T Bank earlier this month in a rare "takeunder"—what Wall Street calls a deal done below a company's stock value, in this case by 40%.

In other words, real estate is at risk again. But Mr. Bernanke would create a panic if he publicly stated that, if not for his magic dollar dust, real estate would fall off a cliff.

In a normal economic recovery, the stock market rises in anticipation of higher corporate profits. Companies then use their higher stock prices to raise capital and hire workers, who buy homes and remodel kitchens.

My guess is that the Fed chairman knows that we still have too many banks overstuffed with toxic real estate loans and derivatives.

Before growth can occur, however, we have to fix what caused a recession in the first place. Often that means drawing down inventory that built up in the last boom, or tightening credit to whip inflation, as then-Fed Chairman Paul Volcker did in 1981. In late 2010, though, we still have banks overstuffed with toxic real estate loans and derivatives. But what about the trillion in bank reserves sitting at the Fed and earning 0.25% interest? Why isn't it being lent out? Perhaps because it's needed to offset unrealized losses on these fouled loans.

Like it or not, banks are still weak, and another panic may be on its way. Bank of America is the best example. As of Sept. 30, its balance sheet claimed a book value (assets minus liabilities) of $230 billion. But the stock market values the company at just $118 billion. Who's right? Usually the stock market is ahead of bad news and write-offs. Citibank is selling at 20% below its book value. The market wasn't gloomy enough on Wilmington Trust—hence the takeunder.

Mr. Bernanke is clearly buying time with Americans' dollars. If real estate drops, we're back to September 2008 in a hurry. Last Wednesday, the Fed announced that all 19 banks that underwent stress tests in 2009 need to pass another one. This suggests central bankers are nervous about real-estate loans and derivatives on bank balance sheets. In 2009, even with TARP money injected directly into their balance sheets, banks faced a $75 billion capital shortfall. Mr. Bernanke orchestrated a stock-market rally so they could sell equity for much needed capital.

My sense is the stock market is less likely to cooperate this time. Since the QE2 announcement, the Dow is down 254 points and bond yields have backed up, exactly the opposite of what Mr. Bernanke was trying to achieve. If the latest boost doesn't work, we may see real estate seek its true lower value, causing a sell-off of bank stock that requires them to begin paying more for short-term debt.

The Fed may have to act quickly. It can't reprise the 2009 bailouts, which failed when banks wouldn't sell their distressed mortgage-backed securities because they didn't have enough capital to stay solvent. No politician would agree to bailouts anyway. This time, the Fed should do what it didn't do in 2008-09: detoxify and recapitalize the big banks. The Dodd-Frank banking reform provides the authority for the Fed and the Federal Deposit Insurance Corp. (FDIC) to do this.

Think of it as what the FDIC does on Fridays (taking over failed banks), but on a huge scale. First, guarantee deposits so lines don't form at branches, and provide short-term loan guarantees as a backstop to short-term lenders. Then move the toxic debt onto the balance sheets of the FDIC and the Fed, and refloat the banks with fresh capital to open on Monday morning. Also, fire management. And get the banks public again so that the market can properly value them and provide an early warning of bad loan portfolios.

All that's missing is a mechanism to make sure foreclosures continue in a fair and measured way so real estate prices stay accurate. But the freshly capitalized banks, free of nonperforming loans, will help fund an economic recovery. The stock market will fly based on prospects for future corporate profits, rather than on unsustainable Fed goosing.

As commercials for Fram oil filters used to say, "You can pay me now or pay me later." In our case today, "pay me later" is a perpetuation of weak banks, substandard growth, persistent unemployment and stymied productivity. Better to do takeunders of banks now than to hire an undertaker for the whole U.S. economy later.

Mr. Kessler, a former hedge-fund manager, is the author of "Eat People—And Other Unapologetic Rules for Game-Changing Entrepreneurs," due out from Portfolio next February.

India Reaps Obama's Gift Of the Gaffe

By John Bolton

Barack Obama made news two weeks ago by endorsing India for a permanent seat on the United Nations Security Council. But with his careful qualifications about timing ("In the years ahead, I look forward"), circumstances ("to a reformed U.N. Security Council"), and other possible changes to council membership ("that includes India as a permanent member"), the testimonial was less than met the eye.

U.S. officials later explained that although the president intended to recognize India as a "rising player," its Security Council status would have to be "hashed out" at the U.N. So, once again, Mr. Obama offered a grand rhetorical gesture, then left his minions to address the difficult reality.

Immediately after Mr. Obama's endorsement in New Delhi, Pakistan officially rejected the idea of a permanent seat for India, and China adopted a noncommittal posture. Many in Japan doubtless gritted their teeth.

Membership politics are completely gridlocked. Germany believes it deserves a permanent seat if Japan succeeds, which simply emboldens Italy's candidacy. But "Europe" will never receive another permanent seat, since it already has three of the current five. No one in London or Paris is rushing to give up their slot to a representative of the European Union. Brazil's campaign for another Western Hemisphere seat founders on its Portuguese, rather than Spanish, language and history, with multiple Latin American countries eyeing the same spot.

Africa demands a permanent seat or two (ask Nigeria and South Africa), and many Arab states think Egypt would both represent their interests and qualify as African, just as Boutros Boutros-Ghali did as U.N. secretary-general. And what about Pakistan to balance India, or Indonesia as another "rising player"? Adding permanent seats to the Security Council is more fun than, and almost as cheap as, buying properties in "Monopoly."

The United States should support a Security Council that performs its U.N. Charter functions effectively. Almost certainly, however, the larger the council becomes, the more difficult it would be to achieve that objective. The pulling and tugging among 10 permanent members would mean even fewer decisive council actions than at present.

Japan's economy and contributions to the U.N. system uniquely qualify it to become the next permanent member, as Mr. Obama belatedly reaffirmed in Tokyo. All of the other aspirants, although not without their own merits, don't sufficiently stand out from the other wannabees.

What we still lack is a formula that admits a few new members without everyone else bellying up to the bar. Until that formula emerges, there may be no changes to the council's membership. So be it. Our first rule should be "do no harm."

Mr. Bolton served as U.S. ambassador to the United Nations from 2005 to 2006.

Meet the New-Old GM

[Business World]

By Holman W. Jenkins, Jr.

GM is not exactly the same company it was before the subprime crisis, but neither is it all that different.

With the auto maker's IPO this week, the Dow Jones Industrial Average is roughly back where it was at the start of the housing meltdown. And the new GM's stock? Once you account for the debt wiped out in bankruptcy, it's arguably selling at a surprising discount to where the old GM was selling in late 2007.

In October 2007, just as the housing troubles came into view, GM, though weighed down with all its legacy issues, was valued at nearly $25 billion. The "reborn" GM on Friday was valued at $51 billion—after $80 billion in liabilities were whisked away in Chapter 11, including $27 billion in bond debt. What would the pre-crash GM have been worth if relieved of $80 billion in IOUs? Assume a 5% yield on GM debt and nine-to-one price-earnings ratio on the stock. The answer (for sake of argument) is $61 billion.

This shouldn't be surprising. GM's progress on labor costs, quality and new models were all in the pipeline before its Chapter 11 filing. The main achievement of bankruptcy was a redistribution of rights from GM's creditors to a worrisome and conflicted new set of equity owners, namely the U.S. and Canadian governments and the United Auto Workers.

For another comparison, Ford on Friday was selling for $56 billion, though it has almost identical sales volume and $65 billion more in debt than GM (but doesn't have the government for a shareholder).

GM did, does and will continue to face structural challenges, but it's a rank myth that previous management was in "denial" and doing nothing about them. And these structural challenges weren't the reason for GM's bankruptcy. GM's bankruptcy was occasioned by the financial crisis and liquidity panic, which made it impossible for a company with large fixed costs to meet those costs through sales (nobody was buying cars) or borrowing (nobody was lending).

If saving GM with taxpayer money was necessary, the deed could have been done with an equity infusion or bridge loan. Bankruptcy is the *private* solution for a company that can't pay its bills. The government-orchestrated bankruptcy of GM didn't even try to simulate a private solution—in retrospect, it wasn't much more than a government-orchestrated stripping of creditors for the benefit of organized labor.

The car company may be out of the woods financially —but not politically.

Here it's useful to revisit one of the giddier commentaries during the crisis, suggesting Steve Jobs should run the company, as if GM's problem all along had been insufficiently gifted management. What's the first thing Mr. Jobs might have done? Judging by how he runs Apple, he would have ordered up from GM's already excellent design and engineering studios a nifty up-to-date subcompact for the U.S. market, then sent the plans off to be built in China.

Oh wait. This is exactly what the "new" GM tried to do, until the Obama administration intervened and required the car to be built in a UAW plant in Michigan, where it's likely to be done far less profitably.

In this respect, the "new" GM is a lot like the "old" GM. In pursuit of similar efficiencies, the old GM spun off its Delphi parts-making operations in 1999—but at such a stiff cost in UAW concessions that it finally defeated any benefit. The old GM launched Project Yellowstone in 1998 to farm out major assembly work on its Chevy Cavalier and Pontiac Sunfire—but had to back down when faced with a UAW strike deadline.

Suppose there'd never been a subprime crash. What would likely be weighing on GM's stock price today? The most auto-unfriendly administration in a generation, committed to expanding union power, and committed to forcing Detroit to invest tens of billions in green cars that the public won't pay for.

The efficient-markets hypothesis may be in bad odor, but it's implausible that these concerns aren't weighing on the new GM, even amid the IPO euphoria. The giant semi-privatized auto maker may be out of the woods financially, but it's not out of the woods politically. That's what the stock price is telling us.

IN DEPTH

Mexico's state of anarchy as towns get hit by crossfire

Residents desert border town as drug cartels go to war

BY NICHOLAS CASEY
AND JOSÉ DE CÓRDOBA
Miguel Alemán, Mexico

CIUDAD Mier, a picturesque colonial village on the Texas border, was a sleepy tourist attraction until February, when two rival drug cartels turned it into a slaughterhouse.

Caravans of armored SUVs crammed with gunmen firing automatic rifles prowled the streets. Parents pulled terrified children from schools. The town of 6,000 went dark every time the combatants shot out the transformers. In May, a man was hung alive from a tree in the central plaza and dismembered while town folk heard the screaming from behind shuttered doors.

Then recently, after a new offensive by the Zetas, one of the two groups that have turned the town into a no-man's land, hundreds of residents packed what they could into their cars and fled, leaving eerily empty streets with burned out shells of cars and bullet-pocked walls.

"It's like we're in the Wild West," says Santos Moreno Pérez, a Pentecostal minister who is among the refugees here in neighboring Miguel Alemán. "We have no mayor, no police, no transit system. We have been left to fend for ourselves."

Two years ago, the U.S. military warned that the Mexican government was "weak and failing" and could lose control of the country to drug traffickers. Mexican officials quickly rejected the assertion, and in truth the most dire predictions now seem overblown. Mexico's economy is rebounding from the aftershocks of the U.S. recession, with gross domestic product growth expected to top 4% this year. Foreign companies not only haven't fled, they continue to make some investments along the country's northern manufacturing belt where much of the drug war is playing out. Mexico City and large parts of south so far have escaped the mayhem, and the country as a whole remains stable.

Still, some parts of Mexico are caught in the grip of violence so profound that government seems almost beside the point. This is especially true in northern places like Ciudad Mier and surrounding Tamaulipas state—a narrow, cleaver-shaped province that snakes along the Texas border and hugs Mexico's Gulf Coast.

Across Tamaulipas, gunmen run their own checkpoints on highways. The cartels have forced Mexico's national oil company to abandon several gas fields. Many farmers have given up on tons of soybeans and sorghum in fields controlled by criminals. Leading families, fleeing extortion and threats of kidnapping, have escaped to Texas—as have the mayors of the state's three largest cities.

Most of the brutality that takes place along this vast arid landscape goes unrecorded. Newspapers as well as television broadcasters have been silenced. Rumors have taken the place of news and circulate on social networks like Twitter, which people check regularly to make sure that no shootouts are taking place on the routes they take to work or school.

"Public space has been taken over by criminals, and Tamaulipas society is at their mercy," says Carlos Flores, a visiting professor at the University of Connecticut who studies the state's crime groups.

As goes Tamaulipas also go a small but growing number of Mexico's 31 states, including Chihuahua and Michoacán—places where rival organized crime groups either exert political and territorial control or are in the midst of bloody battles to impose their hegemony. In these states, despite four years of intense effort, the Mexican government and its institutions hold little sway.

The failure of Tamaulipas carries consequences for the U.S. The state shares roughly 230 miles, or 375 kilometers, of border with Texas and handles nearly 50% of the merchandise moving between the U.S. and Mexico. Only a river separates it from the U.S. cities of Laredo, McAllen and Brownsville.

Last month, an American riding a jet ski on Falcon Reservoir, a border lake not far from Ciudad Mier, was shot dead by suspected cartel gunmen, his body never recovered. Days later, the severed head of the lead Mexican investigator on the case was dumped in a suitcase in front of a Mexican army barracks.

In the state capital of Ciudad Victoria, the man poised to win the state governor's election was ambushed and shot dead in broad daylight this summer, along with his four bodyguards. Two months later, Mexican marines arrived at a secluded ranch and found a grotesque sight—the bodies of 72 would-be immigrants to the U.S who had been lined up and executed. Authorities blamed the Zetas. The investigator in the case was murdered two days later.

Despite such gruesome milestones, Alejandro Poiré, President Felipe Calderón's spokesman on security matters, disputes the notion that Tamaulipas is falling into anarchy. "Tamaulipas is not a failed state," he says. "Organized crime is being fought with strength and determination." He says that Tamaulipas continues to provide public services, collect taxes and organize elections. He notes that violence is concentrated in eight out of the state's 43 municipalities, and that authorities have scored a number of successes against drug lords.


Jerome Sessini/la Fabrica for The Wall Street Journal

A woman who fled Cuidad Mier comforts her children in their shelter as a shootout erupts nearby.

Departing governor Eugenio Hernández also said the state's troubles have been exaggerated. "We are far from being a failed state," Mr. Hernández said in an interview in the capital city of Ciudad Victoria. "We are working. We have order. There are some eye-catching events, but most people have no problems."

Days after the interview, the governor struck a less optimistic note, telling journalists that "municipal and state forces, on their own, can't do very much [against organized crime], which is why it's urgent that the federal government send reinforcements to the border region."

The troubles in Tamaulipas stems from a turf war which broke out early this year between the Gulf Cartel and the Zetas, two former allies in drugs and organized crime, now fighting for control of the state. More than 90% of Tamaulipas is in the hands of the crime groups, says a newsman there.

The fighting has caused more than 1,300 deaths so far this year in the state, or one in six drug-war killings nationwide, mostly members of rival gangs, according to the federal government. Since President Calderón took office in December 2006 and declared war on traffickers, about 31,000 people have died.

For Mexico's armed forces, Tamaulipas and next-door Nuevo León, where the fight between the Zetas and the Gulf Cartel has spilled over, are Mexico's most dangerous states. So far this year, the army has been attacked 128 times across Mexico; 91 of those attacks have taken place in Tamaulipas and in Nuevo León, up from only three the previous year.

On a recent day, unknown assailants threw a grenade at an army base in the border city of Matamoros, just across from Brownsville, while cartel gunmen fought in broad daylight in Reynosa, the state's biggest city.

The armed forces have scored some successes. Earlier this month, about 660 Mexican Navy special forces fought a 10-hour battle in the streets of Matamoros with some 300 gunmen from the Gulf Cartel. Fearing stray bullets, the University of Texas at Brownsville on the other side of the Rio Grande suspended classes. The battle ended with the death of one of the cartel's top leaders, Ezequiel Cárdenas Guillén, known as Tony Tormenta.

Ciudad Mier, Tamaulipas's abandoned town, could offer a glimpse of where Mexico may head if the conflict remains unchecked. In 2007, the government declared it a "Pueblo Mágico," or Magic Village, a special designation to attract tourists to the cobblestone streets and artisan markets.

"This was a town where we had outdoor dances, art fairs," recalls a 20-year-old school teacher who fled Ciudad Mier and declined to give his name. People gathered freely for family baptisms or *quinceñera* celebrations, when girls turn 15. "You walked around at night in Ciudad Mier," he says.

But trouble was brewing here and in the rest of the state. Since the 1980s, Tamaulipas had been home to the Gulf Cartel, which began as an outfit that smuggled electric appliances into Mexico's closed economy and turned into one of the country's largest drug-trafficking groups as trade opened to the U.S. The Gulf Cartel's leader, Osiel Cárdenas Guillén, the younger brother of Ezequiel, planted the seeds for the present bloodletting when he persuaded 31 highly trained Mexican army special forces soldiers, called the Zetas, to defect and work as enforcers for the cartel in

IN DEPTH

Jerome Sessini for The Wall Street Journal

Mexican soldiers patrol near a sign advertising a construction project in Ciudad Mier. The project has been put on hold due to violence between rival drug gangs, which has caused residents to flee.

the early 1990s, analysts and government officials say.

Mr. Cárdenas Guillén was arrested in 2003 and extradited to the U.S. in 2007. He was sentenced to 25 years in prison this February in a Texas court, although court transcripts say he is cooperating with authorities, which could lead to a sentence reduction. Mr. Cárdenas Guillén's lawyer, Chip B. Lewis of Houston, declined to comment on his client's purported cooperation.

As Mr. Cárdenas Guillén's case was coming to a close, his former allies the Zetas broke from the Gulf Cartel. Now believed to number in the low thousands, they declared a war to grab control of illegal markets, which spread throughout the state.

Though peaceful, Ciudad Mier, a short drive from Roma, Texas, was ripe for conflict. The town and surrounding area had long been a Zeta stronghold. This year, analysts say, the Gulf Cartel tried to oust the Zetas.

On Feb. 23, the city was plunged into chaos after several dozen SUVs arrived at the municipal police station, sacked the facility and took officers hostage. No one has seen them since. Not long afterward, residents found a group of decapitated heads from unknown victims on the outskirts of town.

Ciudad Mier began to collapse. After an attack on the water-treatment facility this year, the town had no drinkable water as workers were too frightened to begin repairs, residents say. For a week this fall, parts of the city had no water at all. Electrical outages became frequent after attacks on transformers. Finding gas became impossible when the city's one gas station was shot up. Residents say they headed to neighboring Miguel Alemán to fill up their cars.

While schools remained in session, parents often refused to send their children, deeming it unsafe. "Every child I taught was thinking: 'I'm next to be killed,'" says a town teacher, who recalled that a theater class he taught suddenly sank from 20 students to just four.

Medical services were scant. "The pharmacies were closing down or weren't open," recalls an 87-year-old man who fled the town recently. Manuel Alejandro Peña, a general practitioner who heads a branch of the state's health office in the village, recalled that he was unable to get penicillin for two months this summer when drivers couldn't safely make the journey from the city of Nuevo Laredo, fearing they'd be attacked on the highway.

"We watched our medicine reserves begin to vanish," Dr. Peña recalled.

By mid-November, the city was ravaged again. Emboldened by the death of Mr. Cárdenas Guillén, the Gulf Cartel leader known as Tony Tormenta, Zetas staged a counterattack, townspeople say. Signs leading into the town were pocked with hundreds of bullet holes, along with nearly every major building in town.

Except for a few holdouts, nearly all the former residents have fled. Some moved in with family members elsewhere in Mexico or the U.S. About 300 refugees now bunk on cots at a local Lion's Club in nearby Miguel Alemán, a larger city down the road which is thought to be less violent. On a recent day, an older deaf woman sat in a wheelchair by herself as a dozen children watched morning cartoons.

Yet even this place offers limited sanctuary. During a visit by a reporter, automatic-rifle shots broke out as drug gunmen and army troops confronted each other a short distance from the shelter. The refugees screamed and took cover on the floor.

"Don't worry, nothing will happen to us," a mother said to her crying son.

A short time later, the mayor's sister arrived. "Everything is all right," she told the anxious crowd. "They wouldn't have sent me if I were going to get killed here."

Outside experts and residents say the state is unable to defend itself now partly because it failed to confront the cartels earlier. Indeed, they say the Tamaulipas government kept close ties to the Gulf Cartel, an arrangement that worked well until the Zetas violently took on both the cartel and the state.

"The Gulf Cartel managed to co-exist with the state government for decades," says George W. Grayson, a Mexico expert at the College of William & Mary. "But the presence of the Zetas has thrown an electric eel in a barrel of fish."

The governor says there has never been collusion between the Tamaulipas government and drug traffickers. But like many other Tamaulipas residents, he seems nostalgic for past days when drug dealers in Mexico stuck to ferrying drugs to the U.S. and didn't kidnap, extort and kill fellow Mexicans.

"There was no agreement, but they [the Gulf Cartel] stuck to their business," he says. "They behaved differently. They didn't interfere with normal citizens. There were no extortions or kidnappings."

Some local residents blame the federal government for provoking the drug traffickers. "This is a war that was declared by the federal government," says Óscar Luebbert, the departing mayor of Reynosa, the state's biggest city and busiest border crossing. Mr. Luebbert objected to military deployments by President Calderón, who belongs to the rival National Action Party. "I don't want to live in a country in war."

While Ciudad Mier remains the only city to have emptied out so far, the rule of law is breaking down elsewhere. In Reynosa, a taco stand a short walk from the main plaza offers a typical encounter with criminals who have no fear of authorities. Days ago, the owners say, a group of men descended from sport-utility vehicles, AK-47 machine guns slung to their belts. "They came for lunch. They didn't pay," says an employee at the stand.

To fend off the Zetas, the Gulf Cartel is tightening its grip on the city's institutions—particularly news outlets. Reporters interviewed said that many colleagues receive checks from the cartel for favorable coverage. One referred to a "spokesman" for a drug cartel who went to crime scenes after shootouts to dictate angles for news.

The Gulf Cartel even appears to be getting involved in quasi-legitimate activities, such as the sale of alcohol. In a cantina off one of the city's main thoroughfares, a restaurant employee showed a reporter a whiskey bottle with a three-letter stamp that he said is the mark of the Gulf Cartel, which has been selling imports. "There's no choice but to buy from them now," he said. The Zetas, meanwhile, have their own merchandise brands such as bootleg CDs in areas they control.

In Tampico, a port city that bears a passing resemblance to a faded New Orleans, the most important society dance was canceled this year for the first time in 70 years, says a cattle rancher. Kidnappings have surged. Among the victims: two of the city's former mayors. "Most owners of businesses have left and run their companies by telephone from Texas," says a local resident.

The departing mayor, Oscar Pérez, is rarely seen in town. Residents believe he lives in Garland, Texas. The incoming mayor, former schoolteacher Magdalena Peraza, says she plans to mobilize the citizenry, awaken civic pride and create jobs when she takes office in December.

Ms. Peraza's sister urged her not to take the high profile job. Ms. Peraza replied that God would protect her, but her sister urged her again to reconsider, saying that God was very busy. "I'm worried," says the mayor elect. "But I have faith."

WSJ.com

ONLINE TODAY: See more photos from Mier and Miguel Alemán, plus see an interactive map detailing deaths as result of Mexico's drug war at **WSJ.com/World**

MARKETS LINEUP

Moving the markets

At right, Europe's benchmark stock indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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European indexes...

FTSE 100

U.K. 5732.83

▼ **0.62% or 35.88**

The index finished off the lows for the day but still ended firmly in the red as uncertainty about Ireland's debt crisis persisted. The market ended down for the week.

Stock	Volume in millions	Close In pence	Change Net	Change %
Lloyds Banking Grp	**117.73**	66.72	−1.07	−1.58
VodafoneGp	**75.69**	167.75	−0.35	−0.21
RoyalBnkofScot	**74.62**	41.77	−0.24	−0.57
HSBC Hldng	**34.14**	657.50	−9.00	−1.35
Barclays	**33.89**	274.20	−3.75	−1.35

DAX

Germany 6843.55

▲ **0.17% or 11.44**

Shares rose slightly to reach the highest close since June 2008, after a volatile session amid China's moves to reduce liquidity, as well as concerns about Ireland.

Stock	Volume in millions	Close In euro	Change Net	Change %
InfineonTch	**16.00**	6.59	-0.03	-0.39
DeutscheTel	**14.19**	10.11	-0.03	-0.30
E.ON	**8.74**	22.90	0.01	0.02
Commerzbank	**8.12**	6.10	-0.06	-0.99
DeutscheBk	**7.44**	40.43	-0.67	-1.62

CAC-40

France 3860.16

▼ **0.20% or 7.81**

Shares in Technicolor rose after a French court rejected an appeal against its plan to protect itself from creditors. Lagardere rose on its finance chief's expectations for 2010.

Stock	Volume in millions	Close In euro	Change Net	Change %
Alcatel Lucent	**22.04**	2.151	−0.004	−0.19
AXA	**7.77**	12.835	−0.100	−0.77
CreditAgricole	**7.05**	10.990	−0.130	−1.17
ArcelorMittal	**6.97**	24.900	−0.210	−0.84
Natlxis	**6.84**	3.795	−0.050	−1.30

AEX

Netherlands 344.58

▼ **0.49% or 1.69**

Worries over Ireland's solvency and disappointing U.S. industrial-production figures weighed on sentiment. ArcelorMittal fell after saying it will idle three blast furnaces.

Stock	Volume in millions	Close In euro	Change Net	Change %
INGGroep	**16.87**	7.94	−0.074	−0.92
KonkljkAhold	**12.60**	9.37	−0.186	−1.95
Aegon	**10.58**	4.68	−0.043	−0.91
ArcelorMittal	**6.97**	24.90	−0.210	−0.84
R.Dutch Shell /D	**6.45**	23.75	−0.285	−1.19

European stocks in the news

Bayer

Germany €57.78

▲ **2.2% or €1.24**

The drug company said it will cut 4,500 positions by 2012 as part of a restructuring plan.

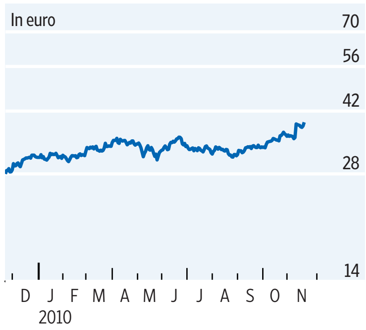
Price-to-earnings ratio			**29**
Earnings per share, past four quarters			**1.99**
Dividend yield			**2.42%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Chemicals	**0.9%**	1.7%	18.9%
Bayer	**2.2%**	6.9%	11.7%

Henkel AG

Germany €39.07

▲ **2.4% or €0.91**

Barclays Capital upgraded the adhesive maker to overweight from equal weight.



Price-to-earnings ratio			**None**
Earnings per share, past four quarters			**n.a.**
Dividend yield			**1.31%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Personal & Hshld Gds	**0.6%**	0.2%	22.5%
Henkel AG	**2.4%**	1.8%	39.5%

ASML Hldg

Netherlands €24.79

▲ **2.8% or €0.67**

The firm's CFO said Friday that he expects capital expenditure in the sector to rise next year.

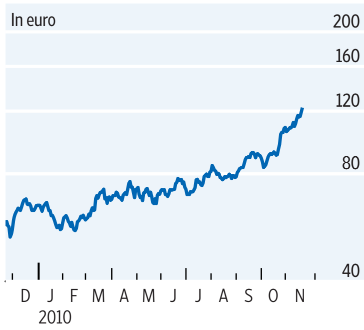
Price-to-earnings ratio			**16**
Earnings per share, past four quarters			**1.52**
Dividend yield			**0.81%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Technology	**0.2%**	0.6%	3.1%
ASML Hldg	**2.8%**	5.0%	23.3%

Volkswagen Pfd.

Germany €122.70

▲ **3.0% or €3.55**

The shares got a boost from hopes that its merger with Porsche will pick up speed.



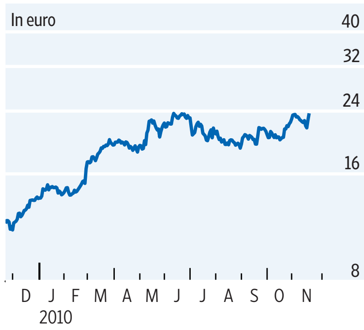
Price-to-earnings ratio			**None**
Earnings per share, past four quarters			**n.a.**
Dividend yield			**1.35%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Automobiles & Parts	**0.8%**	3.0%	34.5%
Volkswagen Pfd.	**3.0%**	7.6%	114.6%

SAFRAN

France €23.66

▲ **4.5% or €1.02**

The defense group said it won't make an offer for aviation-parts supplier Zodiac Aerospace.



Price-to-earnings ratio			**None**
Earnings per share, past four quarters			**-1.96**
Dividend yield			**1.61%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.3%**	0.2%	20.6%
SAFRAN	**4.5%**	6.2%	103.5%

Eurasian Natural

United Kingdom 910.00 pence

▼ **1.8% or 17.00 pence**

China's move to raise its banks' reserve requirement could cool growth, thereby hurting miners.

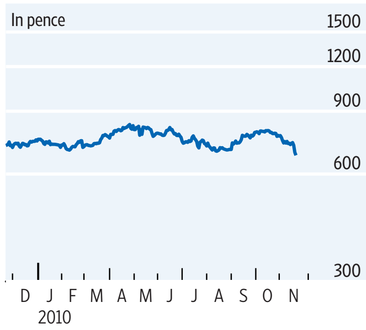
Price-to-earnings ratio			**13**
Earnings per share, past four quarters			**72.26**
Dividend yield			**1.30%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Basic Resources	**-1.0%**	-2.9%	16.4%
Eurasian Natural	**-1.8%**	-5.8%	6.2%

Capita Grp

United Kingdom 677.00 pence

▼ **1.9% or 13.00 pence**

Shares fell further on news Thursday that public-spending cuts in Britain will hurt revenue growth.



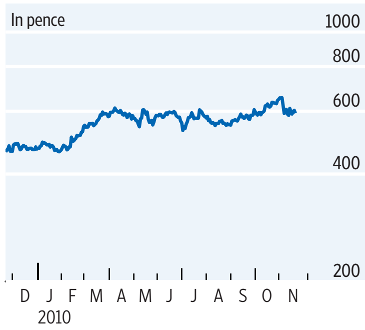
Price-to-earnings ratio			**22**
Earnings per share, past four quarters			**30.60**
Dividend yield			**2.63%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.3%**	0.2%	20.6%
Capita Grp	**-1.9%**	-6.7%	-6.2%

Rolls-Royce Grp

United Kingdom 592.00 pence

▼ **1.9% or 11.50 pence**

Airbus said Thursday it will seek compensation from the firm due to a failed Rolls Royce engine.



Price-to-earnings ratio			**411**
Earnings per share, past four quarters			**1.44**
Dividend yield			**None**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.3%**	0.2%	20.6%
Rolls-Royce Grp	**-1.9%**	-3.1%	28.3%

Banco de Sabadell

Spain €3.23

▼ **3.1% or €0.10**

Banks fell on fears of a long-dragging rescue process for Ireland and its tottering banking sector.

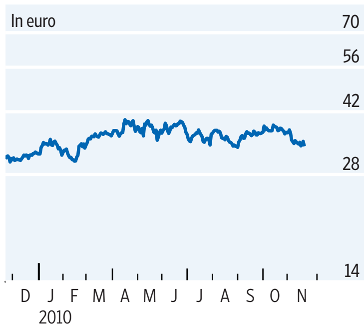
Price-to-earnings ratio			**10**
Earnings per share, past four quarters			**0.33**
Dividend yield			**7.91%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Banks	**-1.2%**	-2.5%	-17.3%
Banco de Sabadell	**-3.1%**	-2.2%	-24.9%

Capgemini

France €33.60

▼ **3.2% or €1.10**

The IT sector can expect marginal growth next year as customers keep a tight lid on spending.



Price-to-earnings ratio			**25**
Earnings per share, past four quarters			**1.34**
Dividend yield			**2.38%**
PERCENTAGE CHANGE	Daily	1 wk.	52 wks
Technology	**0.2%**	0.6%	3.1%
Capgemini	**-3.2%**	-1.5%	8.5%

Shire chief executive says orphan-drug niche is safe
BUSINESS & FINANCE 20

Pharmaceuticals face biological warfare
HEARD ON THE STREET 32

BUSINESS & FINANCE.

Monday, November 22, 2010 THE WALL STREET JOURNAL. europe.WSJ.com

'Potter' charms growing audience

By Lauren A. E. Schuker

As it nears its finale, "Harry Potter" has cast a spell over the box office.

The seventh installment in the eight-film franchise, "Harry Potter and the Deathly Hallows: Part I" took in a franchise record of $125.1 million at U.S. theaters this weekend according to Warner Bros., the **Time Warner** Inc.-owned movie studio behind the films.

That's the sixth-biggest debut for any film, following a list headed by 2008's "The Dark Knight," which took in $158 million.

Warner Bros. executives credit an audience that has grown up on "Harry Potter" with the success of the decade-long series.

"The key to this franchise is 18- to 34-year-olds and their aging process," says Dan Fellman, president of domestic distribution for Warner Bros. "When we first started 'Harry Potter' and cast 10-year-old Daniel Radcliffe in the title role, parents drove their 10-year-olds to see the movies. Today, those same kids are now driving themselves to the midnight shows."

Roughly 10% of the first film's audience was 18- to 34-year-olds, adds Mr. Fellman. By contrast, that age group composed 25% of the audience for "Deathly Hallows."

The film's debut is the highest opening for any "Harry Potter" film to date; 2005's "Harry Potter and the Goblet of Fire" held the previous record with a debut of $102.7 million. "Deathly Hallows" beat that by more than 20% and took in $205 million overseas, setting its worldwide total at $330.1 million so far.

It's a strong start for the boy-wizard franchise that has become the most lucrative in Hollywood, surpassing more storied series such as "James Bond" and "Star Wars." The previous six "Potter" movies have taken in about $5.4 billion world-wide; Warner Bros. counts more than $1 billion in profit from them.

Warner Bros. decided earlier this fall not to release "Deathly Hallows" in 3-D, saying the conversion from 2-D wouldn't be finished in time. But had the studio released the film in the premium format, this weekend's total would be significantly higher. "There's no question that 3-D matters," says Mr. Fellman, noting that the higher ticket prices increase revenue but not necessarily the number of moviegoers.

Still, the massive opening bodes well for next summer's final installment of the series, which Warner Bros. plans to release in 3-D and

Please turn to next page

Commodities are whipsawed

Volatility set to continue as China wrestles with inflation; big bets add to risk of reversal

By Carolyn Cui

If this month has felt like a wild ride for stock investors, it has been positively hair-raising for those in the commodities market.

Price swings for raw materials reached the highest levels in more than a year as investors initially celebrated the prospect of U.S. monetary easing and then panicked at the possibility China would be too severe in its attempts to cool its economy.

ABREAST OF THE MARKET

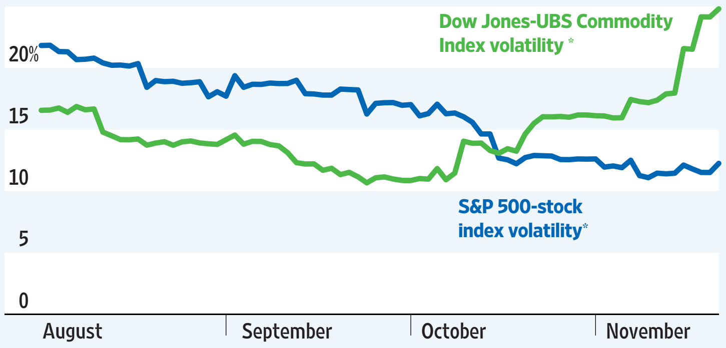
Prices of everything from gold to copper and cotton leapt to new highs, only to be slapped down just as quickly. Trading volume in many commodities roared to records, including for silver, cotton and corn. Since the beginning of October, the Dow Jones-UBS Commodity Index's 30-day realized volatility has doubled to 25%, the highest since September 2009.

The moves were particularly striking because stock-market volatility has been relatively benign, even with triple-digit moves in the past few sessions. The same measure of 30-day volatility in the Standard & Poor's 500-stock index is near six-month lows.

For commodities, the overarching reason for the volatility is the outsize reaction to new signs that China has stepped up its moves to tighten credit and contain inflation. But the huge amount of money

Peaks and troughs

Volatility in commodities has soared in recent weeks, while stock moves have been relatively benign



*30-Day realized volatility Source: DJ-UBS index; Standard & Poor's Photo: Associated Press

Traders at the Chicago Board of Trade

flooding into commodities markets appears to be helping exaggerate those moves.

With that money has come a new breed of investors more focused on trading in and out of commodities to profit from price moves rather than the standard producers and consumers relying on the market to manage their risks.

Since August, money managers, such as hedge funds, have raised their bullish bets on oil, copper, soybeans and many other markets. These funds' total net-long positions all peaked in the week ended Nov. 9, before being cut in the past week, according to the Commodity Futures Trading Commission.

All this suggests volatility will at least be around, if not increase, in the short term, even if many people believe commodities overall have a lot further to rally.

"When you have this large [speculative] exposure built up, you do run a risk," said Tim Evans, a commodity analyst at Citi Futures Perspective, a commodity-research arm of Citigroup. Because "you've used up your potential to draw in more new money—that's the time when you are vulnerable to a reversal."

That may have started. Since Nov. 9, the Dow Jones-UBS Commodity Index has declined 7%, amid waves of selling triggered by China's moves to tackle inflation. Of all the commodities that were whipped around, those directly affected by demand from China suffered most. Zinc sank 16%, cotton shed 15%, and crude oil fell 7%.

Investors "are getting more and more nervous as we get close to year end," said Andy Smith, senior commodity strategist at Bache Commodities. They are "not sure whether they should take the money off the table and run for the year or stay in the game."

Commodity consumers around the world are making real-time assessments about whether they should jump in and buy now or wait for better prices.

Please turn to page 24

Fiat plans options overload for the 500

By Jeff Bennett

For the launch of the Fiat 500 subcompact, **Chrysler Group** LLC is giving car buyers something they don't usually see these days: a dizzying array of options and feature choices.

The car, which goes on sale in January, will be available in 14 exterior colors, with choices of 14 seat colors, six wheel styles and a range of graphical designs that can be applied to the car's body panels, allowing customers to make their Fiat the only one of its kind on the road.

All told, there are about a half a million combinations.

Chrysler hopes the chance to individualize the tiny 500 will draw in a wide range of customers, from teens buying their first car to baby-boomers downsizing to smaller vehicles.

"A 16-year-old can really play up the exterior with the graphics packages, while older customers may be more interested in the interiors and adding more sophistication," said Laura Soave, the head of the Fiat brand for Chrysler, which has been under management control of **Fiat** SpA of Italy since its bankruptcy reorganization last year.

In the past, auto makers learned the risks in offering seemingly infinite option combinations. One of the biggest is that companies may produce configurations that few customers would want, such as a model that is loaded with pricey options but also oddly outfitted with a manual transmission.

Too many choices can also leave dealers holding lots of cars but not the exact one a particular customer is looking for—a recipe for losing a sale, said Mark Rikess, an auto-dealer consultant based in Los Angeles. That is because most customers don't want to wait for the exact model they want to be shipped from elsewhere or custom made at the plant.

"We are an instant-gratification society," said Mr. Rikess. "About 80% of car buyers expect to drive off the lot with their new car that day."

For the past several years, car makers have tried hard to bundle features so they can produce a

Agence France-Presse/Getty Images

Visitors looked inside a Fiat 500 for the U.S. market in Los Angeles last week.

dozen or so versions of a vehicle that will satisfy most car buyers. **Honda Motor** Co.'s Civic, for example, is available in 16 different combinations (though in various colors for each combo). **Hyundai Motor** Co.'s new Elantra will come in seven variations.

To allow customers to order specialized models, Chrysler has retooled the plant in Mexico where the 500 is being built. Scott Garberding, Chrysler's manufacturing chief, said the factory has been set up to move special orders to the front of the manufacturing queue.

Suppliers have be asked to keep

Please turn to page 19

BUSINESS & FINANCE

LeBron James ad asks for it

By Emily Steel

In an arty, soul-searching 90-second Nike commercial released in October, basketball star LeBron James asks repeatedly, "What should I do?"

Angry fans, in loud and blistering terms, have been telling him.

Myriad remixes and spoofs of the ad have attracted more views on the Web than the original **Nike** Inc. campaign, according to new research from online-video measurement firm **Visible Measure**s Corp.

While the original version and direct copies of the ad—which attempts to deal head-on with Mr. James's controversial decision to leave the Cleveland Cavaliers to play for the Miami Heat—has generated 5.1 million online-video views, spoofs and parodies have generated 5.8 million views, Visible Measures says. The figures don't include views of Nike's paid advertising.

In one spoof of the Nike spot, Cleveland fans call the athlete a "traitor," "back stabber" and "selfish." A parody from Comedy Central's "South Park" likens Mr. James to former **BP** PLC Chief Executive Tony Hayward. The ad has been mocked on sports network ESPN and by an Ohio political candidate.

The episode highlights the difficulties of repairing the image of a beleaguered public figure in the days when the Internet enables consumers to influence public perception even more than traditional media.

"This is how the people struck back," says Rishad Tobaccowala, chief strategy and innovation officer at Vivaki, the digital marketing unit owned by **Publicis Groupe** SA.

Nike

Nike says its LeBron James commercial, above, is 'celebrating his courage.'

A similar situation occurred earlier this year when Nike launched an ad campaign in response to the Tiger Woods sex scandal. In the ad, Mr. Woods solemnly listens to the voice of his deceased father, Earl Woods. Like Nike's commercial with Mr. James, the parodies of the Tiger Woods spot attracted more online-video views than the original ad, according to Visible Measures.

"Controversial ads such as these are intended to generate controversy, but what happens when the spoofs get more views than the originals and take over the conversation?" says Matt Cutler, chief marketing officer at Visible Measures.

In the case of Mr. James, the spoofs have succeeded in raising Nike's profile well beyond its ad, but potentially at the expense of the athlete's image and possible future endorsements, sports-marketing experts say. Mr. James earns an estimated $34 million annually in endorsements from brands including Nike, Coca-Cola, McDonald's, Upper Deck and State Farm.

Mr. James's appeal among consumers has struggled to recover from lows hit over the summer when he announced his Miami Heat move, according to a celebrity index from **Omnicom Group** Inc.'s Davie-Brown Entertainment. In September, Mr. James ranked as the sixth most-disliked sports personality, according to Q Scores Co.

"If you want to take the pulse of what the public perception is of LeBron right now, that is it, and it is pretty damaging," said Kevin Adler, president of sports-marketing consulting firm Engage Marketing Inc., referring to the spoofs.

"Maybe it is good for Nike and it isn't good for the athlete."

In the commercial, dubbed "Rise," Mr. James asks if he should admit that he's made mistakes and believe that he rules his legacy. He borrows a line from former pro basketball player Charles Barkley, saying "I am not a role model." He reads part of a "soulful" poem by Maya Angelou and asks if he should remove the tattoo on his back that reads "Cleveland." Over and over he says, "What should I do?"

"We're celebrating his courage to forge his own journey even though others may have disagreed with his decisions," says Nike spokesman Derek Kent. "We speak for the athlete, and we want to amplify his voice. 'Rise' did all that and more."

Among the video responses that have surfaced, the one generating the most views comes from a group of Cleveland fans. The tagline reads: "Just more 'narcissistic, self-promotional build-up' from a guy whose actions speak louder than his words."

It quotes fans saying "You bagged out" and "Traitors don't leave a legacy," and ends with the word "Quitness" displayed above an upside-down Nike swoosh.

"I am blown of out my chair by that video," says Mr. Adler, calling it "one of the most damaging things I have ever seen in terms of public reaction to an athlete."

Mr. James's publicist, Keith Estabrook, declined to comment. Mr. James told the Associated Press that he had seen the video and said, "It was all right...They could have done a better job."

Nike says that its ad has been received "positively" and that it welcomes the discussion from fans.

Mr. Kent says, "We like to inspire, provoke and debate. It is in our nature, it is the nature of sport."

BP faces new blow in Alaska

By Cassandra Sweet And Guy Chazan

A U.S. federal officer asked a judge to revoke **BP** PLC's criminal probation stemming from a Prudhoe Bay oil spill in 2006, a move that could lay BP open to new penalties in addition to the conviction it received after the incident.

In a petition filed Wednesday in a U.S. District Court, Anchorage, federal probation officer Mary Frances Barnes accused BP of criminal negligence in its conduct prior to a North Slope oil spill in November 2009. The conduct constituted a violation of its probation, Ms. Barnes said.

The move piles pressure on the U.K.-based oil giant, which is already under intense scrutiny over its role in the Deepwater Horizon disaster earlier this year and a 2005 Texas refinery fire that killed 15 people and injured 170. In August, BP agreed to pay a $50.6 million fine for failing to fix safety hazards at its Texas refinery in the wake of the fire.

But a revocation of its probation isn't likely to be felt beyond new penalties or an extended probation period. Bankers have indicated BP may be planning to sell its Alaska holdings as part of $30 billion in divestments to fund costs from the Deepwater Horizon spill in the Gulf of Mexico.

U.S. Judge John D. Roberts ordered BP to appear in federal court in Anchorage on Dec. 20 in connection with the petition. BP said it would file a response to the government's legal filings.

If the court agrees with the petition and finds that BP has violated the condition of its probation, the judge can revoke the probation and order a new sentence for BP. The maximum penalty it faces is five years' probation and whatever the court determines would be the maximum fine, said Kevin Feldis, criminal chief in the U.S. Attorney's office in Anchorage, which will be arguing in support of the petition.

BP has been on probation for the past three years for its role in a 2006 spill from a corroded pipeline that was the worst in the history of the North Slope.

The spill, which released 200,000 gallons of oil onto the tundra, focused attention on the poor state of BP's pipeline network in Alaska and its lax maintenance practices.

'Potter's' $125.1 million debut breaks franchise record

Continued from previous page

IMAX, the big-screen format.

Just over 10% of the film's opening revenue came from IMAX showings, which totaled $12.4 million domestically. That breaks IMAX's previous weekend record of $12.1 million, set by **Walter Disney** Co.'s "Alice in Wonderland" in March of this year.

But despite "Potter's" success, Hollywood's holiday season is trailing behind last year. Ticket sales this weekend were 24% lower than the same weekend a year ago, when teen vampire film "The Twilight Saga: New Moon" and breakout hit "The Blind Side" debuted.

But with "Potter" leading the charge, the box office could catch up. Ticket sales are still running almost 2.5% so far this year compared with last year, and a number of upcoming films from Disney's "Tron" to **Sony** Corp.'s big-budget thriller "The Tourist," starring Angelina Jolie and Johnny Depp, could push that figure further, along with continued excitement over "Potter."

"There's something about this film that feels the beginning of a big celebration," says Greg Foster, president and chairman of IMAX Filmed Entertainment. "Audiences are responding in an incredible way because they feel a real emotional connection, and that's great for the business."

Associated Press

Daniel Radcliffe stars as the titular wizard in the penultimate 'Harry Potter' film.

INDEX TO BUSINESSES

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

Corrections & Amplifications

The average first-day price gain of the 10 largest U.S. initial public offerings prior to **General Motors** Co.'s IPO was 9.7%, according to Thomson Reuters. In some Friday-Sunday editions, a Business & Finance article about GM's stock-market debut incorrectly gave the gain as 10.3%.

The Ickey Shuffle, a touchdown celebration dance done by Cincinnati Bengals running back Elbert "Ickey" Woods, began in 1988. A Thursday Quirk article about the Dougie incorrectly said Mr. Woods started the dance in 1989.

BUSINESS & FINANCE

Chrysler plans a luxury SUV under the Maserati brand

By Jeff Bennett

LOS ANGELES—**Chrysler Group** LLC, which is trying to turn itself around with the help of its partner **Fiat** SpA, has plans to cooperate with the Italian company's super-luxury brand Maserati.

In 2013, Chrysler will begin producing a premium sport-utility vehicle to be sold as a Maserati in markets around the world, according to Sergio Marchionne, who serves as chief executive of both Chrysler and Fiat.

The Maserati vehicle will use the underpinnings of Chrysler's new Jeep Grand Cherokee and be assembled at its Jefferson North assembly plant in Detroit, Mr. Marchionne said in an interview at the Los Angeles auto show.

"This is just a great architecture," Mr. Marchionne said. "Why wouldn't I put a Maserati on it?"

Bloomberg News

Chrysler and Fiat are widening their cooperation. Above, a Maserati Granturismo 5 at the Paris Motor Show in September.

The plan signals a broadening of the cooperation between Chrysler and Fiat, which has management control of the American auto maker and owns 20% of its stock.

Under Mr. Marchionne's turnaround plan for Chrysler, the company is preparing to launch a series of small cars based on vehicles developed by Fiat. It will also produce Fiat models that will be sold in the U.S., and help return Fiat's Alfa Romeo brand to the U.S. market.

A few Chrysler models are destined for sale outside of North America under Fiat's Lancia brand. The first will be the redesigned Chrysler 200 midsize sedan, Mr. Marchionne said.

Cooperation between Chrysler and Maserati would add a new dimension to the ties between the U.S. auto maker and Fiat at a time when Chrysler is starting preparations for a possible public offering of stock in 2011.

On Friday, the Obama administration's auto czar, Ron Bloom, said it is unclear if the company will be ready for an IPO next year. But he said the company is "on a good trajectory."

Mr. Bloom also said Mr. Marchionne briefs U.S. Treasury officials once or twice a month and gives notice on major decisions. The U.S. government financed Chrysler's restructuring in bankruptcy court last year, and is a minority shareholder in the auto maker.

Chrysler reported a net loss of $84 million for the third quarter but made money on an operating basis. Mr. Bloom said Chrysler's financial performance has bested expectations and efforts to rejuvenate the company's product line—considered a critical weakness—appear to be going well.

"Our view on Chrysler at the moment is so far so good," Mr. Bloom said in an interview.

The Maserati will be built alongside the Grand Cherokee and Dodge Durango.

Maserati, which was acquired by Fiat in 1993, is known for luxury sport sedans and sells such models as the Quattroporte along with the GranTurismo coupe and convertible. Maserati models start at $118,000, well above the Grand Cherokee's starting price of $30,000.

Mr. Marchionne first hinted at using the the Grand Cherokee architecture to produce other vehicles during a conference call earlier this month.

"It would certainly give us a unique opportunity to try and use all the amount of work that's gone on inside Chrysler," he said in a conference call to discuss Chrysler's third-quarter results. The basic architecture of the Grand Cherokee is "capable of supporting the content of a much higher-priced brand as Alfa or Maserati."

The new Grand Cherokee has been well received since its launch last summer by auto critics and dealers. It was developed with Daimler AG, which owned Chrysler until 2007. The same architecture that Chrysler uses for the Grand Cherokee is also used by Daimler for its SUV, the M-Class, made in Alabama.

A Maserati SUV would be a potential competitor to the M-Class.

Merger deal for Porsche, VW nearer

By Harriet Torry and Katharina Becker

FRANKFURT—The merger of German auto makers **Volkswagen** AG and **Porsche Automobil Holding** SE moved a step closer Friday after Porsche said it would make tax and interest payments of about €626 million ($856.7 million) on stock-option transactions.

Porsche previously contested the tax payment on the stock options. The company had considered the transactions as tax-free profit and tax-deductible losses, as detailed in Porsche's fiscal 2010 annual report. However, Porsche earmarked €1.35 billion in provisions pending the outcome of the dispute, which will now be dissolved in order to make the payment.

Following the €626 million payment, the remaining provision of €719 million will be dissolved with an effect on profit, but neutral in terms of liquidity, Porsche said Friday. The dissolution of the provisions won't lead to a further tax expense, the company added.

Last month, Porsche said the merger with Volkswagen, which was expected to be finalized in 2011, could be delayed until several legal and tax issues have been resolved.

Porsche stressed at the time that a combination of the companies will proceed, with the sale of its core sports-car operations to VW a possible alternative.

Porsche's owner families last month exercised their put option to sell the Austria-based sales and distribution business Porsche Holding Salzburg GmbH to Volkswagen for €3.3 billion. The sale was part of the complex merger plan with Volkswagen, which was signed last year after a power struggle spanning several years. Porsche initially tried to take over its much larger peer.

Fiat model to offer many options

Continued from page 17

more parts on hand so they can more quickly build a seat or interior combination and ship it to the plant within a few hours, Mr. Garberding said. The plant will also use a paint system that will allow a faster changeover in colors.

When orders begin coming in "we will see what the wish list is before we start building the cars so we can know ahead of time what the trend is going to be," Ms. Soave said.

Still, some customers may have to wait 30 days or more to get their cars.

Ms. Soave, a former **Volkswagen** AG and **Ford Motor** Co. executive, said she believes the urban consumers Chrysler is targeting will be willing to wait to get just the car they want.

"These are customers that are willing to wait for something that is truly unique and valuable to them, and not simply another commodity," Ms. Soave said. For those who don't want to wait, the company plans to hold a pool of the most popular versions that can be customized with features added on at dealerships, such a stripes and checkerboard decals on the roof.

The 500 has a starting price of about $15,000. Chrysler aims to sell about 50,000 a year.

The company plans to sell the 500 vehicles in major urban markets where most small cars are sold. New York, Miami, Chicago and Washington D.C. are expected to be Fiat's top five markets.

The 135 Fiat dealerships, or "studios" as Ms. Soave calls them are designed to immerse the customers in a modern Italian feel with tile and bold colors. More of a classic look than checkered-red and white tablecloths, she said.

A little knowledge of Italian will help to sort through the color choices. Ivory-and-black seats, for example, are "avorio-nero" white, while the bright red exterior-color choice is "rosso brilliante."

The 500 will feature a six-speed automatic transmission or a five-speed manual; a voice-activated stereo and information system; and large cup holders to cater to the U.S. market.

Despite the features and copious variations, Fiat's biggest challenge will be to persuade Americans to buy a tiny car—about five feet shorter than a Chevrolet Impala—at a time with sport-utility vehicles remain popular and gas prices are below of $3.25.

While the Mini Cooper from **BMW** AG remains popular, some other extra-small cars have struggled. **Daimler** AG, Chrysler's former parent, thought it had a hit with the two-seat Smart car but after strong first year, U.S. sales have tailed off.

The 500 also faces a few established competitors including Honda Motor Co.'s Fit and the arrival of the Fiesta subcompact from a resurgent Ford.

Ms. Soave counters that "the whole story of the Fiat isn't built just on fuel economy. Miniaturization is the new trend. People are trying to get just enough of what they need without excess and especially in the metro markets where we are selling those vehicles."

Chrysler hopes to keep Fiat 500 sales rising by adding a convertible version in the spring of 2011 followed by an electric-powered version in the fourth quarter of 2012.

Orphan drugs are safe niche, Shire believes

Bloomberg News

Orphan drugs, which are developed to treat rare conditions, account for some 30% of Shire's sales, Angus Russell said.

BY STEN STOVALL

LONDON—**Shire** PLC's Chief Executive Angus Russell says the U.K.'s third-biggest medicine maker has done well with its family of orphan drugs—a business model that offers a valuable niche market as the blockbuster drug era ends—and that he isn't worried by Big Pharma's attempts to muscle in on his territory.

In an interview, Mr. Russell said orphan drugs, which are specifically developed to treat rare medical conditions, now account for some 30% of Shire's sales—a level reached more quickly than the company had expected only a few months ago and compares with a level of only some 5% three years ago.

Shire, which changed its tax domicile from the U.K. to Irelsand in 2008, has capitalized on problems at **Genzyme** Corp., the world leader in rare disease treatments, with its Fabry disease drug Replagal taking market share from Genzyme's Fabrazyme, and its Gaucher medicine Vpriv replacing Cerezyme.

The treatment of rare medical conditions is an area that's being targeted more and more by Shire's bigger rivals, such as **GlaxoSmithKline** PLC, while **Sanofi-Aventis** SA is trying to buy Genzyme.

But Mr. Russell said he's okay with that trend. "Anybody putting money behind the treatment of rare diseases is a good thing from the point of view of the patient and the physicians who treat them."

"We already have leading positions in these markets—many of the disease populations that we treat are so small that the drugs used enjoy orphan protection, which means we have market exclusivity."

Orphan drug status in the U.S., Europe and Japan was designed to encourage drug makers to develop medicines for rare diseases. In Europe and Japan, drugs treating rare diseases have ten years worth of market exclusivity from their launch date, during which time competing drug makers can't enter with rival treatments. In the U.S., the effective period of exclusivity for orphan drugs is now 12 years.

"For these big companies entering this arena, there's also a big cultural challenge and it will be interesting to watch in that these markets are not scalable ... these can't be marketed in large volumes globally to very large patient populations like blockbuster drugs."

"We're on the exact opposite side of the spectrum with respect to that—we work with a very tiny, discreet patient population."

Asked whether he would "walk or talk" if Shire was approached by a big corporate predator in a similar way that U.S. biotech Genzyme was by French drug giant Sanofi, Mr. Russell replied: "We would have to talk if there was a big enough offer put on the table, [but] it would be very hard for me to see what Big Pharma would be offering us, to add significant value to what we do already."

He declined to comment when asked whether Shire has had any approaches recently.

In explaining why he moved the company's tax domicile to Ireland, Mr. Russell said: "It's a simple fact that around 3% to 4% of our revenues are generated in the U.K.—the rest comes from outside it."

Mr. Russell's comments come as Ireland is under increasing pressure to raise its corporate tax rate of 12.5%, one of the lowest in Europe, as a condition of receiving a bailout of its debt-ridden banking sector.

Asthma drug gives generics a big hurdle

BY JEANNE WHALEN

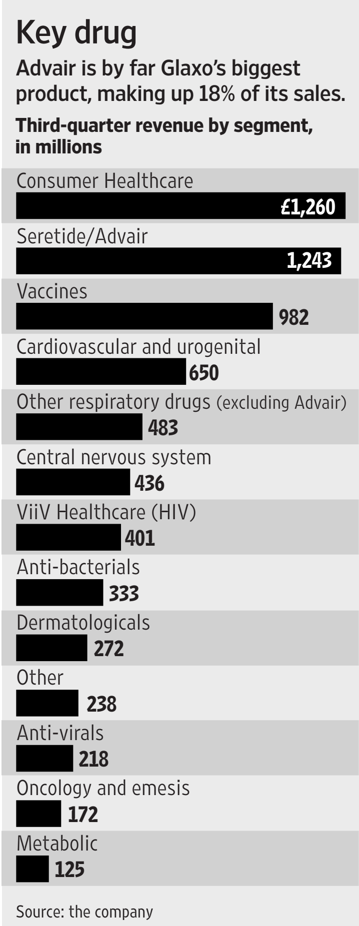
With a key patent on its top-selling asthma drug Advair expiring next year, **GlaxoSmithKline** should be bracing for a steep decline in the drug's sales as low-cost generics rush in to claim a big chunk of the market.

Instead, Glaxo is exuding unusual cockiness about its ability to protect Advair—the world's fourth-largest drug, with $8.1 billion in global sales—even after the second of two key patents expire in the U.S. late next year.

The reason: Advair is proving awfully hard to copy. And the inability of generic rivals to replicate it so far is giving Glaxo a surprising extended lease on its biggest drug.

The asthma treatment combines two drugs in a fine powder that's inhaled through an intricate device called a Diskus. Few generic companies have the know-how to make complicated inhaled drugs, and even the ones that do are finding it a tough task. The two largest generic-drug makers—**Teva Pharmaceutical Industries** Inc. and **Novartis** AG's Sandoz unit—have each hired a raft of Glaxo veterans to help them with the work.

The challenge illustrates a coming change in the generics wars. For years, the most profitable drugs—mostly pills made of chemicals—have been fairly easy for generics companies to copy, requiring a straightforward chemical synthesis. But the next wave includes more complicated inhaled drugs and others made of complex biological ingredients. Replicating them will require skills that many generics makers don't yet have.



Glaxo chief executive Andrew Witty recently thumbed his nose at generics rivals attempting to copy Advair. "We have seen all sorts of people stub their toe on what everybody thought was a very easy proposition," he said during a conference call with analysts last month. "I remain of the view that we are likely to have Advair as a very major product for GSK for a very long time."

The stakes are high. Advair, which is also approved to treat chronic obstructive pulmonary disease, or COPD, is by far Glaxo's biggest product, making up 18% of its sales and about a quarter of its earnings before interest and taxes. While generics companies scramble to copy the drug, Glaxo is racing to develop a successor product called Relovair, which some analysts have dubbed "Son of Advair." Glaxo hopes to start selling the drug by 2013, though the product could still fail in clinical testing.

For generic companies to get the U.S. Food and Drug Administration to approve an Advair copy, they must prove to the agency that the generic version enters the body in the exact same fashion as Advair does, and triggers the same response at the same dose level—something that's easy to show with a pill but hard to demonstrate with an inhaled drug.

Generics companies will need to do that if they want the FDA to deem their product "substitutable" for the original, meaning that a pharmacist could dispense the copy even if a patient had a prescription for Advair.

But because the U.S. regulatory hurdles are so high, Teva this month said it isn't attempting to develop a substitutable version of Advair for the U.S. market. Instead, it's focusing on developing a similar product that Teva would sell under a different brand name (and presumably at a lower price). Teva is hoping that frugal insurers will push their patients to switch to such a product, even if it's not an exact copy of Advair.

Teva's main rival, Sandoz, appears more confident about making exact copies of complicated asthma drugs. In a telephone interview, Sandoz chief Jeff George wouldn't say whether Sandoz is trying to copy Advair specifically, but said the firm believes "in the potential for a fully substitutable" combination drug for asthma and COPD in the U.S.

Sandoz has suffered some setbacks, however. In March, it scrapped a partnership with **Vectura Group** PLC, a U.K. company, to develop what was widely believed to be an Advair copy for the U.S. market. Sandoz didn't give a reason for the move, but analysts said it probably felt the product couldn't clear U.S. regulatory hurdles.

In April, Novartis snapped up Oriel Therapeutics, a privately held developer of asthma drugs that was founded by former Glaxo executives a stone's throw from Glaxo's R&D center in North Carolina. Analysts believe the companies are developing an Advair copy for the U.S.

Sandoz and Vectura continue to work on what analysts believe is an Advair copy for the European market, where the regulatory hurdles for winning "substitutable" status are lower. Teva is also working on a "substitutable" version of Advair for Europe, and plans to file for regulatory approval in 2012. Teva officials said this month that they expect the company's Advair copies to help boost Teva's respiratory-drug sales from a current $1 billion annually to a peak of at least $5 billion annually.

Approval seen for Novartis gender pact

BY CHAD BRAY

NEW YORK—A U.S. federal judge said Friday that she will likely approve a $175 million settlement of a closely watched gender-discrimination lawsuit involving **Novartis** AG's U.S. unit and its female sales force.

At a hearing Friday, U.S. District Judge Colleen McMahon in Manhattan said she expects to issue an opinion this week approving the settlement with Novartis Pharmaceuticals Corp., calling the pact "extraordinary."

Judge McMahon said one issue that she was still debating concerned additional payments that would go to plaintiffs who didn't testify at trial as part of the settlement. Under the agreement, the U.S. unit would pay about $152.5 million to a group of current and former female employees. The class includes about 6,200 women.

"It is the rare settlement where economic damages are compensated in full," the judge said.

As part of the settlement, Novartis Pharmaceuticals also agreed to implement a series of improvements over a three-year period, including revising its sexual-harassment policies and training and hiring an external specialist to identify and remedy gender disparities at the company. The program is estimated to be valued at $22.5 million.

The settlement followed a jury verdict in May which found the unit discriminated against female workers by giving them lower salaries and fewer chances for promotion.

AIG seeks to sell unit that leases rail cars

By Serena Ng And Anupreeta Das

American International Group Inc. has put its rail-car subsidiary on the auction block, another small step by the giant insurer as it seeks to shed noncore assets to repay its bailout and regain independence from government ownership.

AIG Rail Services Inc., a Chicago business that is part of AIG's financial-services division, was set up around five years ago and provides rail-car leases and equipment financing to shipping companies, railroads and others in the North American rail industry. The company, a relatively small player in this space, leases out tank cars and freight cars used for transporting fuel, commodities, building materials and other items.

AIG Rail's assets, which include more than 10,000 rail cars and leases on them, were recently put up for sale, according to people familiar with the matter. The assets have a book value, or net asset value, of roughly $660 million, and are being shopped to private-equity firms and other potential buyers who don't already have a presence in the rail-car leasing business, the people said. It is unclear what price AIG is seeking.

The government-controlled insurer is selling most of its noncore assets to raise cash to repay its taxpayer-funded bailout and restructure into a smaller company focused mainly on global property-and-casualty insurance and U.S. life insurance and retirement services.

AIG has completed more than $50 billion in asset sales—including foreign life-insurance units, an asset-management business and office towers. It also hopes to sell about $60 billion of its common stock to private investors in the next two years to repay the remainder of its bailout.

Existing rail-car leasing companies have been left out of the sale process for AIG Rail, says Brian Kenney, president and chief executive of GATX Corp. in Chicago. His company, which has expressed interest in the AIG assets and has tried to get information on them, has been expanding its fleet by scooping up rail cars during the economic downturn from companies in distress.

"I'm mystified as to why strategic buyers are being excluded from this auction process if AIG wants to get the best value for U.S. taxpayers," Mr. Kenney says.

An AIG spokesman said: "AIG is committed to repaying the American taxpayers and its transactions are pursued with this in mind."

A spokesman for **Bank of America** Corp., which is handling the sale, had no comment.

Other large rail-car lessors such as **First Union Rail** Corp. and **Greenbrier** Cos. have been adding to their portfolios amid expectations that the North American rail industry will rise strongly as the economy recovers. Industry players add that a private-equity firm or new entrant to the business may be more inclined to buy the whole company and its leasing platform, instead of just its physical assets.

U.S. officials prepare charges in vast insider-trading probe

Federal authorities, capping a three-year investigation, are preparing insider-trading charges that could ensnare consultants, investment bankers, hedge-fund and mutual-fund traders, and analysts across the nation, according to people familiar with the matter.

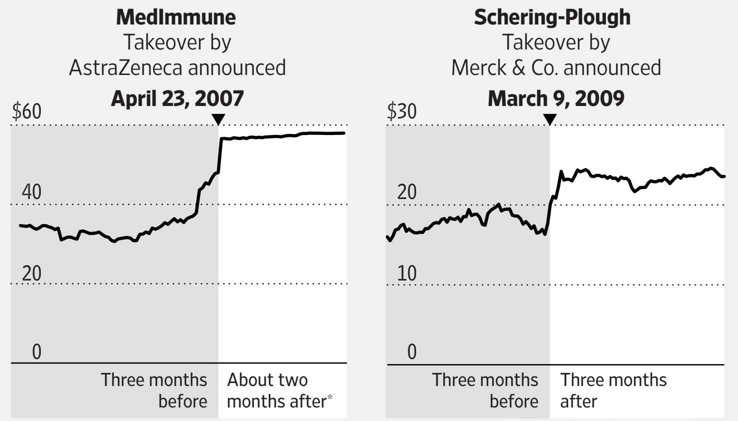
By Susan Pulliam, Michael Rothfeld, Jenny Strasburg and Gregory Zuckerman

"Today two fresh faced eager beavers from the FBI showed up unannounced (obviously) on my doorstep thoroughly convinced that my clients have been trading on copious inside information.... We obviously beg to differ, so have therefore declined the young gentleman's gracious offer to wear a wire and therefore ensnare you in their devious web."

John Kinnucan, of Broadband Research, in an Oct. 26 email to clients

Healthy gains

Shares of MedImmune and Schering-Plough before and after takeover plans were announced.



*No longer traded after acquisition

Source: FactSet Research Systems

The criminal and civil probes, which authorities say could eclipse the impact on the financial industry of any previous such investigation, are examining whether multiple insider-trading rings reaped illegal profits totaling tens of millions of dollars, the people say. Some charges could be brought before year-end, they say.

The investigations, if they bear fruit, have the potential to expose a culture of pervasive insider trading in U.S. financial markets, including new ways non-public information is passed to traders through experts tied to specific industries or companies, federal authorities say.

One focus of the criminal investigation is examining whether nonpublic information was passed along by independent analysts and consultants who work for companies that provide "expert network" services to hedge funds and mutual funds. These companies set up meetings and calls with current and former managers from hundreds of companies for traders seeking an investing edge.

Among the expert networks whose consultants are being examined, the people say, is **Primary Global Research** LLC, a Mountain View, Calif., firm that connects experts with investors seeking information in the technology, health-care and other industries.

"I have no comment on that," said Phani Kumar Saripella, Primary Global's chief operating officer.

Primary's chief executive and chief operating officers previously worked at **Intel** Corp., according to its website.

In another aspect of the probes, prosecutors and regulators are examining whether **Goldman Sachs Group** Inc. bankers leaked information about transactions, including health-care mergers, in ways that benefited certain investors, the people say. Goldman declined to comment.

Independent analysts and research boutiques also are being examined. John Kinnucan, a principal at **Broadband Research** LLC in Portland, Ore., sent an email on Oct. 26 to roughly 20 hedge-fund and mutual-fund clients telling of a visit by the Federal Bureau of Investigation.

"Today two fresh faced eager beavers from the FBI showed up unannounced (obviously) on my doorstep thoroughly convinced that my clients have been trading on copious inside information," the email said. "(They obviously have been recording my cell phone conversations for quite some time, with what motivation I have no idea.) We obviously beg to differ, so have therefore declined the young gentleman's gracious offer to wear a wire and therefore ensnare you in their devious web."

The email, which Mr. Kinnucan confirms writing, was addressed to traders at, among others: hedge-fund firms **SAC Capital Advisors** LP and **Citadel Asset Management**, and mutual-fund firms **Janus Capital Group**, **Wellington Management** Co. and **MFS Investment Management**.

SAC, Wellington and MFS declined to comment; Janus and Citadel didn't immediately comment. It isn't known whether clients are under investigation for their business with Mr. Kinnucan.

The investigations have been conducted by federal prosecutors in New York, the FBI and the Securities and Exchange Commission. Representatives of the Manhattan U.S. Attorney's office, the FBI and the SEC declined to comment.

Another aspect of the probe is an examination of whether traders at a number of hedge funds and trading firms, including **First New York Securities** LLC, improperly gained nonpublic information about pending health-care, technology and other merger deals, according to the people familiar with the matter.

Some traders at First New York, a 250-person trading firm, profited by anticipating health-care and other mergers unveiled in 2009, people familiar with the firm say.

A First New York spokesman said: "We are one of more than three dozen firms that have been asked by regulators to provide general information in a widespread inquiry; we have cooperated fully." He added: "We stand behind our traders and our systems and policies in place that ensure full regulatory compliance."

Key parts of the probes are at a late stage. A federal grand jury in New York has heard evidence, say people familiar with the matter. But as with all investigations that aren't completed, it is unclear what specific charges, if any, might be brought.

The action is an outgrowth of a focus on insider trading by Preet Bharara, the Manhattan U.S. Attorney. In an October speech, Mr. Bharara said the area is a "top criminal priority" for his office, adding: "Illegal insider trading is rampant and may even be on the rise." Mr. Bharara declined to comment.

Expert-network firms hire current or former company employees, as well as doctors and other specialists, to be consultants to funds making investment decisions. More than a third of institutional investment-management firms use expert networks, according to a late 2009 survey by Integrity Research Associates in New York.

The consultants typically earn several hundred dollars an hour for their services, which can include meetings or phone calls with traders to discuss developments in their company or industry.

The expert-network companies say internal policies bar their consultants from disclosing confidential information.

Generally, inside traders profit by buying stocks of acquisition targets before deals are announced and selling after the targets' shares rise in value.

The SEC has been investigating potential leaks on takeover deals going back to at least 2007 amid an explosion of deals leading up to the financial crisis. The SEC sent subpoenas last autumn to more than 30 hedge funds and other investors.

Some subpoenas were related to trading in **Schering-Plough** Corp. stock before its takeover by **Merck** & Co. in 2009, say people familiar with the matter. Schering-Plough stock rose 8% the trading day before the deal plan was announced and 14% the day of the announcement.

Merck said it "has a long-standing practice of fully cooperating with any regulatory inquiries and has explicit policies prohibiting the sharing of confidential information about the company and its potential partners."

Transactions being focused on include **MedImmune** Inc.'s takeover by **AstraZeneca** PLC in 2007, the people say. MedImmune shares jumped 18% on April 23, 2007, the day the deal was announced. A spokesman for AstraZeneca and its MedImmune unit declined to comment.

Investigators are also examining the role of Goldman bankers in trading in shares of **Advanced Medical Optics** Inc., which was taken over by **Abbott Laboratories** in 2009, according to the people familiar with the matter. Advanced Medical Optics's shares jumped 143% on Jan. 12, 2009, the day the deal was announced. Goldman advised MedImmune and Advanced Medical Optics on the deals.

A spokesman for AstraZeneca and its MedImmune unit declined to comment.

In subpoenas, the SEC has sought information about communications—related to Schering-Plough and other deals—with **Ziff Brothers**, **Jana Partners** LLC, **TPG-Axon Capital Management**, **Prudential Financial** Inc.'s Jennison Associates asset-management unit, **UBS** AG's UBS Financial Services Inc. unit, and **Deutsche Bank** AG, according to subpoenas and the people familiar with the matter.

Representatives of Ziff Brothers, Jana, TPG-Axon, Jennison, UBS and Deutsche Bank declined to comment.

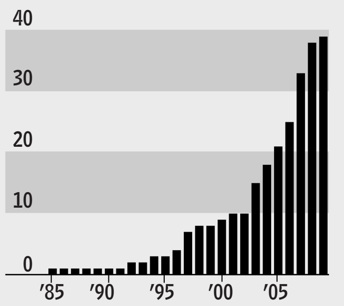
Among hedge-fund managers whose trading in takeovers is a focus of the criminal probe is Todd Deutsch, a top Wall Street trader who left **Galleon Group** in 2008 to go out on his own, the people close to the situation say. A spokesman for Mr. Deutsch, who has specialized in health-care and technology stocks, declined to comment.

Prosecutors also are investigating whether some hedge-fund traders received inside information about **Advanced Micro Devices** Inc., which figured prominently in the government's insider-trading case last year against Galleon Group hedge fund founder Raj Rajaratnam and 22 other defendants.

Fourteen defendants have pleaded guilty in the Galleon case; Mr. Rajaratnam has pleaded not guilty and is expected to go to trial in early 2011. An AMD spokesman declined to comment.

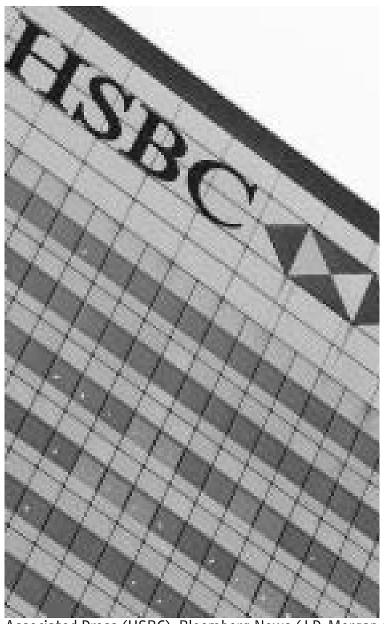
Expert edge?

The number of 'expert network' firms, which supply consultants to investors, has exploded.



Source: Integrity Research Associates

BUSINESS & FINANCE



Associated Press (HSBC), Bloomberg News (J.P. Morgan Chase), Reuters (Bank of America)

Strain seen as banks reduce embassy work

Some of the largest banks in the U.S. are exiting or scaling back their dealings with foreign embassies and missions in the country because of the burden of complying with money-laundering regulations.

*By **Matthias Rieker, Joseph Palazzolo** and **Victoria McGrane***

The moves could strain U.S. foreign relations. The State Department said about 40 countries have been affected, 16 of which are African nations. The department next week will host a briefing by banking regulators for the heads of embassies and missions affected. A spokesman said the department is fully engaged in the issue, seeking a solution to what it sees as a problem that could have implications for U.S. diplomacy and security.

"It's a commercial decision, but clearly it has ramifications for diplomatic relations," said Mark Toner, acting deputy spokesman for the State Department. "We want these foreign missions to be able to carry out their normal diplomatic functions here in the U.S."

In at least 150 letters sent Sept. 30 addressed to ambassadors, **J.P. Morgan Chase** & Co. said the bank "has made the decision to close its division that serves diplomatic and foreign government entities." The bank said the decision "does not reflect on your organization" and only affects business accounts, not personal accounts. The bank set a March 31, 2011, deadline for the closure of accounts, according to a copy of the letter.

Embassies are like small businesses for banks. They use services such as cash management and payroll management, and take out loans.

Citigroup Inc. is contemplating severing ties with some embassies, while **Bank of America** Corp. and **HSBC Holdings** PLC's HSBC Bank USA already have started doing so, according to people familiar with the matter.

Bank of America informed the Angolan Embassy in Washington in late October that it would close its accounts, which it did Nov. 9, the State Department said.

Speaking on behalf of all Angolan diplomatic missions, Ambassador Ismael A. Gaspar Martins, head of the Angola mission to the United Nations, said the bank account closures strain its relations with the U.S.

"It creates a situation which we were never expecting, especially because diplomatic missions are supposed to be protected," he said. "Without bank accounts, we find it very difficult to function."

A Bank of America representative said, "We cannot comment on specific client relationships" but "we are actively committed to providing banking services for diplomatic communities." Citigroup said it doesn't comment on its business relationships with specific embassies. HSBC said it conducts some embassy banking but wouldn't comment on future business plans.

Renewed emphasis from lawmakers and regulators to enforce money-laundering regulations has raised costs for banks, which historically enjoyed the prestige of dealing with foreign countries and dignitaries.

"It's not worth it to them," said Edwin M. Truman, a scholar with the Peterson Institute for International Economics who has studied money laundering. "Unless they're in it for the wrong reasons, they don't make a lot of money off these accounts."

Mr. Truman said he is surprised that it has taken banks this long to start pulling out of business with certain countries. He pointed to a 2004 report spearheaded by Sen. Carl Levin (D., Mich.) that disclosed that Riggs National Bank in Washington, which had significant embassy-banking business, helped former Chilean dictator Augusto Pinochet hide millions of dollars. That incident essentially brought the bank down.

HSBC bought a considerable part of Riggs's embassy business in 2005, and a short time later added Wachovia Corp.'s embassy-banking business. Last month, the Federal Reserve and the Office of the Comptroller of the Currency ordered the British bank to improve its money-laundering compliance at its U.S. banking subsidiary, though embassy banking wasn't mentioned in HSBC's consent order.

Still, "everybody among the large banks took notice" of the consent order, said a person familiar with the matter.

In the wake of the Sept. 11, 2001, terrorist attacks, the U.S. adopted policies to crack down on corrupt regimes and other illicit activity. Since then, pressure has been building on banks from lawmakers and regulators to comply with these rules, though the financial crisis shifted priorities. The enforcement action signals a return of U.S. banking regulators to matters of cross-border banking activities.

Banks have to identify clients, called "know-your-customer" rules, and track the source and purpose of financial transactions. If they can't verify deposits or transactions, banks have to file reports on suspicious activity with the Financial Crimes Enforcement Network.

The 2001 Patriot Act strengthened laws, making it an offense to knowingly accept the proceeds of foreign corruption. The law also requires all U.S. financial-services firms to establish money-laundering programs and to beef up scrutiny of private banking accounts opened for senior foreign political figures, their relatives and close associates.

"If we want to credibly lead efforts to stop illegal money abroad—corrupt proceeds, terrorist financing, drug trafficking and more—we've got to enforce our own high standards here at home," Sen. Levin said in a statement.

Sen. Levin, who is chairman of the U.S. Senate Permanent Subcommittee on Investigations, has been investigating banks' compliance with anticorruption laws for the last decade. In reports and hearings, Sen. Levin has criticized regulators for not doing enough to enforce laws on banks.

Regulators, including the Federal Reserve and the Office of the Comptroller of the Currency, appear to have responded to the pressure from Sen. Levin. His committee's most recent report, from February, found that since 2005 U.S. bank regulators have "strengthened" their oversight of money-laundering compliance at the banks they oversee.

"We haven't discouraged national banks from providing services to embassies," said an OCC spokesman, but the agency is committed to ensuring banks have the proper controls in place.

Who will make the first pharma M&A move?

[Think Again]

A SECOND LOOK AT SECTORS AND STOCKS

It is clear big pharma will face a triple whammy of problems—patent expiration, regulation and health-spending restrictions—in the coming years, and large-scale mergers and acquisitions should come back onto the agenda after a relatively quiet 2010.

But midsize players may be waiting for one of the big guns to make a move before pulling the M&A trigger themselves. The problem is, some of the largest pharmaceutical companies—Switzerland's **Roche Holding** and **Pfizer** and **Merck** & Co. of the U.S.—are busy integrating big acquisitions done in 2009.

A report from Moody's lists increasing exposure to vital patent expirations, high regulatory hurdles to drug approval, and "austerity" measures as health care is overhauled around the world as three reasons why the credit rater has a negative outlook on the industry as a whole.

Moody's expects more M&A next year as companies grapple with these problems.

The rating provider says debt will likely be a big source of financing. "We have seen some levering up over the past year, and this has generally translated into ratings downgrades. But pharma is still under-levered compared with other industries," says Moody's senior analyst Marie Fischer-Sabatie.

The key additional question is how much headroom there is for debt-financed takeovers for the likes of Pfizer, which has gross debt of 1.9 times reported earnings before interest tax, depreciation and amortization. Patent issues may be pressing, but there is far less of a cushion now to fund M&A without credit-rating consequences, Moody's says.

Roche could be another leading indicator. "Small, bolt-on acquisitions could be accommodated within [Roche's] A2 rating category, but we would expect the company to focus on deleveraging" following its $46.8 billion purchase of **Genentech**, Ms. Fischer-Sabatie says.

So is it the case that all the main players know they will be hit by patent expirations and a thin pipeline in the coming years, and realize that if they do nothing they will just struggle together and the status quo will be maintained? That probably is too cynical a view.

But it is a fact that **Eli Lilly** & Co. and the U.K.'s **GlaxoSmithKline**—whose exposure to patent expirations and challenges in the next three years amount to 40% and 32% of sales, respectively—have been resolute in their rejection of M&A as a means of growing their way out of trouble.

Ms. Fischer-Sabatie expects consolidation in generics and consumer health as pharma tries to diversify, as well as in emerging markets and vaccines.

—Jacob Plieth

Bloomberg News

A Carrefour hypermarket in Bangkok

Carrefour's Asian groceries

Carrefour sold its stores in Thailand, and tried but failed to do the same in Malaysia. Leaving both markets would have been the better outcome, given a weak Malaysian market position, but now the French grocer must decide on a strategy for its 23 stores there.

Carrefour should look at Malaysia like a quasi-private-equity investment. Management must set itself a deadline of five years to become a legitimate contender with the two biggest hypermarket chains. If that proves impossible, sell at whatever price and move on.

Carrefour doesn't break out information on its Malaysian sales, but data from market research firm Euromonitor suggest 2009 revenue of roughly $450 million, about 5% of Carrefour's Asian revenue.

Food retailing is fiercely competitive, scale-driven and capital-intensive.

Operating profit margins rarely break 7%. Market leaders grab the bulk of profit, which encourages consolidation.

In this light, Carrefour's €868 million ($1.19 billion) Thailand deal, at 13 times trailing earnings before tax, interest, depreciation and amortization, was a minor masterpiece.

Expectations were that Thailand, Malaysia and Singapore combined would only fetch $1 billion.

Given the undisclosed but poor prices offered for its Malaysian assets, it might still be worth fighting for share.

Carrefour is in third place in Malaysia with an 18% share. The gap between first-place **Dairy Farm International Holdings** and Carrefour is 25 percentage points—big, but much more manageable than the first-third place gap of 40 percentage points in Thailand before Carrefour surrendered.

—Robert Armstrong

Think Again uses material from Dow Jones Investment Banker. For more information, visit www.dowjones.com/banker.

Furno of Nemesis is a fan of REITs

By Tara Loader Wilkinson

Pier Alberto Furno, chief executive of Nemesis Asset Management, makes the case for real-estate investment trusts.

WSJ: What are your thoughts on the current market?

Mr. Furno: Despite the recent upward market move, fueled by the euphoria of quantitative easing 2 rather than sound economic data, I remain more worried now about one particular scenario unfolding from the sovereign-debt contagion than ever before. The only credible solution to the global credit crisis is the return of global inflation. Just look what the price of gold and the CRB commodity index have been telling us.

WEALTH MANAGER Q&A

WSJ: How will investors be affected?

Mr. Furno: Sadly, investors, after being devastated in real estate and equities, have fallen in love with bonds and under such an inflationary scenario the outcome will be wealth destruction on a level rarely seen before.

WSJ: What are you advising clients to do?

Mr. Furno: To try and protect ourselves from such a scenario, we search for companies that are rich in real assets and could benefit from an inflationary environment. REITs is one of the asset classes where we have identified these criteria.

Maitland

Pier Alberto Furno

WSJ: Some are saying real estate is approaching bubble territory.

Mr. Furno: I believe it is often in the controversial, out of favor...sectors that some of the best investment opportunities can be found.

WSJ: How can investors seek exposure?

Mr. Furno: Real estate comes in different shapes and forms: mall owners and operators, prime-location underdeveloped land, commercial or residential and pure REITs. Our main investments are in the following companies: **General Growth Properties**, the larger mall operator in the U.S.; **Winthrop**, the REIT controlled by Michael Ashner, and **St. Joe**, the largest owner of underdeveloped land in Florida.

For the euro, a separate path may be next

By Bradley Davis

It might be time for some currencies to go their own way.

The risk-on, risk-off paradigm in which currencies with similar yields tend to advance or retreat en masse shows signs of weakening as the global recovery lurches forward at divergent speeds.

CURRENCY MARKETS

The break in typical risk-on, risk-off trading could become more common as China and the economies closely tied to it continue to march ahead, while the U.S. is weighed down by questions over its own growth and the Federal Reserve's dollar-diluting easing program.

Meanwhile, the specter of a default within the euro zone keeps the euro vulnerable to swings based on headlines coming out of countries such as Ireland.

"The euro-zone sovereign-debt problem is going to be around for years," said Robert Lynch, currency strategist at HSBC in New York, and the effects of the Fed's asset-purchase program have yet to fully play out.

Looking at the euro-dollar pair, then, might not be the best way to take the temperature of general market sentiment, or the willingness to take risk. "The very different backdrop in Europe and the U.S.," compared with the full-speed-ahead growth in emerging markets, means that the even though the euro might average around $1.35 over the next few months, "you could have significant swings around that depending on when the market's attention is focused on deficiencies in the euro zone, or [when it's on] the difficult backdrop in the United States," Mr. Lynch said.

Friday, the euro which typically moves in concert with the higher-yielding currencies considered riskier, posted a modest gain against the dollar, benefiting from Ireland's move closer to accepting a fiscal lifeline.

Late Friday, the euro was at $1.3685 from $1.3628 late Thursday. The dollar was at 83.48 yen from 83.51 yen.

FUND SCORECARD

Eurozone Small-Cap Equity

Funds that invest primarily in the equities of small-cap companies from the 12 Eurozone countries. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending November 19, 2010

Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	YTD (% Return in $US**)	1-YR	2-YR	5-YR
2	**HiQ Fundamental Value**	HiQ Invest	EUR	NLD	**26.21**	26.04	36.83	NS
NS	**LBBW Dividenden Strategie Small&MidCaps**	LBBW Asset Management Investment GmbH	EUR	DEU	**24.20**	25.25	36.90	NS
3	**BNY Mellon Small Cap Euroland A EUR**	BNY Mellon Asset Management	EUR	IRL	**22.10**	24.80	29.78	3.29
4	**Objectif Small Caps Euro A A/I**	Lazard Frères Gestion	EUR	FRA	**25.66**	24.63	29.91	5.12
5	**Groupama Avenir Euro I**	Groupama Asset Management	EUR	FRA	**23.34**	23.82	29.02	5.41
3	**Value Invest**	Financière de l'Echiquier	EUR	FRA	**22.68**	21.60	18.42	0.23
NS	**ICM Portfolio – Select**	Alceda Fund Management S.A.	EUR	LUX	**22.37**	21.49	19.90	NS
5	**Generali IS Small&Mid Cap Euro Eqs AY**	Generali Investments Sicav	EUR	LUX	**17.90**	20.11	31.16	NS
2	**GVC Gaesco Small Caps FI**	GVC Gaesco Gestión	EUR	ESP	**17.49**	19.40	31.00	-1.10
4	**Prévoir Perspectives**	Société de Gestion Prévoir	EUR	FRA	**16.19**	18.56	24.10	4.27

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
1 Oliver's Yard, 55-71 City Road
London EC1Y 1HQ United Kingdom
www.morningstar.co.uk; **Email**: mediaservice@morningstar.com
Phone: +44 (0)203 107 0038; **Fax**: +44 (0)203 107 0001

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Blend Portfolio A	US	EQ	LUX	11/18	USD	10.82	4.3	3.8	17.6
Am Blend Portfolio I	US	EQ	LUX	11/18	USD	12.81	4.8	4.5	18.4
Am Growth A	US	EQ	LUX	11/18	USD	32.11	2.8	3.9	25.0
Am Growth B	US	EQ	LUX	11/18	USD	26.76	1.9	2.9	23.7
Am Growth I	US	EQ	LUX	11/18	USD	35.84	3.5	4.8	26.0
Am Income A	OT	OT	LUX	11/18	USD	8.95	11.3	12.2	22.5
Am Income A2	OT	OT	LUX	11/18	USD	21.25	11.6	12.3	22.5
Am Income B	OT	OT	LUX	11/18	USD	8.95	10.6	11.4	21.5
Am Income B2	OT	OT	LUX	11/18	USD	18.20	10.9	11.5	21.6
Am Income I	OT	OT	LUX	11/18	USD	8.95	11.8	12.8	23.2
Emg Mkts Debt A	GL	BD	LUX	11/18	USD	16.76	13.4	14.1	35.3
Emg Mkts Debt A2	GL	BD	LUX	11/18	USD	22.87	13.7	14.1	35.2
Emg Mkts Debt B	GL	BD	LUX	11/18	USD	16.76	12.5	13.1	34.0
Emg Mkts Debt B2	GL	BD	LUX	11/18	USD	21.83	12.8	13.0	33.9
Emg Mkts Debt I	GL	BD	LUX	11/18	USD	16.76	13.9	14.7	36.0
Emg Mkts Growth A	GL	EQ	LUX	11/18	USD	38.63	11.5	13.9	44.9
Emg Mkts Growth B	GL	EQ	LUX	11/18	USD	32.45	10.5	12.7	43.5
Emg Mkts Growth I	GL	EQ	LUX	11/18	USD	43.13	12.3	14.8	46.1
Eur Income A	OT	OT	LUX	11/18	EUR	6.90	9.6	10.3	21.0
Eur Income A2	OT	OT	LUX	11/18	EUR	14.17	10.1	10.4	21.1
Eur Income B	OT	OT	LUX	11/18	EUR	6.90	9.0	9.6	20.3
Eur Income B2	OT	OT	LUX	11/18	EUR	13.09	9.4	9.5	20.2
Eur Income I	OT	OT	LUX	11/18	EUR	6.90	10.1	10.9	21.7
Eur Strat Value A	EU	EQ	LUX	11/18	EUR	9.00	5.5	6.8	14.0
Eur Strat Value I	EU	EQ	LUX	11/18	EUR	9.27	6.1	7.4	14.9
Eur Value A	EU	EQ	LUX	11/18	EUR	9.67	5.1	6.5	15.9
Eur Value B	EU	EQ	LUX	11/18	EUR	8.82	4.3	5.4	14.7
Eur Value I	EU	EQ	LUX	11/18	EUR	11.25	5.9	7.3	16.8
EuroZone Strat Val AX	EU	EQ	LUX	11/18	EUR	7.88	12.1	12.9	17.6
EuroZone Strat Val BX	EU	EQ	LUX	11/18	EUR	7.03	11.2	11.9	16.5
EuroZone Strat Val IX	EU	EQ	LUX	11/18	EUR	8.65	12.8	13.8	18.5
Gl Balanced (Euro) A	EU	BA	LUX	11/18	USD	16.48	NS	NS	NS
Gl Balanced (Euro) B	EU	BA	LUX	11/18	USD	15.92	NS	NS	NS
Gl Balanced (Euro) C	EU	BA	LUX	11/18	USD	16.31	NS	NS	NS
Gl Balanced (Euro) I	EU	BA	LUX	11/18	USD	16.89	NS	NS	NS
Gl Balanced A	US	BA	LUX	11/18	USD	17.23	4.6	4.0	17.3
Gl Balanced B	US	BA	LUX	11/18	USD	16.24	3.6	2.9	16.1
Gl Balanced I	US	BA	LUX	11/18	USD	17.98	5.2	4.7	18.1
Gl Bond A	OT	OT	LUX	11/18	USD	9.59	7.3	7.1	12.5
Gl Bond A2	OT	OT	LUX	11/18	USD	17.20	7.4	7.1	12.5
Gl Bond B	OT	OT	LUX	11/18	USD	9.59	6.4	6.0	11.5
Gl Bond B2	OT	OT	LUX	11/18	USD	14.93	6.5	6.0	11.4
Gl Bond I	OT	OT	LUX	11/18	USD	9.59	7.7	7.6	13.1
Gl Conservative A	US	BA	LUX	11/18	USD	15.31	4.6	4.2	12.4
Gl Conservative A2	US	BA	LUX	11/18	USD	17.71	4.6	4.2	12.5
Gl Conservative B	US	BA	LUX	11/18	USD	15.29	3.7	3.2	11.4
Gl Conservative B2	US	BA	LUX	11/18	USD	16.68	3.7	3.2	11.4
Gl Conservative I	US	BA	LUX	11/18	USD	15.41	5.2	4.9	13.3
Gl Eq Blend A	GL	EQ	LUX	11/18	USD	11.91	2.1	1.4	19.4
Gl Eq Blend B	GL	EQ	LUX	11/18	USD	11.08	1.2	0.4	18.3
Gl Eq Blend I	GL	EQ	LUX	11/18	USD	12.65	2.8	2.2	20.4
Gl Growth A	GL	EQ	LUX	11/18	USD	43.48	3.7	3.4	19.1
Gl Growth B	GL	EQ	LUX	11/18	USD	35.98	2.9	2.4	18.0
Gl Growth I	GL	EQ	LUX	11/18	USD	48.62	4.5	4.3	20.1
Gl High Yield A	OT	OT	LUX	11/18	USD	4.65	14.5	17.7	37.9
Gl High Yield A2	OT	OT	LUX	11/18	USD	10.65	15.0	17.8	37.8
Gl High Yield B	OT	OT	LUX	11/18	USD	4.65	13.5	16.5	36.3
Gl High Yield B2	OT	OT	LUX	11/18	USD	16.98	14.1	16.7	36.4
Gl High Yield I	OT	OT	LUX	11/18	USD	4.65	15.0	18.4	38.8
Gl Thematic Res A	GL	EQ	LUX	11/18	USD	16.66	13.1	12.9	45.6
Gl Thematic Res B	GL	EQ	LUX	11/18	USD	14.44	12.0	11.7	44.1
Gl Thematic Res I	GL	EQ	LUX	11/18	USD	18.70	13.8	13.7	46.8
Gl Value A	GL	EQ	LUX	11/18	USD	11.24	0.9	-0.2	20.0
Gl Value B	GL	EQ	LUX	11/18	USD	10.24	0.0	-1.2	18.8
Gl Value I	GL	EQ	LUX	11/18	USD	12.04	1.6	0.7	21.0
India Growth A	EA	EQ	LUX	11/18	USD	151.11	19.1	21.6	NS
India Growth AX	EA	EQ	LUX	11/18	USD	132.42	19.4	22.0	56.0
India Growth B	EA	EQ	LUX	11/18	USD	156.91	18.0	20.4	NS
India Growth BX	EA	EQ	LUX	11/18	USD	112.20	18.3	20.8	54.5
India Growth I	EA	EQ	LUX	11/18	USD	137.84	19.9	22.6	56.7
Int'l Health Care A	OT	EQ	LUX	11/18	USD	134.51	-2.2	0.9	8.4
Int'l Health Care B	OT	EQ	LUX	11/18	USD	112.46	-3.0	-0.1	7.3
Int'l Health Care I	OT	EQ	LUX	11/18	USD	148.00	-1.5	1.7	9.2
Int'l Technology A	OT	EQ	LUX	11/18	USD	123.20	11.6	16.1	34.6
Int'l Technology B	OT	EQ	LUX	11/18	USD	105.82	10.7	15.0	33.2
Int'l Technology I	OT	EQ	LUX	11/18	USD	139.11	12.4	17.1	35.6
Japan Blend A	JP	EQ	LUX	11/18	JPY	5795.00	-3.8	4.7	6.4
Japan Growth A	JP	EQ	LUX	11/18	JPY	5453.00	-7.2	0.1	0.5
Japan Growth I	JP	EQ	LUX	11/18	JPY	5651.00	-6.5	0.9	1.3
Japan Strat Value A	JP	EQ	LUX	11/18	JPY	6143.00	0.4	9.7	12.6
Japan Strat Value I	JP	EQ	LUX	11/18	JPY	6351.00	1.1	10.6	13.5
Real Estate Sec. A	OT	EQ	LUX	11/18	USD	16.14	12.5	13.9	32.7
Real Estate Sec. B	OT	EQ	LUX	11/18	USD	14.62	11.4	12.8	31.3
Real Estate Sec. I	OT	EQ	LUX	11/18	USD	17.47	13.3	14.9	33.7
Short Mat Dollar A	US	BD	LUX	11/18	USD	7.40	4.1	5.4	6.8
Short Mat Dollar A2	US	BD	LUX	11/18	USD	10.21	4.3	5.4	6.7
Short Mat Dollar B	US	BD	LUX	11/18	USD	7.40	3.7	5.0	6.3
Short Mat Dollar B2	US	BD	LUX	11/18	USD	10.12	3.9	4.9	6.3
Short Mat Dollar I	US	BD	LUX	11/18	USD	7.40	4.6	6.0	7.4
US Thematic Portfolio A EUR H	US	EQ	LUX	11/18	EUR	17.51	NS	NS	NS
US Thematic Portfolio B EUR H	US	EQ	LUX	11/18	EUR	17.45	NS	NS	NS
US Thematic Portfolio C EUR H	US	EQ	LUX	11/18	EUR	17.49	NS	NS	NS
US Thematic Portfolio I EUR H	US	EQ	LUX	11/18	EUR	17.56	NS	NS	NS
US Thematic Research A	US	EQ	LUX	11/18	USD	9.78	14.7	14.7	23.1
US Thematic Research B	US	EQ	LUX	11/18	USD	8.92	13.6	13.5	21.8
US Thematic Research I	US	EQ	LUX	11/18	USD	10.60	15.5	15.6	24.1
■ BANC INTERNACIONAL D'ANDORRA. BANCA MORA.									
Avgd. Meritxell 96, Andorra la Vella. Andorra. Ph. +376.884884 www.bibm.ad									
Andfs. Anglaterra	UK	EQ	AND	11/16	GBP	8.47	2.8	3.6	14.9
Andfs. Borsa Global	GL	EQ	AND	11/18	EUR	6.38	-1.8	0.0	6.0
Andfs. Emergents	GL	EQ	AND	11/18	USD	18.11	4.3	3.2	41.7

12-month and 2-year returns may be calculated over 11- and 23-month periods pending receipt and publication of the last month end price.

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	08/31	USD	2174.86	28.6	51.1	47.6
■ D'AURIOL FUNDS WWW.DAURIOL.BIZ									
2 FUNDS OF FUNDS OF HEDGE FUNDS									
D'Auriol Alt Non-Lev A	OT	OT	CYM	10/29	EUR	100.66	-0.4	-0.4	-1.9
D'Auriol Opp F3 EUR	OT	OT	CYM	09/30	EUR	954.33	-3.5	-3.7	-9.1
■ HERMITAGE CAPITAL MANAGEMENT LTD.									
Tel: +7501 258 3160 www.hermitagefund.com									
The Hermitage Fund	GL	EQ	JEY	03/12	USD	963.12	4.5	105.6	-23.2
■ HORSEMAN CAPITAL MANAGEMENT LTD.									
T: +44(0)20 7838 7580, F: +44(0) 20 7838 7590, www.horsemancapital.com									
Horseman EmMkt Opp EUR	GL	EQ	USA	01/31	EUR	187.60	-23.2	-21.7	-7.7
Horseman EmMkt Opp USD	GL	EQ	USA	01/31	USD	194.78	-24.5	-22.7	-9.1
Horseman EurSelLtd EUR	EU	EQ	GBR	10/29	EUR	216.31	10.9	17.9	2.9
Horseman EurSelLtd USD	EU	EQ	GBR	10/29	USD	229.09	13.5	20.7	3.9
Horseman Glbl Ltd EUR	GL	EQ	CYM	10/29	USD	416.30	12.3	10.3	-5.3
Horseman Glbl Ltd USD	GL	EQ	CYM	10/29	USD	416.30	12.3	10.3	-5.3
■ HSBC ALTERNATIVE INVESTMENTS LIMITED									
T +44 20 7860 3074 F + 44 20 7860 3174 www.hail.hsbc.com									
HSBC Absolute Companies									
Global Absolute	OT	OT	GGY	03/31	GBP	1.11	2.9	16.5	0.6
Global Absolute EUR	OT	OT	GGY	05/13	EUR	1.56	2.8	14.2	NS
Global Absolute USD	OT	OT	GGY	03/31	USD	2.05	2.8	15.2	0.3
■ HSBC ALTERNATIVE STRATEGY FUND									
Special Opp EUR	OT	OT	CYM	09/30	EUR	91.12	-1.7	1.9	NS
Special Opp Inst EUR	OT	OT	CYM	09/30	EUR	86.52	-1.2	2.5	NS
Special Opp Inst USD	OT	OT	CYM	09/30	USD	98.53	-0.9	2.7	NS
Special Opp USD	OT	OT	CYM	09/30	USD	95.98	-1.5	2.0	NS
■ HSBC Portfolio Selection Fund									
GH Fund AP	OT	OT	GGY	04/30	EUR	120.82	3.5	-13.4	-3.8
GH Fund CHF Hdg	OT	OT	GGY	09/30	CHF	111.86	1.8	2.0	NS
GH Fund EUR Hdg (Non-V)	OT	OT	GGY	04/30	EUR	109.43	2.9	-15.9	-5.9
GH Fund GBP Hdg	OT	OT	GGY	09/30	GBP	134.16	2.5	2.8	NS
GH Fund Inst USD	OT	OT	GGY	09/30	USD	113.93	2.8	3.3	NS
GH FUND S EUR	OT	OT	CYM	09/30	EUR	130.94	3.1	3.8	NS
GH FUND S GBP	OT	OT	GGY	09/30	GBP	136.14	3.5	4.1	NS
GH Fund S USD	OT	OT	CYM	09/30	USD	153.79	3.3	3.9	NS
GH Fund USD	OT	OT	GGY	09/30	USD	277.42	2.2	2.5	NS
Hedge Investments	OT	OT	JEY	08/31	USD	139.81	NS	3.4	NS
Leverage GH USD	OT	OT	GGY	09/30	USD	121.63	2.7	3.0	NS
MultiAdv Arb CHF Hdg	OT	OT	JEY	09/30	CHF	95.62	1.5	3.0	NS
MultiAdv Arb EUR Hdg	OT	OT	JEY	09/30	EUR	104.51	1.9	3.7	NS
MultiAdv Arb GBP Hdg	OT	OT	JEY	09/30	GBP	112.84	1.6	3.3	NS
MultiAdv Arb S EUR	OT	OT	CYM	09/30	EUR	112.88	2.5	4.5	NS
MultiAdv Arb S GBP	OT	OT	CYM	09/30	GBP	118.35	3.1	5.1	NS
MultiAdv Arb S USD	OT	OT	CYM	09/30	USD	128.94	2.4	4.3	NS
MultiAdv Arb USD	OT	OT	JEY	09/30	USD	196.86	1.8	3.5	NS
■ HSBC Uni-folio									
Asian AdbantEdge EUR	OT	OT	JEY	10/29	EUR	100.12	0.8	1.4	6.0
Asian AdvantEdge	OT	OT	JEY	10/29	USD	184.48	1.0	1.6	6.4
Emerg AdvantEdge	OT	OT	JEY	10/29	USD	170.90	2.1	3.7	2.7
Emerg AdvantEdge EUR	OT	OT	JEY	10/29	EUR	94.66	1.6	3.3	0.6
Europ AdvantEdge EUR	OT	OT	JEY	10/29	EUR	130.56	-1.6	-3.0	3.2
Europ AdvantEdge USD	OT	OT	JEY	10/29	USD	138.52	-1.8	-3.1	4.1
Real AdvantEdge EUR	OT	OT	JEY	10/29	EUR	108.43	0.2	1.1	NS
Real AdvantEdge USD	OT	OT	JEY	10/29	USD	109.40	1.0	1.9	NS
Trading Adv JPY	OT	OT	GGY	07/30	JPY	9414.60	2.1	-1.0	NS
Trading AdvantEdge	OT	OT	GGY	10/29	USD	151.01	7.6	5.4	2.7
Trading AdvantEdge EUR	OT	OT	GGY	10/29	EUR	136.27	7.0	4.6	2.4
Trading AdvantEdge GBP	OT	OT	GGY	10/29	GBP	145.28	7.9	5.7	3.3
■ MERIDEN GROUP									
Tel: + 376 741 175 Fax: + 376 741 183 Email: meriden@meriden-ipm.com									
Antanta Combined Fund	EE	EQ	AND	11/12	USD	410.26	11.2	18.2	38.8
Antanta MidCap Fund	EE	EQ	AND	11/12	USD	836.91	17.9	33.3	56.4
Meriden Opps Fund	GL	OT	AND	10/27	EUR	44.28	-26.2	-35.4	-30.9
Meriden Protective Div	GL	EQ	AND	09/01	EUR	79.14	NS	NS	NS

Meriden Group Wealth Management

INDICES

FUND NAME	GF	NAV DATE	CR	NAV	1-WK (%RETURN)	1-MO	1-Q	1-YR	2-YR
■ ARIX ABSOLUTE RETURN INVESTABLE INDEX									
Feri Institutional Advisors, www.feri.de									
ARIX Composite Gross USD	OT	OT GBR 10/29.00	USD	1450.91			7.4	-12.7	-6.5

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
■ OTHER FUNDS									
For information about these funds, please contact us on Tel: +44 (0) 207 842 9694/9633									
Medinvest Plc Dublin	OT	OT	IRL	06/30	USD	1481.20	NS	1.3	-4.4
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	GL	OT	CYM	09/30	EUR	1049.82	14.6	15.2	NS
Winton Evolution GBP Cls G	GL	OT	CYM	09/30	GBP	1056.92	14.8	15.6	NS
Winton Evolution USD Cls F	GL	OT	CYM	09/30	USD	1332.74	14.7	15.6	6.7
Winton Futures EUR Cls C	GL	OT	VGB	09/30	EUR	216.04	12.5	15.1	7.3
Winton Futures GBP Cls D	GL	OT	VGB	09/30	GBP	223.85	12.6	15.4	7.7
Winton Futures JPY Cls E	GL	OT	VGB	09/30	JPY	15277.71	13.8	16.3	7.0
Winton Futures USD Cls B	GL	OT	VGB	09/30	USD	768.05	12.6	15.5	7.3

Issuers hope to ride the wake of GM IPO

By Lynn Cowan

General Motors Co. proved last week that investors can digest a large stock offering, but there is some debate about whether the deal will give a boost to the IPO market in the final weeks of the year.

Though the auto maker's stock rose only 3.6% on its first day of trading, no one on Wall Street had expected a big pop, given the U.S. government's mandate that it receive the maximum possible return on shares it sold. The company's common-stock sale, which ended up raising 50% more than originally planned, generally was viewed in a positive light, and seen by some as an indicator of broader strength in the initial-public-offering market.

IPO OUTLOOK

"In many respects, the GM transaction was an IPO of the United States and a major vote of confidence in this country from an economic and market perspective," said Hank Erbe, head of capital markets at Collins Stewart LLC, which didn't participate in the offering. The deal, he said, "underscores the strength of the underlying IPO market."

Others cautioned against attaching too much importance to GM's offering, saying they didn't view it as a deal that portends a change in the new-issuance landscape.

"I don't view it as an epic event similar to past IPOs like **Google** and **Apple**. Those came at a time when the IPO market was in the doldrums and they really helped turned the market around, but that was the nature of those companies; they were high-tech and revolutionary, and investors were intrigued by that," said David Westenberg, a corporate partner at the law firm of WilmerHale and author of a book on IPOs. "GM is still our grandmother's and great-grandmother's company. At the end of the day, it's still just making cars."

'In many respects, the GM transaction was an IPO of the United States,' said Hank Erbe at Collins Stewart. He said it 'underscores the strength' of the market.

Meanwhile, bankers in the U.S. are scheduling IPOs to debut on Monday and Tuesday, considered the last possible day a new stock offering can get done ahead of the Thanksgiving holiday on Thursday.

Two Chinese companies, real-estate-sales agency **Syswin** Inc. and men's clothing designer **China Xiniya Fashion** Ltd., are on the calendar, as is an American holdover from last week, pharmaceutical firm **Zogenix** Inc.

The stock offerings come during what is usually the busiest travel week of the year for Americans, not an auspicious time to capture attention from investors.

Both Syswin and China Xiniya have been reporting increasing revenue and profits; Syswin aims to raise $135 million by listing under the symbol SYSW, while China Xiniya is seeking $88 million through a listing under the symbol XNY.

Zogenix, which failed to price an offering last week, just began reporting revenue this year, but expects to show losses and negative cash flow for years to come.

A fourth deal that failed to price last week, **Anacor Pharmaceuticals** Inc., also could attempt a debut.

Though Zogenix and Anacor have filed to raise about $85 million each under the symbols ZGNX and ANAC, respectively, it is unlikely they will be able to bring in that much, given the companies' inability to price their stock offering last week.

Views on China roil commodities markets

Continued from page 17

Many are balancing not just fundamental supply-and-demand data but also macro forces such as monetary policy in China and the U.S.

The debate over how fast China's economy may expand and whether other emerging markets will step down hard on their economies also is driving some of the price swings.

The current volatility is a "fundamental manifestation of uncertainty about the pace of rising demand," said Colin P. Fenton, head of global commodities research and strategy at J.P. Morgan Chase.

Consumer prices in China rose 4.4% in October from a year earlier, a 25-month high, setting off a slew of anti-inflation moves, including an increase in bank reserve requirements and talk of possible price controls.

China has been the main source of demand growth for many commodities.

This year, the country's oil consumption is expected to increase 820,000 barrels a day, or 35% of the world's total oil consumption growth, according to the International Energy Agency.

The country has an even bigger influence in other markets, accounting for 70%, 57% and 46% of this year's global consumption rise for cotton, copper and soybeans, respectively.

"If you think China will grow less as a result of these policies, the next logical conclusion will be commodity demand from that country will also moderate given its importance" in terms of generating demand growth, said Harry Tchilinguirian, head of commodity markets strategy at BNP Paribas.

Some expect China's measures will only temporarily damp price increases for raw materials and won't hurt the nation's real appetite for commodities.

Even if China's economy expands at a slightly slower rate, it will be a huge force in the commodities market.

Soon, the markets will come to "conclude that the global economic recovery is intact and there will be sustained growth, especially in the emerging markets, for commodity imports," Mr. Fenton said.

Other analysts even see a silver lining to China's cooling moves. China is taking pre-emptive measures to tackle inflation. In 1994, when inflation ran up to 27.7%, the country's central bank didn't increase interest rates but waited until a year later when the economy lost steam.

"If we are concerned about rising prices, we are probably setting ourselves up for a stronger and healthier way of growth," said Francisco Blanch, head of Global Commodity Research at Bank of America Merrill Lynch.

[INTERNATIONAL INVESTMENT FUNDS www.wsj.com/funddata]

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Andfs. Espanya	EU	EQ	AND	11/18	EUR	11.97	-13.9	-14.1	9.1
Andfs. Estats Units	US	EQ	AND	11/18	USD	15.15	0.8	1.6	13.4
Andfs. Europa	EU	EQ	AND	11/18	EUR	7.41	-5.6	-4.1	7.6
Andfs. Franca	EU	EQ	AND	11/18	EUR	9.46	-2.8	0.4	6.7
Andfs. Japo	JP	EQ	AND	11/18	JPY	478.82	-6.3	1.0	7.4
Andfs. Plus Dollars	US	BA	AND	10/22	USD	9.66	2.3	3.0	6.2
Andfs. RF Dolars	US	BD	AND	11/18	USD	11.90	4.1	4.3	8.4
Andfs. RF Euros	EU	BD	AND	11/18	EUR	11.03	1.9	1.7	10.1
Andorfons	EU	BD	AND	11/18	EUR	14.53	0.2	-0.1	8.8
Andorfons Alternative Premium	GL	EQ	AND	09/30	EUR	98.21	-0.8	0.6	-3.6
Andorfons Mix 30	EU	BA	AND	11/18	EUR	9.78	2.3	2.7	8.6
Andorfons Mix 60	EU	BA	AND	11/18	EUR	9.25	-0.2	0.7	6.5

■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866

Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
CAM-GTF Limited	OT	OT	MUS	11/12	USD	404956.61	47.5	66.5	74.6

■ DJE INVESTMENT S.A.

internet: www.dje.lu email: info@dje.lu phone:+00 352 269 2522 0 fax:+00 352 269 25252

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
DJE Real Estate P	OT	OT	LUX	11/19	EUR	8.90	0.5	0.6	-2.5
DJE-Absolut P	GL	EQ	LUX	11/19	EUR	223.38	9.1	10.9	13.8
DJE-Alpha Glbl P	OT	OT	LUX	11/19	EUR	187.91	5.5	6.1	12.7
DJE-Div& Substanz P	EU	EQ	LUX	11/19	EUR	236.03	9.7	12.4	18.4
DJE-Gold&Resourc P	OT	EQ	LUX	11/19	EUR	226.13	32.8	28.2	45.2
DJE-Renten Glbl P	EU	BD	LUX	11/19	EUR	136.41	4.5	4.9	7.6
LuxPro-Dragon I	AS	EQ	LUX	07/20	EUR	144.57	-8.5	5.0	7.6
LuxPro-Dragon P	AS	EQ	LUX	07/20	EUR	140.29	-8.8	4.4	7.0
LuxTopic-Aktien Europa	EU	EQ	LUX	11/19	EUR	18.14	2.4	4.4	16.6
LuxTopic-Pacific	OT	OT	LUX	11/19	EUR	21.02	28.3	32.5	53.6

■ HSBC ALTERNATIVE INVESTMENTS LIMITED

T +44 20 7860 3074 F + 44 20 7860 3174 www.hail.hsbc.com

■ HSBC Portfolio Selection Fund

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Sel Emerg Mkt Debt	GL	BD	GGY	12/31	USD	350.10	42.6	54.7	6.4
Sel Emerg Mkt Equity	GL	EQ	GGY	12/31	USD	207.66	63.0	73.6	-11.3
Sel Euro Equity EUR	OT	OT	GGY	12/31	EUR	96.29	32.6	27.0	-17.7
Sel European Equity	EU	EQ	GGY	12/31	USD	181.94	42.7	49.9	-16.8
Sel Glob Equity	GL	EQ	GGY	12/31	USD	189.25	35.2	42.1	-15.7
Sel Glob Fxd Inc	GL	BD	GGY	12/31	USD	143.46	11.4	15.8	-1.4
Sel Pacific Equity	AS	EQ	GGY	12/31	USD	143.75	68.5	80.5	-7.1
Sel US Equity	US	EQ	GGY	12/31	USD	123.56	24.0	30.0	-14.2
Sel US Sm Cap Eq	US	EQ	GGY	12/31	USD	168.82	30.1	42.6	-14.8

■ HSBC Trinkaus Investment Managers SA

E-Mail: funds@hsbctrinkaus.lu

Telephone: 352 - 47 18471

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Prosperity Return Fund A	JP	BD	LUX	11/15	JPY	10224.57	3.5	NS	NS
Prosperity Return Fund B	EU	BD	LUX	11/15	JPY	9207.94	-6.5	NS	NS
Prosperity Return Fund C	EU	BD	LUX	11/15	USD	100.03	4.1	NS	NS
Prosperity Return Fund D	EU	BD	LUX	11/15	EUR	111.27	14.4	NS	NS
Renaissance Hgh Grade Bd A	JP	BD	LUX	11/15	JPY	10327.83	4.6	NS	NS
Renaissance Hgh Grade Bd B	EU	BD	LUX	11/15	JPY	9223.86	-6.2	NS	NS
Renaissance Hgh Grade Bd C	EU	BD	LUX	11/15	USD	99.53	4.4	NS	NS
Renaissance Hgh Grade Bd D	EU	BD	LUX	11/15	EUR	106.53	9.7	NS	NS

MP Asset Management Inc. www.mpam.si MP

■ MP ASSET MANAGEMENT INC.

Tel: + 386 1 587 47 77

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
MP-BALKAN.SI	EU	EQ	SVN	11/18	EUR	19.69	-19.1	-28.2	-17.1
MP-TURKEY.SI	OT	OT	SVN	11/18	EUR	50.08	44.2	66.1	68.5

■ PAREX ASSET MANAGEMENT IPAS

Republikas square 2a, Riga, LV-1522, Latvia

www.parexgroup.com Tel: +371 67010810

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Parex Eastern Europ Bal	OT	OT	LVA	11/15	EUR	15.57	16.5	17.0	31.3
Parex Eastern Europ Bd	EU	BD	LVA	11/15	USD	17.14	17.1	18.5	37.6
Parex Russian Eq	EE	EQ	LVA	11/15	USD	23.98	22.8	21.2	66.3

PICTET 1805 FUNDS

■ PICTET & CIE, ROUTE DES ACACIAS 60, CH-1211 GENEVA 73

Tel: + 41 (58) 323 3000 Web: www.pictetfunds.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Pictet-Agriculture-P EUR	GL	EQ	LUX	11/18	EUR	142.17	17.2	27.4	NS
Pictet-Asian Eq ExJpn-I USD	OT	OT	LUX	11/19	USD	194.95	11.2	13.0	41.0
Pictet-Asian Eq ExJpn-P USD	OT	OT	LUX	11/19	USD	184.16	10.4	12.1	39.8
Pictet-Biotech-P USD	OT	EQ	LUX	11/18	USD	283.04	0.0	2.9	1.7
Pictet-CHF Liquidity-P	CH	MM	LUX	11/18	CHF	124.14	0.0	-0.1	0.1
Pictet-CHF Liquidity-P dy	CH	MM	LUX	11/18	CHF	93.34	-0.1	-0.1	0.1
Pictet-Conv. Bonds-P EUR	OT	OT	LUX	11/18	EUR	103.12	NS	NS	NS
Pictet-Digital Comm-P USD	OT	EQ	LUX	11/18	USD	137.75	17.9	21.6	38.0
Pictet-Eastern Europe-P EUR	EU	EQ	LUX	11/18	EUR	383.45	22.0	25.5	67.6
Pictet-Emerging Markets-P USD	GL	EQ	LUX	11/19	USD	593.37	11.2	12.3	47.2
Pictet-Eu Equities Sel-P EUR	EU	EQ	LUX	11/18	EUR	446.61	9.5	11.4	20.4
Pictet-EUR Bonds-P	EU	BD	LUX	11/18	EUR	404.08	5.1	4.6	4.5
Pictet-EUR Bonds-Pdy	EU	BD	LUX	11/18	EUR	296.32	5.1	4.7	4.5
Pictet-EUR Corporate Bonds-P	EU	BD	LUX	11/18	EUR	155.30	5.0	5.3	11.8
Pictet-EUR Corporate Bonds-Pdy	EU	BD	LUX	11/18	EUR	105.28	5.0	5.3	11.8
Pictet-EUR High Yield-P	EU	BD	LUX	11/18	EUR	173.15	18.4	20.9	34.7
Pictet-EUR High Yield-Pdy	EU	BD	LUX	11/18	EUR	94.91	18.4	20.9	34.7
Pictet-EUR Liquidity-P	EU	MM	LUX	11/18	EUR	136.31	0.2	0.3	0.8
Pictet-EUR Liquidity-Pdy	EU	MM	LUX	11/18	EUR	96.91	0.2	0.3	0.8
Pictet-EUR Sovereign Liq-P	EU	MM	LUX	11/18	EUR	102.48	0.1	0.1	0.5
Pictet-EUR Sovereign Liq-Pdy	EU	MM	LUX	11/18	EUR	99.99	0.1	0.1	0.5
Pictet-Europe Index-P EUR	EU	EQ	LUX	11/18	EUR	110.82	9.7	11.3	18.9
Pictet-European Sust Eq-P EUR	EU	EQ	LUX	11/18	EUR	145.94	9.7	11.6	18.4
Pictet-Glo Emerging Debt-P USD	GL	BD	LUX	11/18	USD	268.71	10.5	10.2	26.4
Pictet-Glo Emerging Debt-Pdy USD	GL	BD	LUX	11/18	USD	174.52	10.5	10.2	26.4
Pictet-Greater China-P USD	AS	EQ	LUX	11/19	USD	394.99	12.5	14.4	44.4
Pictet-Indian Equities-P USD	EA	EQ	LUX	11/19	USD	412.51	14.4	17.4	54.9
Pictet-Japan Index-P JPY	JP	EQ	LUX	11/19	JPY	8644.12	-2.7	6.2	5.1
Pictet-Japanese Eq 130/30-P JPY	JP	EQ	LUX	11/19	JPY	4331.22	-1.9	6.2	6.9
Pictet-Japanese Eq Sel-I JPY	JP	EQ	LUX	11/19	JPY	7595.53	-1.9	6.1	3.5
Pictet-Japanese Eq Sel-P JPY	JP	EQ	LUX	11/19	JPY	7325.59	-2.5	5.4	2.9
Pictet-MENA-P USD	OT	OT	LUX	11/15	USD	52.06	16.1	10.2	NS
Pictet-Pac (ExJpn) Idx-P USD	AS	EQ	LUX	11/19	USD	305.86	12.0	12.9	48.5
Pictet-Piclife-P CHF	OT	OT	LUX	11/18	CHF	807.71	2.1	2.9	7.6
Pictet-Premium Brands-P EUR	OT	EQ	LUX	11/18	EUR	88.18	35.0	42.3	44.3
Pictet-Russian Equities-P USD	EE	EQ	LUX	11/18	USD	74.07	15.0	12.3	84.0
Pictet-Security-P USD	GL	EQ	LUX	11/18	USD	119.89	20.4	24.2	35.0
Pictet-Small Cap Europe-P EUR	EU	EQ	LUX	11/18	EUR	553.97	22.3	23.3	29.5
Pictet-Timber-P USD	GL	EQ	LUX	11/18	USD	115.29	8.2	15.9	32.5
Pictet-USA Index-P USD	US	EQ	LUX	11/18	USD	98.14	8.3	8.9	19.4
Pictet-USD Government Bonds-P	US	BD	LUX	11/18	USD	542.81	6.9	5.1	4.3
Pictet-USD Government Bonds-Pdy	US	BD	LUX	11/18	USD	388.12	6.9	5.1	4.3
Pictet-USD Liquidity-P	US	MM	LUX	11/18	USD	131.24	0.2	0.2	0.5
Pictet-USD Liquidity-Pdy	US	MM	LUX	11/18	USD	84.98	0.2	0.2	0.5
Pictet-USD Sovereign Liq-P	US	MM	LUX	11/18	USD	101.63	0.1	0.1	0.3
Pictet-USD Sovereign Liq-Pdy	US	MM	LUX	11/18	USD	100.12	0.1	0.1	0.3
Pictet-Water-P EUR	GL	EQ	LUX	11/18	EUR	139.75	12.8	19.9	13.0
Pictet-World Gvt Bonds-P USD	OT	OT	LUX	11/18	USD	174.05	5.4	1.7	8.1
Pictet-World Gvt Bonds-Pdy USD	OT	OT	LUX	11/18	USD	141.14	5.4	1.7	8.1

■ POLAR CAPITAL PARTNERS LIMITED

International Fund Managers (Ireland) Limited PH - 3531 670 660 Fax - 3531 670 1185

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Global Technology	OT	EQ	IRL	11/18	USD	16.53	22.9	30.2	52.3
Japan Fund USD	JP	EQ	IRL	11/19	USD	17.34	9.1	13.9	17.0
Polar Healthcare Class I USD	OT	EQ	IRL	11/18	USD	13.05	0.9	3.9	NS
Polar Healthcare Class R USD	OT	EQ	IRL	11/18	USD	12.97	0.5	3.3	NS

■ Hemisphere Management (Ireland) Limited

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Discovery USD A	OT	OT	CYM	10/29	USD	104.34	10.8	12.5	12.2
Elbrus USD A	GL	EQ	CYM	10/29	USD	11.68	35.9	-24.7	-17.9
Europn Conviction USD B	EU	EQ	CYM	09/30	USD	135.59	-1.3	2.1	9.3
Europn Forager USD B	EU	EQ	CYM	09/30	USD	230.23	2.9	5.0	10.7
Latin America USD A	GL	EQ	CYM	04/30	USD	14.21	2.2	-4.7	14.7
Paragon Limited USD A	EU	EQ	CYM	11/28	USD	324.09	12.7	12.7	14.2
UK Fund USD A	OT	OT	CYM	10/29	USD	197.18	7.2	5.0	8.5

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +6221 25574 883 Fax: +6221 25574 893 Website: www.ciptadana-asset.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Indonesian Grth Fund	GL	EQ	BMU	11/18	USD	181.79	42.7	46.6	86.2

■ RUSSELL INVESTMENT GROUP

Multi-Style, Multi-Manager Funds www.russell.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
ACTION FRANCE A	EU	EQ	IRL	11/18	EUR	724.72	2.4	5.0	13.6
CORE EUROZONE EQ B	EU	EQ	IRL	11/18	EUR	864.12	3.9	5.7	15.6
EURO FIXED INCOME A	OT	OT	IRL	11/18	EUR	1324.57	6.4	6.9	8.2
EURO FIXED INCOME B	OT	OT	IRL	11/18	EUR	1421.84	7.0	7.6	8.8
EUROPEAN SMALL CAP A	EU	EQ	IRL	11/18	EUR	1453.39	21.0	21.1	27.5
EUROPEAN SMALL CAP B	EU	EQ	IRL	11/18	EUR	1565.25	21.7	21.8	28.3
EUROZONE AGG A EUR	EU	EQ	IRL	11/18	EUR	731.58	11.5	12.6	21.8
EUROZONE AGG B EUR	EU	EQ	IRL	11/18	EUR	1056.92	12.1	13.2	22.6
GLB REAL EST SEC A	OT	EQ	IRL	11/18	USD	1010.67	12.7	13.9	32.5
GLB REAL EST SEC B	OT	EQ	IRL	11/18	USD	1047.49	13.3	14.6	33.3
GLB REAL EST SEC EH A	OT	EQ	IRL	11/18	EUR	880.50	9.4	12.4	25.9
GLB REAL EST SEC SH B	OT	EQ	IRL	11/18	GBP	83.45	10.2	13.1	25.9
GLB STRAT YIELD A	OT	OT	IRL	11/18	EUR	1812.95	12.8	15.4	26.5
GLB STRAT YIELD B	OT	OT	IRL	11/18	EUR	1950.23	13.4	16.1	27.3
GLOBAL BOND A	OT	OT	IRL	11/18	EUR	1264.58	14.4	17.1	11.0
GLOBAL BOND B	OT	OT	IRL	11/18	EUR	1353.93	15.1	17.9	11.7
GLOBAL BOND EH A	EU	BD	IRL	11/18	EUR	1496.14	8.8	9.5	12.3
GLOBAL BOND EH B	EU	BD	IRL	11/18	EUR	1596.49	9.4	10.1	13.0
JAPAN EQUITY A	JP	EQ	IRL	11/18	JPY	10941.02	-6.0	1.2	4.5
JAPAN EQUITY B	JP	EQ	IRL	11/18	JPY	11723.47	-5.5	1.8	5.2
PAC BASIN (X JPN) A	AS	EQ	IRL	11/18	USD	2578.08	12.8	13.9	50.9
PAC BASIN (X JPN) B	AS	EQ	IRL	11/18	USD	2766.01	13.4	14.6	51.9
PAN EUROPEAN EQUITY A	EU	EQ	IRL	11/18	EUR	1065.52	10.7	11.9	21.3
PAN EUROPEAN EQUITY B	EU	EQ	IRL	11/18	EUR	1141.88	11.3	12.6	22.1
US EQUITY A	US	EQ	IRL	11/18	USD	927.32	6.3	6.6	21.0
US EQUITY B	US	EQ	IRL	11/18	USD	998.10	6.8	7.3	21.7
US SMALL CAP EQUITY A	US	EQ	IRL	11/18	USD	1463.63	13.6	18.1	26.2
US SMALL CAP EQUITY B	US	EQ	IRL	11/18	USD	1576.39	14.2	18.8	27.0

SOCIETE GENERALE Gestion

■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM

A company of Amundi Group

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Bonds ConvEurope A	EU	BD	LUX	11/17	EUR	32.62	10.0	9.4	7.9
Bonds Eur Corp A	EU	BD	LUX	11/17	EUR	23.97	3.8	3.5	9.0
Bonds Eur Hi Yld A	EU	BD	LUX	11/17	EUR	22.96	11.5	13.4	27.8
Bonds EURO A	EU	BD	LUX	11/17	EUR	42.50	3.5	2.8	5.4
Bonds Europe A	EU	BD	LUX	11/17	EUR	40.67	4.0	2.9	5.0
Bonds US MtgBkSec A	US	BD	LUX	04/29	USD	24.41	-4.7	11.9	0.0
Bonds World A	GL	BD	LUX	11/17	USD	44.11	5.0	0.9	9.6
Eq. AsiaPac Dual Strategies A	AS	EQ	LUX	11/18	USD	11.46	10.0	10.7	41.7
Eq. China A	AS	EQ	LUX	11/18	USD	24.75	2.5	0.8	39.8
Eq. Concentrated Euroland A	EU	EQ	LUX	09/30	EUR	86.45	-7.0	-5.2	-3.5
Eq. ConcentratedEuropeA	EU	EQ	LUX	11/17	EUR	28.92	7.1	8.5	20.8
Eq. Emerging Europe A	EU	EQ	LUX	11/17	EUR	27.84	18.2	20.5	42.1
Eq. Equities Global Energy	OT	EQ	LUX	11/17	USD	17.72	-2.3	-3.9	13.9
Eq. Euroland A	EU	EQ	LUX	11/17	EUR	10.78	-0.4	1.5	10.4
Eq. Euroland MidCapA	EU	EQ	LUX	04/30	EUR	14.61	1.4	-45.7	-33.8
Eq. Euroland Small Cap A	EU	EQ	LUX	11/17	EUR	161.02	14.1	15.3	26.8
Eq. EurolandCyclclsA	OT	EQ	LUX	11/17	EUR	19.06	7.1	10.4	20.4
Eq. EurolandFinancialA	OT	EQ	LUX	11/17	EUR	9.85	-12.9	-16.8	7.9
Eq. Glbl Emg Cty A	GL	EQ	LUX	11/17	USD	9.31	-3.9	-4.5	32.2
Eq. Global A	GL	EQ	LUX	11/17	USD	29.27	5.1	4.9	21.1
Eq. Global Resources A	GL	EQ	LUX	11/17	USD	123.31	12.9	11.6	49.7
Eq. Gold Mines A	OT	EQ	LUX	11/17	USD	38.74	27.9	19.3	72.9
Eq. India A	EA	EQ	LUX	11/18	USD	151.42	15.8	18.5	50.6
Eq. Japan CoreAlpha A	JP	EQ	LUX	11/18	JPY	7278.19	0.3	4.1	13.0
Eq. Japan Sm Cap A	JP	EQ	LUX	11/18	JPY	988.38	-7.6	-2.2	5.2
Eq. Japan Target A	JP	EQ	LUX	11/19	JPY	1532.04	-6.5	-1.9	1.5
Eq. Latin America A	GL	EQ	LUX	11/17	USD	126.82	9.1	9.5	44.9
Eq. US ConcenCore A	US	EQ	LUX	11/17	USD	24.06	6.5	7.6	24.8
Eq. US Focused A	US	EQ	LUX	11/17	USD	16.51	4.1	2.8	13.7
Eq. US Lg Cap Gr A	US	EQ	LUX	11/17	USD	16.17	6.0	7.4	23.7
Eq. US Mid Cap A	US	EQ	LUX	11/17	USD	33.20	11.1	14.9	34.1
Eq. US Multi Strg A	US	EQ	LUX	11/17	USD	22.75	6.9	7.9	22.6
Eq. US Rel Val A	US	EQ	LUX	11/17	USD	21.51	4.4	5.0	21.4
Eq. US Sm Cap Val A	US	EQ	LUX	11/17	USD	17.17	7.7	12.0	19.5
Money Market EURO A	EU	MM	LUX	11/17	EUR	27.50	0.4	0.4	0.9
Money Market USD A	US	MM	LUX	11/17	USD	15.87	0.3	0.3	0.5

The National Investor

■ THE NATIONAL INVESTOR

PO Box 47435, Abu Dhabi, UAE Web:www.tni.ae

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
MENA Real Estate Fund	OT	EQ	BMU	11/04	USD	818.60	-14.8	-24.5	-13.0
MENA Special Sits Fund	OT	OT	BMU	10/31	USD	1120.56	3.8	-1.7	8.1
MENA UCITS Fund	OT	OT	IRL	11/04	USD	1062.93	NS	NS	NS
UAE Blue Chip Fund	OT	OT	ARE	11/04	AED	5.22	-2.0	-19.0	-12.3

yuki Yuki Management & Research Tel +81-3-5299-3277 www.yukijapan.co.jp

■ YUKI INTERNATIONAL LIMITED

Tel +44-207-269-0203 www.yukifunds.com

■ YMR-N Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
YMR-N Growth Fund	JP	EQ	IRL	11/19	JPY	8959.00	-5.3	5.7	3.4
YMR-N Small Cap Fund	JP	EQ	IRL	11/19	JPY	6217.00	-11.3	-4.4	1.4

■ Yuki 77 Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Yuki 77 General	JP	EQ	IRL	11/19	JPY	5550.00	-9.8	-0.1	-1.4

■ Yuki Chugoku Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Yuki Chugoku Jpn Gen	JP	EQ	IRL	11/19	JPY	6480.00	-5.1	4.8	3.0
Yuki Chugoku JpnLowP	JP	EQ	IRL	11/19	JPY	7313.00	-3.0	5.5	-3.1

■ Yuki Hokuyo Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	11/19	JPY	4199.00	-10.1	0.5	-3.2
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	11/19	JPY	4803.00	-8.5	-0.9	-4.4
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	11/19	JPY	4506.00	-11.7	-5.0	0.7

■ Yuki Mizuho Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Yuki Mizuho Gen Jpn III	JP	EQ	IRL	11/19	JPY	3956.00	-10.5	0.0	-3.5
Yuki Mizuho Jpn Dyn Gro	JP	EQ	IRL	11/19	JPY	4172.00	-10.6	-0.8	-4.1
Yuki Mizuho Jpn Exc 100	JP	EQ	IRL	11/19	JPY	6199.00	-11.1	-0.6	1.6
Yuki Mizuho Jpn Gen	JP	EQ	IRL	11/19	JPY	8182.00	-5.0	5.8	2.5
Yuki Mizuho Jpn Gro	JP	EQ	IRL	11/19	JPY	5973.00	-6.1	2.8	-0.8
Yuki Mizuho Jpn Inc	JP	EQ	IRL	11/19	JPY	7145.00	-6.4	2.2	-3.9
Yuki Mizuho Jpn Lg Cap	JP	EQ	IRL	11/19	JPY	4794.00	-7.6	1.7	-1.0
Yuki Mizuho Jpn LowP	JP	EQ	IRL	11/19	JPY	10553.00	-8.7	0.2	-0.9
Yuki Mizuho Jpn PGth	JP	EQ	IRL	11/19	JPY	7003.00	-12.0	-3.5	-3.8
Yuki Mizuho Jpn SmCp	JP	EQ	IRL	11/19	JPY	6301.00	-11.7	-3.9	3.6
Yuki Mizuho Jpn Val Sel	AS	EQ	IRL	11/19	JPY	5338.00	-5.5	3.1	3.9
Yuki Mizuho Jpn YoungCo	AS	EQ	IRL	11/19	JPY	2271.00	-16.7	-12.2	-2.7

■ Yuki Shizuoka Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Yuki Shizuoka General Japan	JP	EQ	IRL	11/19	JPY	4550.00	-16.1	-6.6	-4.2

BLUE CHIPS & BONDS

Major players & benchmarks

Below, a look at the Dow Jones Stoxx 50, the biggest and best known companies in Europe, including the U.K.

Stoxx Europe 50: Friday's best and worst...

Company	Country	Industry	Volume	Previous close, in local currency	STOCK PERFORMANCE Previous session	YTD	52-week
Bayer AG	Germany	Specialty Chemicals	5,887,012	57.78	2.19%	3.3%	11.7%
British American Tobacco	U.K.	Tobacco	2,847,339	2,428	1.04	20.4	26.8
L.M. Ericsson Telephone Series B	Sweden	Communications Technology	8,725,761	72.10	0.84	9.4	2.9
GDF Suez	France	Multiutilities	3,549,538	27.89	0.50	-7.9	-4.1
Hennes & Mauritz AB Series B	Sweden	Apparel Retailers	2,942,911	229.80	0.26	15.7	10.6
Standard Chartered PLC	U.K.	Banks	7,771,132	1,803	-2.65%	18.8	16.0
Societe Generale	France	Banks	3,959,658	41.84	-2.29	-14.5	-11.8
Intesa Sanpaolo	Italy	Banks	104,120,766	2.30	-1.81	-26.9	-21.3
Banco Santander	Spain	Banks	74,314,220	8.53	-1.81	-26.1	-25.4
UniCredit	Italy	Banks	306,446,375	1.70	-1.73	-23.9	-24.1

...And the rest of Europe's blue chips

Company/Country (Industry)	Volume	Latest, in local currency	STOCK PERFORMANCE Latest	YTD	52-week
Zurich Financial Services AG Switzerland (Full Line Insurance)	1,341,046	238.00	**0.25%**	5.1%	6.5%
BASF SE Germany (Commodity Chemicals)	3,795,153	57.40	**0.24**	32.1	44.0
E.ON AG Germany (Multiutilities)	8,744,917	22.90	**0.02**	-21.7	-14.6
Telefonica Spain (Fixed Line Telecommunications)	29,028,957	18.13	**-0.03**	-7.1	-5.2
Unilever Netherlands (Food Products)	5,988,022	22.65	**-0.04**	-0.5	9.3
ABB Ltd. Switzerland (Industrial Machinery)	5,638,088	20.44	**-0.05**	5.2	10.7
France Telecom France (Fixed Line Telecommunications)	5,184,636	16.80	**-0.12**	-3.6	-0.6
ENI Italy (Integrated Oil & Gas)	11,497,121	16.29	**-0.12**	-8.5	-3.3
Daimler AG Germany (Automobiles)	4,655,298	50.74	**-0.14**	36.3	45.1
Astrazeneca U.K. (Pharmaceuticals)	2,273,116	3,058	**-0.15**	5.1	13.5
Allianz SE Germany (Full Line Insurance)	2,233,905	91.07	**-0.19**	4.5	9.5
Vodafone Group U.K. (Mobile Telecommunications)	75,694,363	167.75	**-0.21**	16.7	24.6
Nestle S.A. Switzerland (Food Products)	5,825,705	55.55	**-0.27**	10.7	16.2
Deutsche Telekom Germany (Mobile Telecommunications)	14,189,306	10.11	**-0.30**	-1.7	6.4
Siemens Germany (Diversified Industrials)	3,198,753	85.49	**-0.33**	33.1	33.4
SAP AG Germany (Software)	3,614,858	36.55	**-0.33**	10.7	14.0
Diageo U.K. (Distillers & Vintners)	4,133,814	1,189	**-0.34**	9.7	16.0
Novartis Switzerland (Pharmaceuticals)	5,206,189	56.30	**-0.35**	-0.4	4.4
Anheuser-Busch InBev N.V. Belgium (Beverages)	1,419,758	44.44	**-0.36**	22.1	31.1
Tesco U.K. (Food Retailers & Wholesalers)	16,589,194	426.65	**-0.39**	-0.3	1.5

Company/Country (Industry)	Volume	Latest, in local currency	STOCK PERFORMANCE Latest	YTD	52-week
GlaxoSmithKline U.K. (Pharmaceuticals)	7,176,639	1,252	**-0.48%**	-5.2%	-0.2%
BP PLC U.K. (Integrated Oil & Gas)	23,692,224	435.85	**-0.55**	-27.4	-24.7
Total S.A. France (Integrated Oil & Gas)	5,958,373	38.79	**-0.59**	-13.8	-6.4
Sanofi-Aventis France (Pharmaceuticals)	2,485,733	50.00	**-0.64**	-9.2	-0.7
Anglo American U.K. (General Mining)	3,155,318	2,939	**-0.64**	8.4	16.2
BNP Paribas France (Banks)	3,281,733	53.28	**-0.67**	-4.7	-5.3
Roche Holding Switzerland (Pharmaceuticals)	1,798,774	145.50	**-0.68**	-17.2	-10.6
AXA France (Full Line Insurance)	7,768,596	12.84	**-0.77**	-22.4	-23.1
Credit Suisse Group Switzerland (Banks)	6,134,964	40.98	**-0.77**	-20.0	-24.3
BG Group U.K. (Integrated Oil & Gas)	4,536,259	1,222	**-0.81**	8.9	8.6
ING Groep Netherlands (Life Insurance)	16,870,065	7.94	**-0.92**	15.0	11.8
Banco Bilbao Vizcaya Argentaria Spain (Banks)	114,053,907	8.26	**-0.96**	-32.5	-32.4
Royal Dutch Shell A U.K. (Integrated Oil & Gas)	6,453,631	23.75	**-1.19**	12.5	16.9
Rio Tinto U.K. (General Mining)	5,946,366	4,230	**-1.20**	24.8	34.4
Nokia Finland (Telecommunications Equipment)	28,782,082	7.40	**-1.33**	-17.0	-17.4
Barclays U.K. (Banks)	33,885,939	274.20	**-1.35**	-0.7	-9.9
HSBC Holdings U.K. (Banks)	34,135,189	657.50	**-1.35**	-7.2	-10.2
BHP Billiton U.K. (General Mining)	8,589,977	2,333	**-1.37**	16.9	29.0
UBS Switzerland (Banks)	15,916,583	16.44	**-1.62**	2.4	2.2
Deutsche Bank Germany (Banks)	7,440,895	40.43	**-1.62**	-10.3	-9.7

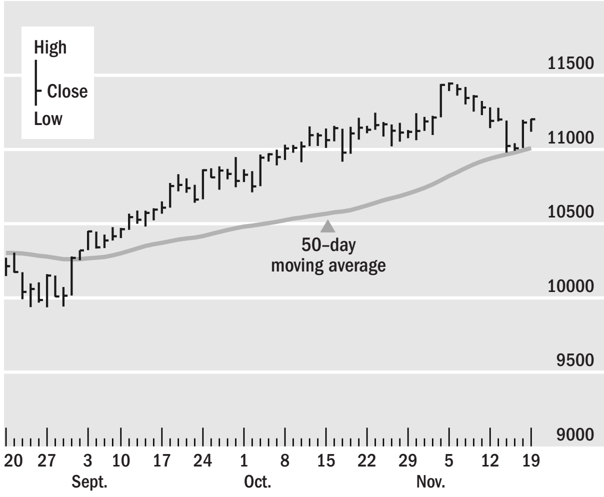
Sources: Thomson Reuters

Dow Jones Industrial Average P/E: 14

LAST: **11203.55** ▲ 22.32, or 0.20%

YEAR TO DATE: ▲ **775.50, or 7.4%**

OVER 52 WEEKS ▲ **885.39, or 8.6%**



Note: Price-to-earnings ratios are for trailing 12 months

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	Percentage
AT&T	T	**19.4**	$28.32	−0.12	**−0.42%**
Alcoa	AA	**18.0**	13.38	...	...
AmExpress	AXP	**7.4**	42.75	0.50	**1.18**
BankAm	BAC	**104.4**	11.66	−0.04	**−0.34**
Boeing	BA	**8.8**	63.59	−1.02	**−1.58**
Caterpillar	CAT	**5.7**	83.97	0.86	**1.03**
Chevron	CVX	**8.1**	83.94	0.12	**0.14**
CiscoSys	CSCO	**100.7**	19.61	...	...
CocaCola	KO	**20.4**	64.32	0.48	**0.75**
Disney	DIS	**13.7**	37.01	−0.57	**−1.52**
DuPont	DD	**6.9**	47.10	0.57	**1.23**
ExxonMobil	XOM	**24.1**	70.54	0.23	**0.33**
GenElec	GE	**49.2**	16.22	0.18	**1.12**
HewlettPk	HPQ	**20.3**	42.49	0.80	**1.92**
HomeDpt	HD	**25.4**	31.22	0.35	**1.13**
Intel	INTC	**48.6**	21.14	0.12	**0.57**
IBM	IBM	**5.0**	145.05	0.69	**0.48**
JPMorgChas	JPM	**26.5**	39.41	−0.25	**−0.63**
JohnsJohns	JNJ	**12.9**	63.83	...	...
KftFoods	KFT	**8.8**	30.44	−0.28	**−0.91**
McDonalds	MCD	**10.9**	79.64	0.62	**0.78**
Merck	MRK	**15.6**	35.33	0.04	**0.11**
Microsoft	MSFT	**52.4**	25.69	−0.15	**−0.57**
Pfizer	PFE	**32.7**	16.80	−0.03	**−0.19**
ProctGamb	PG	**9.5**	64.05	0.03	**0.05**
3M	MMM	**3.2**	85.01	−0.54	**−0.63**
TravelersCos	TRV	**4.5**	55.49	−0.30	**−0.54**
UnitedTech	UTX	**4.0**	75.31	0.28	**0.37**
Verizon	VZ	**13.4**	32.59	−0.06	**−0.18**
WalMart	WMT	**10.3**	54.39	0.41	**0.76**

Source: WSJ Market Data Group

Tracking credit markets & dealmakers

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

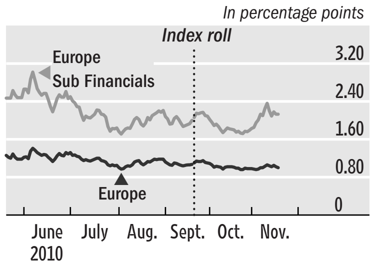
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 14/1	1.00	99.99%	0.01%	1.18	0.95	1.03
Eur. High Volatility: 14/1	1.52	97.60	0.01	1.79	1.45	1.59
Europe Crossover: 14/1	4.54	101.85	0.05	5.37	4.24	4.73
Asia ex-Japan IG: 14/1	1.05	99.76	0.01	1.25	0.93	1.08
Japan: 14/1	0.96	100.20	0.01	1.10	0.94	1.01

Note: Data as of November 18

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: European companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
ONO Fin II	951	**−25**	15	73
Glencore Intl	219	**−25**	−21	−50
Societe Air France	286	**−22**	−32	−39
Wind Acquisition Fin	540	**−18**	−10	28
Brit Awys	385	**−15**	−22	−30
Lafarge	240	**−15**	−26	−29
Norske Skogindustrier	843	**−15**	23	−26
Nielsen	299	**−14**	−12	−9
Virgin Media Fin	353	**−14**	−12	−24
Rep Irlnd	515	**−14**	−85	99

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Std Chartered Bk	78	**...**	−7	2
Cr Agricole	141	**...**	−11	22
Invensys	135	**...**	−4	−13
Nestle	47	**...**	3	3
EON	69	**...**	−2	3
Koninklijke Ahold	91	**...**	1	−4
C deAho Y Monte de Piedad de Madrid	336	**...**	−5	43
Nokia Oyj	83	**2**	−1	1
Bco Santander	181	**3**	−23	31
Bco Espirito Santo	582	**12**	22	186

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, Global (ex US)

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$1,688	5.1%	37%	29%	27%	6%
Deutsche Bank	1,605	4.8	32	34	29	6
Goldman Sachs	1,484	4.5	47	17	34	2
Morgan Stanley	1,476	4.4	44	18	36	3
Credit Suisse	1,446	4.3	30	37	29	4
UBS	1,373	4.1	36	27	32	5
Citi	1,101	3.3	36	32	25	7
Bank of America Merrill Lynch	1,085	3.3	34	30	26	9
Nomura	970	2.9	63	14	21	1

Source: Dealogic

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GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; CME: Chicago Mercantile Exchange; ICE-US: ICE Futures U.S.MDEX: Bursa Malaysia Derivatives Berhad; LIFFE: London International Financial Futures Exchange; COMEX: Commodity Exchange; LME: London Metals Exchange; NYMEX: New York Mercantile Exchange;ICE-EU: ICE Futures Europe

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	534.75	-21.00	-3.78%	617.50	356.75
Soybeans (cents/bu.)	CBOT	1201.50	-40.50	-3.26	1,348.50	872.75
Wheat (cents/bu.)	CBOT	684.00	-0.50	-0.07	864.25	504.75
Live cattle (cents/lb.)	CME	105.025	0.525	0.50%	105.200	88.750
Cocoa ($/ton)	ICE-US	2,868	-71	-2.42	3,477	2,410
Coffee (cents/lb.)	ICE-US	211.25	-0.05	-0.02	221.45	131.40
Sugar (cents/lb.)	ICE-US	26.15	-2.00	-7.10	33.39	11.90
Cotton (cents/lb.)	ICE-US	123.15	-6.00	-4.65	151.95	61.89
Crude palm oil (ringgit/ton)	MDEX	3,350.00	17	0.51	3,452	1,793
Cocoa (pounds/ton)	LIFFE	1,879	-52	-2.69	2,322	1,610
Robusta coffee ($/ton)	LIFFE	1,910	-1	-0.05	2,098	1,342
Copper (cents/lb.)	COMEX	384.25	0.40	0.10	408.75	230.00
Gold ($/troy oz.)	COMEX	1352.30	-0.70	-0.05	1,424.30	675.00
Silver (cents/troy oz.)	COMEX	2717.90	34.50	1.29	2,934.00	895.50
Aluminum ($/ton)	LME	2,284.50	-0.50	-0.02	2,481.50	1,857.00
Tin ($/ton)	LME	25,150.00	-200.00	-0.79	27,325.00	14,750.00
Copper ($/ton)	LME	8,391.00	36.00	0.43	8,920.00	6,120.00
Lead ($/ton)	LME	2,270.00	-60.00	-2.58	2,616.00	1,580.00
Zinc ($/ton)	LME	2,153.00	-10.00	-0.46	2,659.00	1,617.00
Nickel ($/ton)	LME	21,740	215	1.00	27,590	15,910
Crude oil ($/bbl.)	NYMEX	81.98	-0.44	-0.53	93.29	69.08
Heating oil ($/gal.)	NYMEX	2.2918	-0.0215	-0.93	2.5235	1.5200
RBOB gasoline ($/gal.)	NYMEX	2.1271	-0.0314	-1.45	2.3329	1.8222
Natural gas ($/mmBtu)	NYMEX	4.324	0.141	3.37	11.750	3.853
Brent crude ($/bbl.)	ICE-EU	84.34	-0.71	-0.83	134.00	57.36
Gas oil ($/ton)	ICE-EU	710.75	-9.50	-1.32	782.25	592.50

Source: Thomson Reuters; WSJ Market Data Group

Currencies

London close on Nov. 19

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4268	0.1843	3.9738	0.2517
Brazil real	2.3485	0.4258	1.7197	0.5815
Canada dollar	1.3944	0.7172	1.0211	0.9794
1-mo. forward	1.3952	0.7167	1.0217	0.9788
3-mos. forward	1.3972	0.7157	1.0231	0.9774
6-mos. forward	1.4007	0.7139	1.0257	0.9749
Chile peso	655.58	0.001525	480.05	0.002083
Colombia peso	2562.51	0.0003902	1876.40	0.0005329
Ecuador US dollar-f	1.3657	0.7323	1	1
Mexico peso-a	16.7996	0.0595	12.3016	0.0813
Peru sol	3.8313	0.2610	2.8055	0.3564
Uruguay peso-e	27.313	0.0366	20.000	0.0500
U.S. dollar	1.3657	0.7323	1	1
Venezuela bolivar	5.86	0.170503	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.3872	0.7209	1.0158	0.9845
China yuan	9.0679	0.1103	6.6400	0.1506
Hong Kong dollar	10.5904	0.0944	7.7549	0.1290
India rupee	62.0005	0.0161	45.4000	0.0220
Indonesia rupiah	12197	0.0000820	8932	0.0001120
Japan yen	113.98	0.008773	83.47	0.011981
1-mo. forward	113.96	0.008775	83.45	0.011984
3-mos. forward	113.88	0.008781	83.39	0.011992
6-mos. forward	113.75	0.008791	83.29	0.012006
Malaysia ringgit-c	4.2540	0.2351	3.1150	0.3210
New Zealand dollar	1.7568	0.5692	1.2864	0.7774
Pakistan rupee	116.627	0.0086	85.400	0.0117
Philippines peso	59.679	0.0168	43.700	0.0229
Singapore dollar	1.7738	0.5637	1.2989	0.7699
South Korea won	1546.12	0.0006468	1132.15	0.0008833
Taiwan dollar	41.519	0.02409	30.403	0.03289
Thailand baht	40.929	0.02443	29.970	0.03337

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7323	1.3657
1-mo. forward	1.0002	0.9998	0.7324	1.3654
3-mos. forward	1.0009	0.9991	0.7329	1.3644
6-mos. forward	1.0022	0.9978	0.7339	1.3626
Czech Rep. koruna-b	24.686	0.0405	18.077	0.0553
Denmark krone	7.4555	0.1341	5.4593	0.1832
Hungary forint	274.23	0.003647	200.81	0.004980
Norway krone	8.1766	0.1223	5.9873	0.1670
Poland zloty	3.9392	0.2539	2.8845	0.3467
Russia ruble-d	42.486	0.02354	31.111	0.03214
Sweden krona	9.3952	0.1064	6.8797	0.1454
Switzerland franc	1.3651	0.7325	0.9996	1.0004
1-mo. forward	1.3648	0.7327	0.9994	1.0006
3-mos. forward	1.3641	0.7331	0.9988	1.0012
6-mos. forward	1.3629	0.7338	0.9980	1.0021
Turkey lira	1.9739	0.5066	1.4454	0.6919
U.K. pound	0.8561	1.1681	0.6269	1.5952
1-mo. forward	0.8563	1.1678	0.6270	1.5948
3-mos. forward	0.8567	1.1672	0.6273	1.5940
6-mos. forward	0.8575	1.1662	0.6279	1.5926
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5148	1.9423	0.3770	2.6526
Egypt pound-a	7.8539	0.1273	5.7510	0.1739
Israel shekel	4.9723	0.2011	3.6410	0.2746
Jordan dinar	0.9679	1.0332	0.7088	1.4109
Kuwait dinar	0.3841	2.6037	0.2812	3.5557
Lebanon pound	2058.72	0.0004857	1507.50	0.0006634
Saudi Arabia riyal	5.1215	0.1953	3.7503	0.2666
South Africa rand	9.5876	0.1043	7.0206	0.1424
United Arab dirham	5.0156	0.1994	3.6727	0.2723
SDR -f	0.8753	1.1425	0.6409	1.5602

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
15	**EUROPE**	Stoxx Europe 600	269.50	-1.65	-0.61%	6.5%	10.6%
14		Stoxx Europe 50	2563.28	-24.65	-0.95	-0.6	3.9
14	**Euro Zone**	Euro Stoxx	275.37	-0.53	-0.19	0.2	4.2
13		Euro Stoxx 50	2845.75	-9.48	-0.33	-4.1	0.4
15	Austria	ATX	2732.40	4.99	0.18%	9.5	6.0
11	Belgium	Bel-20	2665.01	-5.50	-0.21	6.1	7.3
12	Czech Republic	PX	1147.1	-3.8	-0.33	2.7	-0.3
21	Denmark	OMX Copenhagen	405.02	1.06	0.26	28.3	29.9
14	Finland	OMX Helsinki	7260.01	-25.26	-0.35	12.5	16.3
13	France	CAC-40	3860.16	-7.81	-0.20	-1.9	3.5
14	Germany	DAX	6843.55	11.44	0.17	14.9	20.8
...	Hungary	BUX	22493.32	-76.91	-0.34	6.0	8.9
11	Ireland	ISEQ	2798.47	23.12	0.83	-5.9	-2.7
12	Italy	FTSE MIB	20773.12	-107.26	-0.51	-10.6	-7.7
10	Netherlands	AEX	344.58	-1.69	-0.49	2.8	11.1
9	Norway	All-Shares	452.20	0.03	0.01	7.6	13.0
17	Poland	WIG	46005.80	-487.65	-1.05	15.1	16.3
5	Portugal	PSI 20	7895.20	-1.33	-0.02	-6.7	-6.5
...	Russia	RTSI	1600.98	2.35	0.15%	12.2	11.5
9	Spain	IBEX 35	10271.7	-53.6	-0.52%	-14.0	-12.4
15	Sweden	OMX Stockholm	350.08	1.05	0.30	16.9	17.7
14	Switzerland	SMI	6590.84	-22.53	-0.34	0.7	5.0
...	Turkey	ISE National 100	69998.07		Closed	32.5	54.8
12	U.K.	FTSE 100	5732.83	-35.88	-0.62	5.9	9.2
18	**ASIA-PACIFIC**	DJ Asia-Pacific	135.86	0.04	0.03	10.4	13.7
...	Australia	SPX/ASX 200	4629.20	-10.95	-0.24	-5.0	-1.2
25	China	CBN 600	27230.89	397.55	1.48	-6.3	-7.7
15	Hong Kong	Hang Seng	23605.71	-31.68	-0.13	7.9	5.1
20	India	Sensex	19585.44	-345.20	-1.73	12.1	15.1
...	Japan	Nikkei Stock Average	10022.39	8.76	0.09	-5.0	5.5
...	Singapore	Straits Times	3197.37	-17.85	-0.56	10.3	15.8
11	South Korea	Kospi	1940.96	13.10	0.68	15.3	19.8
17	**AMERICAS**	DJ Americas	324.28	0.99	0.31	9.4	12.5
...	Brazil	Bovespa	70897.90	116.50	0.16	3.4	6.9
17	Mexico	IPC	36601.40	279.28	0.77	14.0	19.4

*P/E ratios use trailing 12-months, as-reported earnings
Note: Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	PERFORMANCE (euros) Last	Daily	52-wk.	PERFORMANCE (U.S.dollars) Last	Daily	52-wk.
2.15%	16	**Global TSM**				2506.05	0.12%	10.6%
1.94	16	**Global Dow**	1397.70	-0.43%	13.9%	2027.85	0.00	4.8
2.22	14	**Global Titans 50**	168.20	-0.51	8.4	171.57	-0.07	-0.3
2.57	16	**Europe TSM**				2724.01	-0.15	2.4
2.20	17	**Developed Markets TSM**				2412.35	0.16	9.8
1.97	13	**Emerging Markets TSM**				4701.47	-0.24	18.0
2.78	25	**Africa 50**	908.20	-0.41	28.1	787.49	0.02	17.9
1.42	13	**BRIC 50**	491.70	-0.81	15.6	640.48	-0.38	6.4
2.80	18	**GCC 40**	594.80	-0.40	20.9	515.71	0.03	11.2
1.81	17	**U.S. TSM**				12470.52	0.31	12.7
2.81	27	**Kuwait Titans 30** -c				225.84		19.0
1.52	61	**RusIndex Titans 10** -c	3527.80	-0.18	17.9	6213.90	0.33	16.4
1.75%	12	**Turkey Titans 20 -c**	751.80	-0.22%	78.9%	852.12		58.9%
4.42	15	**Global Select Div -d**	181.50	-0.38	15.8	212.25	0.06%	6.6
5.24	11	**Asia/Pacific Select Div -d**				293.50	0.02	9.7
3.95	15	**U.S. Select Dividend -d**				345.70	-0.01	13.4
1.46	19	**Islamic Market**				2121.84	0.24	10.7
1.89	15	**Islamic Market 100**	1845.60	-0.28	13.1	2157.77	0.16	4.0
2.87	14	**Islamic Turkey -c**	1861.70	-0.22	57.5	3622.83		39.9
2.39	15	**Sustainability**	893.90	-0.45	12.3	1031.04	-0.01	3.3
3.21	20	**Brookfield Infrastructure**	1731.10	-0.41	27.9	2254.64	0.02	17.7
1.04	23	**Luxury**	1240.20	0.34	50.3	1436.37	0.78	38.3
2.95	15	**UAE Select Index**				242.43	0.00	-21.1
		DJ-UBS Commodity	146.30	-1.42	16.9	145.10	-0.99	7.6

*Fundamentals are based on data in U.S. dollar. Footnotes: a-in US dollar. b-dividends reinvested. c-in local currency. Note:All data as of 2 p.m.ET.

Source: DowJones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	USD	GBP	CHF	SEK	RUB	NOK	JPY	ILS	EUR	DKK	CDN	AUD
Australia	1.0158	1.6204	1.0162	0.1477	0.0327	0.1697	0.0122	0.2790	1.3872	0.1861	0.9949	...
Canada	1.0211	1.6288	1.0215	0.1484	0.0328	0.1705	0.0122	0.2804	1.3944	0.1870	...	1.0052
Denmark	5.4593	8.7087	5.4615	0.7935	0.1755	0.9118	0.0654	1.4994	7.4555	...	5.3468	5.3744
Euro	0.7323	1.1681	0.7325	0.1064	0.0235	0.1223	0.0088	0.2011	...	0.1341	0.7172	0.7209
Israel	3.6410	5.8081	3.6425	0.5292	0.1170	0.6081	0.0436	...	4.9723	0.6669	3.5659	3.5844
Japan	83.4650	133.1434	83.4984	12.1322	2.6829	13.9403	...	22.9236	113.9840	15.2886	81.7443	82.1671
Norway	5.9873	9.5509	5.9897	0.8703	0.1925	...	0.0717	1.6444	8.1766	1.0967	5.8639	5.8942
Russia	31.1105	49.6275	31.1229	4.5221	...	5.1961	0.3727	8.5445	42.4861	5.6986	30.4691	30.6267
Sweden	6.8797	10.9744	6.8824	...	0.2211	1.1490	0.0824	1.8895	9.3952	1.2602	6.7378	6.7727
Switzerland	0.9996	1.5946	...	0.1453	0.0321	0.1670	0.0120	0.2745	1.3651	0.1831	0.9790	0.9841
U.K.	0.6269	...	0.6271	0.0911	0.0202	0.1047	0.0075	0.1722	0.8561	0.1148	0.6140	0.6171
U.S.	...	1.5952	1.0004	0.1454	0.0321	0.1670	0.0120	0.2746	1.3657	0.1832	0.9794	0.9845

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of November 19, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	16	**ALL COUNTRY (AC) WORLD***	318.81	-1.58%	6.5%	12.8%
2.50	16	World (Developed Markets)	1,234.12	-1.58	5.6	11.6
2.30	17	World ex-EMU	147.03	-1.50	7.6	14.0
2.40	16	World ex-UK	1,229.11	-1.57	5.7	11.7
3.00	16	EAFE	1,628.07	-1.65	3.0	6.2
2.10	14	Emerging Markets (EM)	1,110.98	-1.54	12.3	21.5
3.20	15	**EUROPE**	94.01	1.43	6.5	14.0
3.40	13	EMU	171.62	-2.13	-4.9	-1.0
3.20	14	Europe ex-UK	100.92	1.49	4.4	11.3
4.30	12	Europe Value	99.96	1.34	0.5	6.9
2.20	18	Europe Growth	85.62	1.50	12.4	21.1
2.10	23	Europe Small Cap	185.69	1.30	18.2	23.9
2.00	9	EM Europe	325.14	1.20	16.7	27.2
3.30	16	UK	1,706.92	1.29	6.2	13.8
2.60	17	Nordic Countries	165.12	1.40	21.2	27.1
1.60	7	Russia	810.44	1.52	8.6	18.6
2.30	19	South Africa	813.73	0.26	15.0	19.7
2.60	16	**AC ASIA PACIFIC EX-JAPAN**	462.58	-1.27	11.1	17.9
2.10	17	Japan	544.75	2.15	-4.2	-1.8
2.10	15	China	68.36	2.24	5.5	8.6
0.90	23	India	796.63	0.06	12.7	25.2
1.30	10	Korea	544.04	1.49	13.2	21.7
3.50	15	Taiwan	294.29	0.22	-0.6	10.3
1.80	18	**US BROAD MARKET**	1,348.13	-1.52	9.0	18.0
1.30	34	US Small Cap	1,946.96	-1.61	16.5	29.5
2.30	15	**EM LATIN AMERICA**	4,512.74	-2.13	9.6	20.6

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

C-SUITE: TECHNOLOGY

Swedish maker launches Android TV

People of Lava hopes 'Scandinavia,' which offers smartphone functionality, wins niche in markets like U.S. and U.K.

By Gustav Sandstrom

A Swedish TV maker last week launched what it claims is the world's first Android TV, promising an experience very akin to putting a giant smartphone on your wall.

People of Lava, a small privately owned manufacturer based on the Swedish west coast, launched the new TV—aptly named Scandinavia—in Swedish stores. The company hopes by next year to sell the set in major overseas market like the U.S. as well.

Internet-connected TV has been around for a while from vendors like **Samsung** and **Philips**, but these devices tend to offer "walled gardens" with widgets for predetermined online content like **YouTube** or certain news sites rather than the free browsing and downloading possibilities of a laptop or smartphone, People of Lava's Chief Executive Christian Svantesson said in an interview.

But the Android TV, which has been in the making since People of Lava's management team conceptualized the idea last summer, is set to change things.

With the exception of voice calls, the "Scandinavia" on display in the company's Stockholm sales office allows me to do pretty much anything I would expect in a mobile smartphone. The set has a home menu with widgets including **Google**'s Chrome web browser, **Facebook**, YouTube and Google Maps. It also has its own application store where users can download additional content. There are only 20 or so apps in the store at the moment, but there will be more than 1,000 before year-end as it will be able to import many of the apps in the online Android Market store as long as they are scalable to fit a TV screen rather than a handset, according to People of Lava's marketing director Martin Ljunggren.

The TV, which runs the rather dated Android version 1.5, known as cupcake, comes with a remote control with a built-in keyboard. The company plans an app to control it with an Android phone, says Mr. Ljunggren.

Apart from the smartphone functionality, Scandinavia is a pretty nice TV in its own right. The one on display is a 55-inch flatscreen built with a composite including a lot of bauxite rock, which makes it surprisingly heavy at around 40 kilograms.

The hardware design is clean, in white, black and grey, and the screen responds quickly when I zoom around in Google Maps or scale up YouTube clips. Of course, it's priced toward the high end, at 40,000 Swedish kronor ($5,833) for the 55-inch model.

Though People of Lava has only around 20 employees, it has its own assembly line on the Swedish west coast with externally contracted workers, which can produce up to 50,000 TV sets per year, says Mr. Svantesson. The company hopes to sell 200 million kronor worth of Scandinavia TVs in 2011, and aims to win a niche in markets like the U.S. and the U.K., where there has been significant consumer interest in the new Android TV.

Still, says Mr. Svantesson, financing of the planned expansion remains a hurdle. People of Lava needs €10 million ($13.6 million) to launch the TV in major markets like the U.S. The company hopes soon to raise the sum from an industrial investor or venture capitalist.

If People of Lava gets the money for a U.S. launch, the company will be up against consumer electronics giant **Sony** Corp which is just rolling out its own Android-based TV, building on a different solution that intermingles TV broadcasts and Internet content rather than running them side by side.

Google's own TV launched recently in the U.S., but unlike the Scandinavia, it is a more-conventional set-top box for an existing TV.

Still, the presence of Sony's "Google TV" may actually be good for People of Lava's business, because the much larger Japanese company may help establish Android as a standard for the broader TV market, making it more interesting for application developers to create content specifically aimed at TVs, Mr. Svantesson says.

Indeed, the TV industry is set for rapid change over the coming years as more manufacturers are likely soon to build "smart TVs" on software platforms from Google, Apple or **Microsoft**, bringing fully Internet-connected TV sets into the mass market, he added.

As yet another part of the consumer electronics industry gravitates into the world of cloud services, open-source platforms and application stores, new business opportunities will arise for the players in the sector, including not only TV manufacturers and app developers but also content providers and telecom operators who might for instance want to bundle their subscriptions with free TV sets in order to increase customer loyalty, Mr. Svantesson says.

Whatever happens, it will happen soon, he added. "Within five years, smart TV will be a mainstream household product."

People of Lava

People of Lava's Scandinavia brings the interactivity of a mobile phone to a TV set

Liberating computer buyers from unnecessary costs

By Ben Rooney

The rather splendidly named **Jolicloud**, a French start-up, launched its first netbook, to be named, of course, the Jolibook, Friday.

The netbook is to be very competitively priced—lower than most rival netbooks—yet delivering a pretty powerful package, with a dual-core 1.5GHz Atom N550 processor and featuring a 250GB hard drive. The whole thing is HTML5-based.

The distribution channels are also still under wraps, but let's just say that it shouldn't be a problem getting hold of a Jolibook online.

The first rollout will be in the U.K. with other countries to follow soon after.

Jolicloud is a free computer operating system that's designed to blur the distinction between desktop and web apps.

Tariq Krim, CEO of the Paris-based company, was keen to stress that this was more than just another netbook launch, and that the Jolicloud represents a different approach to computing. According to Mr. Krim it is the first "**Facebook**" computer.

He describes the **Microsoft** model—where you buy a computer, then you have to buy Office, and then anti-virus software, and then more and more as the "old model."

"Who are the people who are the prisoners of the old model? The people that don't know about computing, the people who don't know that their computer could be easily fixed and that they can have free software instead of paying for everything.

"In the business world, Office and that make sense, but in the consumer world, Windows is unnecessary. And the elite, the early adopters, know about this, but it is not that well known for normal people.

"For me the cloud is a liberation from all the costs that make computing unnecessarily expensive," says Mr Krim.

Jolicloud is free, the apps are free and the hardware will be very competitively priced. What Mr. Krim hopes is that users will shift more to a subscription model, paying for some content, and for online cloud storage.

For the geeks, Jolicloud is a Linux distro based on Ubuntu. Mr. Krim assures me that you can fire up a command prompt if you really want one, but if you are the kind of person who feels comfortable with a day spent on the command line running 'make,' then perhaps Jolicloud and Jolibook aren't for you.

Mr. Krim says the cloud is a liberation from all the costs that make computing unnecessarily expensive.

For non-geeks Jolicloud's approach is certainly a departure from a conventional OS, taking more of a leaf from smart phones and tablets in its approach.

One obvious early target is the education market. Mr. Krim has been in talks with education suppliers in the U.K. and other European countries.

Some users will find the simplicity the Joilbook offers a welcome alternative and it will be interesting to see if the package works as well as is promised.

Jolicloud has been very well received as an operating system—albeit a very small niche play. This venture into hardware, even if only in partnership, is a brave move for a small start-up. They are not the first company to try to break the Microsoft/Apple hegemony, but they are one of the first to tie their approach so firmly to the cloud and app model. It is a very interesting approach and certainly one to watch.

Agence France-Presse/Getty Images

Sébastien Loeb driving his Citroën C4 through the 'Margam Park' stage on the fourth day of the Wales Rally GB last week.

Think you are a good driver?

Sébastien Loeb, a seven-time rally champion, can lay claim to being the world's best

By Nicolas Brulliard

SALOU, Spain—Meet the best driver in the world.

Of course, the unofficial title will always be in question, but France's Sébastien Loeb, the world rally champion, has a better claim to it than most.

Besides a record seven consecutive titles in the World Rally Championship, racing's preeminent multi-terrain circuit, the 36-year-old has excelled in various motor sports. He finished second at the 24 hours of Le Mans endurance race in 2006, and he bested most of the professional Formula 1 drivers that were present at a winter testing session in 2008 despite having little experience with an F1 car. He also has three victories in the Race of Champions, an annual event pitting the best rally, F1, endurance and Nascar drivers against one another in identical cars.

But it's the sport that Mr. Loeb dominates that gives a better measure of his talent.

It's one thing to drive a race car really fast on a racetrack. It is a different thing altogether to drive a race car really fast on an icy mountain road with trees on one side, a cliff on the other and large fauna occasionally standing in the middle. Rally's sinuous courses allow for plenty of last-second braking, vertiginous acceleration and liberal use of the handbrake in tight curves.

"I have the most fun in rally because of the variety of terrains," Mr. Loeb said. "Competing on a racetrack gets a bit tiresome after a while."

The typical rally season runs from February to November across continents and is made up of multi-day events. While some rally competitions use tarred roads, most take place on gravel, sand, mud or snow. Because most take place in natural environments, sometimes nature finds its way to the middle of the road.

Earlier this year, former F1 champion Kimi Raikkonen narrowly missed a moose at the Sweden Rally. Mr. Loeb couldn't avoid hitting a cow at the Rally of Argentina in 2005, but he went on to win the event anyway. The cow seemed fine, Mr. Loeb said.

Mr. Loeb says a key to his success is his visual memory, which allows him to remember specific curves from one year to the next and accelerate when others slow.

Norway's Petter Solberg, one of Mr. Loeb's fiercest rivals and the last man not named Loeb to win a world championship, wasn't so lucky at the Australia Rally in 2005. Neither was the kangaroo with which his car collided.

It's no surprise, then, that drivers from the ranks of F1, which just crowned its youngest champion in Sebastian Vettel, have yet to make a smooth transition to rally. Mr. Raikkonen in particular has struggled in his first season. He failed to score points at most of the events he entered, and at the rally held here recently, he crashed his car before the rally even started.

"Raikkonen's switch to rally is a huge boost to the championship," said Gérard Bridier, founder of a rally magazine. "Formula 1 being the self-proclaimed king of motor sports, people thought that an F1 champion would be able to dominate any other discipline. Raikkonen proved it's just not the case."

Mr. Loeb was a precocious driver, holding the steering wheel of his father's car under supervision at 3 years of age and crashing it—all by himself—at 4. The son of teachers, Mr. Loeb competed in gymnastics before developing a keen interest in speed and motorized vehicles. An electrician by training, he had to wait until his early 20s to take part in his first rally competition. He turned professional a few years later with a spot on Citroën's rally team.

Mr. Loeb narrowly missed the world title in his first full season, in 2003, but hasn't let go since. He and co-driver Daniel Elena won their 61st rally here after clinching their seventh world championship last month—two races before the end of the season. He even won a go-kart race held for WRC drivers before the rally.

A physician on Mr. Loeb's team says he owes part of his superiority to his extraordinary hand-eye coordination. Mr. Loeb himself says a key to his success is his visual memory, which allows him to remember specific curves from one year to the next and accelerate when others slow down—especially in conditions of poor visibility.

Few dispute that Mr. Loeb is the best rally driver in history, but one competitor isn't so quick to pass judgment. Mr. Solberg said the large infrastructure of the official Citroën team has been his rival's big advantage.

"Of course he's good, he's very good," Mr. Solberg said.

But "honestly—in my opinion—he hasn't had proper competition."

For Fredrik Johnsson, the organizer of the Race of Champions, Mr. Loeb is the most versatile driver, while Michael Schumacher, the seven-time F1 champion, has an edge in pure speed. But Mr. Loeb said determining the better driver of the two was nearly impossible. He said he would win against Mr. Schumacher on a rally course while Mr. Schumacher would beat him on an F1 racetrack.

Mr. Schumacher said in an email that various motor sports can't be compared but that he had a lot of admiration for Mr. Loeb's accomplishments.

"I know Sébastien very well," he said, "we often have fun together on race tracks when we go motor-biking together."

Mr. Loeb conceded that Mr. Schumacher was "a bit better" when riding motor-cycles at a race-track near their homes in Switzerland, but he figured Mr. Schumacher benefited from his recent three-year retirement.

"He trained more than I did last year because he had nothing else to do," Mr. Loeb said.

The Count

Agence France-Presse/Getty Images

Stuart Broad.

Tip of the day

In contrast to Australia's muddled build-up, England's preparation for this week's opening game in the Ashes, cricket's oldest Test series rivalry, could hardly have been more serene.

England is in Brisbane for Thursday's first Test in the five-match series with two wins and a draw to show from its three matches Down Under.

Unlike four years ago, when England arrived in Australia with an injury-riddled, under-cooked squad, the side has no injury worries and looks settled and in good form.

England captain Andrew Strauss and his deputy, Alastair Cook, will open the batting, barring unforeseen problems. Before the tour, Mr. Cook's place was in doubt, but the left-hander hit a century in Adelaide last weekend. If he maintains that form, the 8/1 with Bodog for him to be England's top Ashes scorer represents outstanding value.

Mr. Strauss is the favorite in that market at 7/2: His 474 runs from nine innings during the last Ashes series in England was 200 more than any of his teammates.

England expect important contributions from Jonathan Trott, the country's most prolific runmaker in 2010, and Kevin Pietersen, who recorded an impressive 490 runs in the 2006-07 series in Australia. Either can be backed at 9/2.

Even England's lower-order batsmen can score runs: Stuart Broad has a career-high score of 169 and has hit 292 runs in 2010. He scored a total of 234 against Australia in 2009 and buying his runs with Sporting Index at 175 looks worthwhile.

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Number of penalties taken in the Barclays Premier League on Saturday, the highest number awarded on a single day in the past five seasons.

Source: Opta Sports

THE QUIRK

In Nigeria, putting a cloth head cap on bad *juju* conjures up good business

By Will Connors
Lagos, Nigeria

Will Connors/The Wall Street Journal

Okada union rep Femi Prince Fasehun tries to get passengers to wear helmets, saying helmet juju is 'a lie.'

This megacity's motorcycle taxis are so dangerous that local hospitals have special orthopedic wards meant just for people who have suffered accidents while riding them. So you'd think a law requiring passengers to wear helmets would be well received.

But it turns out that, for many Nigerians, the only thing scarier than a motorcycle taxi is a motorcycle helmet. Many people refuse to wear them out of fear of *juju*, or supernatural powers. Some fret that previous passengers may have put nefarious juju spells on the helmets to steal someone's good fortune, or to make a person disappear in order to be used in a sacred ritual, say motorcycle taxi drivers and passengers.

"Our people are quite superstitious about anything dealing with their head," says Ralph Ibuzo, a 43-year-old architect whose closely cropped hair is beginning to gray. "People believe that if you put on a helmet, [others] can take away your brain, or your good luck."

So Mr. Ibuzo created the "Original Lapa Guard," a cloth cap that he claims can protect wearers from disease and sudden disappearance. The cloth provides a thin layer of separation between the head and a helmet full of potential trouble.

The biggest city in sub-Saharan Africa is a cosmopolitan place, home to millions of Christians and Muslims, renowned musicians and artists, and professionals commuting to work in designer clothes. But the fear of juju isn't new here, and product roll outs have been tricky. Indomie, now the market leader in instant noodles, was at first rumored to contain worms from Asia. When condom distribution drives picked up in the 1990s, talk was that men using them would vanish. And when mobile phones became popular, some said certain numbers meant a person was going to die.

Mr. Ibuzo had to convince customers that his caps could protect against supernatural powers.

Mr. Ibuzo has the law on his side, however. In early 2009, Lagos enacted a traffic regulation that requires passengers on Nigeria's motorcycle taxis, called *okadas*, to don helmets. Despite efforts at enforcement by city officials and traffic police, most passengers refuse to wear them out of concern about juju—or because of germs.

Aside from preventing unwelcome mingling with the supernatural, Mr. Ibuzo says he's concerned about improving safety, too. Last year, he witnessed an accident that killed a young man who wasn't wearing a helmet while riding on the back of an okada.

Roughly 2,500 people died in okada accidents in the first half of 2010, according to the Federal Road Safety Commission, though many believe the actual number is much higher.

To persuade people to wear protective headgear, Mr. Ibuzo created the hygienic cap but struggled to manufacture the product. Banks wouldn't lend to a small, unproven business; the cost of running the operation was high in Nigeria, where electric power is erratic and most companies depend on diesel-powered generators; and Chinese factories wouldn't make his caps in small quantities.

Eventually Mr. Ibuzo used his own money, and after a trip to Suzhou, China, found a factory with experience making surgical gowns and caps. The first shipment of one million Chinese-made caps arrived in May. That's when Mr. Ibuzo confronted an unanticipated challenge. He had to convince customers that his caps could protect against—and not cause—juju. Mr. Ibuzo started a grassroots publicity campaign that included radio advertisements stressing the absence of juju in his cloth cap.

Juju is widely feared in Nigeria and throughout West Africa, but that isn't commonly acknowledged among city sophisticates.

"Some people blame juju [for bad things], others don't. But juju is real," insists Israel Alofohkai, an okada union secretary in the Onigbongbo area of Lagos, who has started selling Mr. Ibuzo's caps. "It's very rampant."

To reach as many customers as possible, Mr. Ibuzo is cooperating with the powerful okada unions of Lagos. Okada riders are natural partners for Mr. Ibuzo's company, because they ride into every small corner of the city and because they, too, have struggled to convince passengers that helmets are not juju objects.

"They said if you wear [helmets], some people do disappear or get a headache or they'll take your luck," said Femi Prince Fasehun, an okada union representative. "But it's a lie. It's a lie. If they don't wear them, the police will arrest us, and we'll be the ones who have to pay."

Thousands of passengers ride okadas every day through the chaotic streets of Lagos. Some passengers use their own handkerchiefs underneath the helmet. Others hold the helmets above their heads to pass muster with the traffic police. Still others refuse to wear helmets at all.

On a recent sweltering day, sales rep Mercy Obi picked up a box of caps and walked into the Ketu neighborhood of Lagos to make some sales. She says she tends to avoid extolling the caps' use against juju because she doesn't want to be responsible if something does happen.

"We don't tell them about rituals and juju because they might believe us and it might still not work," Ms. Obi said.

Prince Olukosi, a civil servant, bought two Original Lapa Guard packs from Ms. Obi for family members. "It's for hygiene, and safety," Mr. Olukosi said when asked why he had bought them.

Even juju skeptics are welcoming the head caps.

"Anything that will remove rumors, that will encourage people to be safe," says Kayode Opeifa, the special assistant on transportation to the Lagos State government, who has been charged with enforcing the helmet law. "For me it makes my job easier if there's something that can stand in between to those who believe [in juju]."

Either way, Mr. Ibuzo's start-up is gaining traction. Half of the first shipment has already been sold.

Though Mr. Ibuzo says concerns surrounding juju-laced helmets will fade over time as they have with other products in Nigeria, some of his sales people are striking while the issue is hot. At a party last week, Adewumi Momoh, a marketer working for Mr. Ibuzo, hired the emcee of the event to talk up the Original Lapa Guard. "He would say, 'Somebody disappeared yesterday. You want to disappear? You want craw craw [infection]?' People said, 'Nooo!' so he says, 'Come, buy this thing.' And they rushed to buy it."

WSJ.com

ONLINE TODAY: Listen to a radio ad for the helmet guard at **WSJ.com/World**

WORLD WATCH

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Euro-Zone Crisis

■ **Ireland** applied for a bailout worth tens of billions of euros from the European Union and the International Monetary Fund to prop up its ailing banks and public finances, bending to pressure from other European countries.
■ **EU finance ministers** "welcome" the application, they said in a statement, and indicated they were prepared to endorse a package of loans from two European stability mechanisms, the IMF, and possibly the U.K. and Sweden.
■ **No figures** were announced, but it is expected to be in the "high double-digit billions," according to a senior European official. The size of the bailout is still being negotiated, along with the conditions that the EU and IMF would impose on Irish fiscal policy, European officials said.

■ **Greece**'s government is losing hope of getting additional time to pay back a €110 billion ($150.5 billion) loan after its European partners pressured Athens for tough new measures to meet its deficit targets, two senior government officials said.

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NATO Summit

■ **The U.S.-led** coalition partners approved plans to start transferring security responsibilities in Afghanistan to local forces next year but stressed that such handovers wouldn't necessarily result in troop withdrawals. The decision by the North Atlantic Treaty Organization member states and their coalition allies calls for all of Afghanistan's provinces to transition to Afghan security lead by the end of 2014.

■ **Russian President** Dmitry Medvedev described as historic a summit meeting with NATO leaders in Lisbon, saying the two sides had moved a long distance from the animosity evident as recently as two years ago following the Russian invasion of Georgia.

■ **NATO leaders** agreed to expand a U.S.-led missile-defense system to cover all of the alliance's territories in Europe.

■ **NATO released** its first strategy document in a decade, which will guide the alliance over the next 10 years on how it deals with old and new threats, including cyberattacks, terrorism and ballistic-missile attacks.

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Europe

■ **Al Qaeda's** affiliate organization in North Africa has warned France that the release of five French hostages held in the Sahara desert depends on France pulling its troops out of Afghanistan.

■ **German authorities** launched a large-scale search in Berlin for two suspected suicide bombers, according to people close to the investigation. The suspected Islamic extremists are believed to be planning an attack on a prominent location in the German capital in the coming weeks, according to one of the people familiar with the investigation.

■ **Pope Benedict XVI** said there may be special cases in which the use of condoms can be considered "a first step in the direction of moralization"—the first time a pope has ever suggested that the Roman Catholic Church's ban on condoms is not absolute.

■ **U.K. Prime Minister** David Cameron's enterprise adviser resigned after making comments playing down the impact of the recession.

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U.S.

■ **Federal authorities**, capping a three-year investigation, are preparing insider-trading charges that could ensnare consultants, investment bankers, hedge-fund and mutual-fund traders, as well as analysts across the nation, according to people familiar with the matter.

■ **The U.S. Air Force** confirmed that because of a clerical error it mistakenly provided rival companies sensitive information that contained each other's confidential bids in a long-standing, multibillion dollar competition to build a new refueling tanker.

■ **In Illinois**, former U.S. Senator Carol Moseley Braun kicked off her campaign for Chicago mayor, joining a crowded field. Braun made history when she was elected in 1992 as the first black woman in the U.S. Senate. She lost her re-election bid in 1998.

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Americas

■ **The Colombian military** possibly struck a deadly blow against a top commander in the Revolutionary Armed Forces of Colombia, Latin America's oldest and largest insurgency, extending a streak of direct attacks against the guerrilla group's leadership.

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Asia

■ **North Korea** showed a visiting American a lab where it claimed to be processing uranium for electricity, but the prospect that it could also use the material for nuclear weapons set off a diplomatic scramble.

■ **In Myanmar**, newly released democracy advocate Aung San Suu Kyi made clear in an interview that she doesn't intend to rein in her political activities even if it risks landing her back under house arrest again. Suu Kyi said she has not yet decided whether to back lifting international sanctions against Myanmar's harsh military regime.

■ **Hong Kong police** arrested three members of the city's anti-corruption watchdog on suspicion of perverting the course of justice amid a high-profile and unprecedented raid on the Independent Commission Against Corruption's headquarters.

■ **Indian Prime Minister** Manmohan Singh said wrongdoers in a spate of recent alleged scandals would be severely dealt with as some are gripped by a rare unearthing of graft allegations and an accompanying debate over ethics in public life.

■ **In China**, water flooded a small coal mine, trapping 28 people as they did safety work to expand the mine's capacity, an official and state media said.

■ **Mongolia's government** is reviewing a list of more than 1,700 mining licenses to be terminated under regulations aimed at protecting the environment, a senior official said. Mongolia's minister for mineral resources and energy also said the government was suspending 254 gold-mining licenses to conform with the law.

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Middle East

■ **Saudi Arabia**'s elderly monarch will travel to the U.S. to seek medical care after being hospitalized late last week.

■ **The Palestinian** president warned he would not accept a U.S. proposal for resuming peace talks unless Israel stops building homes for Jews in disputed east Jerusalem.

■ **An Israeli military court** handed down a three-month suspended prison sentence to two soldiers convicted of using a 9-year-old Palestinian boy as a human shield during last year's Gaza Strip war.

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Africa

■ **Egypt's government** has rejected Obama administration requests that Cairo allow international monitors to observe next Sunday's parliamentary elections, undercutting U.S. hopes to bring greater transparency.

■ **In Burkina Faso**, longtime leader Blaise Compaore appealed to voters to cast their ballot in a presidential election where he was seen as the clear favorite, but witnesses said turnout in the West African state was thin.

■ **Namibian police** said a suspicious suitcase discovered Wednesday at a Namibia airport was a fake device designed to resemble a bomb, though it remained unclear who placed it there. German investigators said a forensic analysis determined that the device was commercially made in the U.S. as a test of airport security.

■ **In Madagascar**, an attempted coup on this Indian Ocean island has been defused without bloodshed, the prime minister said. Camille Vital said 16 officers surrendered, ending an impasse that began Wednesday when a faction of officers declared they were taking over from Andry Rajoelina.

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Oceania

■ **Rescuers attempting** to locate 29 workers trapped in a collapsed New Zealand coal mine since Friday are being hindered by poisonous gas and an underground fire.

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Poland goes to the polls for local elections

Reuters

People dressed in traditional outfits from the Tatra mountains cast their votes at a polling station in Bukowina Tatrzanska. Poland held a first round of elections for nearly 50,000 local officials on Sunday, which the ruling center-right Civic Platform party views as a test of support before a parliamentary vote due next year.

BUSINESS WATCH

French stage and film actor leads charity wine auction in Burgundy

Agence France-Presse/Getty Images

Actor Fabrice Luchini gestures with a hammer as he leads the auction at the Hospices de Beaune's 150th charity wine sale in the town of Beaune. The auction is a major event in the Burgundy region.

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Autos

■ **The merger** of Volkswagen and Porsche Automobil Holding moved a step closer after Porsche said it will make disputed tax and interest payments of about €626 million ($857 million) on stock option transactions.

■ **Chrysler Group** has plans to cooperate with Fiat's super-luxury brand Maserati, by producing a premium sport-utility vehicle to be sold as a Maserati in markets around the world starting in 2013, according to Sergio Marchionne, who serves as chief executive of both Fiat and Chrysler.

■ **Nissan** plans to buy a 10% stake in AvtoVAZ for nearly $300 million in the first half of 2011, the head of the state-owned Russian technology firm Rostekhnologii said.

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Banks

■ **Some of** the U.S.'s largest banks are exiting or scaling back their dealings with foreign embassies and missions in the U.S. because of the burden of complying with federal money-laundering regulations. The State Department said about 40 countries have been affected, 16 of which are in Africa.

■ **A former** Société Générale trader was convicted on U.S. charges of stealing the French bank's proprietary code for its high-frequency trading business. Federal prosecutors had alleged that Samarth Agrawal secretly printed out copies of the bank's computer code last year and planned to use it to build a copy of SocGen's trading program at a competitor.

■ **Wells Fargo** will pay Citigroup $100 million to settle claims related to its takeover of Wachovia two years ago, according to a joint statement by the two banks. Citigroup had sought as much as $60 billion in damages from Wachovia and Wells Fargo, which announced their takeover agreement just four days after Citigroup thought it had won the bank.

■ **ABN Amro** said charges related to the merger and integration of Fortis Bank Nederland pushed it to a net loss in the first nine months of the year, but that otherwise profitability improved over the period on higher interest income and fewer bad loans. It made a nine-month net loss of €627 million ($858 billion) compared with a net profit of €352 million a year earlier.
■ **The Dutch bank** added that since the merger charges were booked in the first half, it made a net profit of €341 million in the third quarter, but didn't give a year-earlier comparison.

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Energy

■ **A U.S. probation officer** asked a judge to revoke BP's criminal probation stemming from an oil spill in Alaska's Prudhoe Bay in 2006, a move that could lay BP open to new penalties in addition to the conviction it received after the incident. The officer accused BP of criminal negligence in its conduct prior to a North Slope oil spill in November 2009.

■ **Petroleo Brasileiro**, the Brazilian energy giant, plans to pull out of Ecuador after failing to reach an agreement with the government on changing its oil sharing deal to a services contract, a high-level government official said.

■ **China Petroleum** and Chemical, China's largest oil refiner, said it suspended diesel exports to relieve shortages in the domestic market, the state-controlled Xinhua news agency reported.

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Entertainment

■ **"Harry Potter** and the Deathly Hallows, Part I" topped the weekend box office in the U.S. The first part of the two-part finale to the long-running Warner Bros. film series took in $125.12 million at the office, according to early estimates from Hollywood.com.

■ **Live Nation Entertainment** sued former Chairman Michael Cohl, alleging that he failed to honor a commitment to pay $5.4 million he owed the company under a complex severance agreement.

■ **Harrah's Entertainment** is likely to wait six to nine months to go back to public-equity markets, a person familiar with the company's plans said. On Friday, Harrah's planned to raise up to $532 million in a sale of 9.3% of the company for $15 to $17 per share, but tepid investor demand scuttled the share sale.

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Financial services

■ **A hotel developer** and his wife are the latest to score a victory against Morgan Keegan, a unit of Regions Financial, in an arbitration case involving a family of risky bond funds.

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Food

■ **H.J. Heinz** said its profit climbed 8.6% in its fiscal second quarter to $251.4 million amid growth in Asia and the U.S., even as currency translation weighed on sales.

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Pharmaceuticals

■ **A new study** concluded Merck's cholesterol-lowering drug Vytorin modestly reduced the risk of heart attacks and related disease among people with chronic kidney disease, when compared with a fake drug.

■ **A U.S. judge** said she will likely approve a $175 million settlement of a closely watched gender-discrimination lawsuit involving Novartis's U.S. unit and its female sales force. Under the agreement, the unit would pay about $152.5 million to a group of current and former female employees. The class includes about 6,200 women.

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Retail

■ **AnnTaylor Stores**' fiscal third-quarter profit rose to $24.2 million, up from $2.1 million a year earlier, aided by better-than-expected sales growth.

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Technology

■ **SAP** said it will have mobile versions of its business software ready for Research In Motion's new Playbook tablet computer when the device hits the market early next year. SAP is the leading maker of so-called enterprise resource management software many companies use to run basic functions such as finance, human resources and manufacturing.

■ **The head** of Sony Ericsson Mobile Communications indicated that the mobile-phone maker may be working closely with parent company Sony on a smartphone with a slide-out controller to play video games.

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Telecommunications

■ **Axiom Telecom**, the Dubai-based mobile-phone distributor, said its 35% share sale, the first in the United Arab Emirates in more than two years, would be pitched solely at institutional investors.

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Tobacco

■ **Public-health officials** from around the world agreed to recommend restricting or banning flavor additives that can make cigarettes more attractive to new smokers.

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Transportation

■ **AIG** put its rail-car subsidiary on the auction block. AIG Rail Services provides rail-car leases and equipment financing to shipping companies, railroads and others in the North American rail industry.

■ **The government** of the Australian state of Queensland said it raised 4.6 billion Australian dollars (US$4.53 billion) in gross proceeds from the initial public offering of its QR National railway, with A$4.1 billion worth of shares issued. The state government was hoping to raise up to A$5.05 billion from the IPO.

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Pharmaceuticals face biological warfare

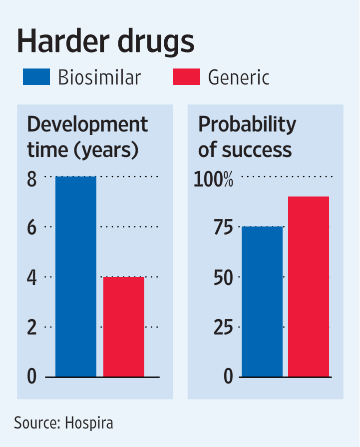
It is a new battle for the drugs industry, and it will be hard-fought. U.S. and European regulators are debating guidelines for approving "biosimilars," which would allow copies of cancer and multiple-sclerosis treatments to be developed for the first time. That is a big threat for biotech firms and pharmaceutical companies like **Roche**. It is also a huge opportunity for generics players.

Biological treatments are proteins manufactured in living cells, rather than chemical-based drugs. Biotech firms including **Amgen** and **Biogen**, and pharmaceutical companies like **Pfizer**, **Novo Nordisk** and Roche are key players in a market worth some $100 billion in annual sales.

Biologics are complex to manufacture. They command high prices. And although companies face a wave of patent expirations from 2014, there are no mechanisms for approving generic copies for the majority of these products. That means biotech specialists tend to trade at a premium to peers with products more at risk from generic competition. The premium is now under threat.

Guidelines for approving a raft of biosimilars, or copies of biological drugs, are expected in Europe later this month. Sure, the threat has been known for years, but the market may be underestimating the impact. Credit Suisse has forecast a 5%-10% annual decline in sales of biological treatments once patents expire, but that looks conservative.

Patent expirations on conventional drugs have caused sales to fall at rates of up to 80% per year. True, biosimilars have much higher barriers to entry. While generic drugs can typically be developed for under $5 million, biosimilars can take twice the time and cost as much as $200 million each. Regulators may require extensive clinical trials to approve them. Doctors may be reluctant to prescribe "copycat" treatments. Patent holders will also fight to protect sales, refining their drugs or making them easier to administer.



Source: Hospira

But pharmaceutical firms accept that biosimilars will eventually be approved, not least because governments need to facilitate the development of cheaper drugs. Biosimilar sales could rise from $250 million last year to $20 billion by 2020, estimates generics manufacturer **Sandoz**, a division of pharmaceutical firm **Novartis**. The world's largest generics firm, **Teva Pharmaceuticals**, is already testing its version of Roche's blockbuster cancer and arthritis drug Rituxan. Pfizer, too, is beefing up its generics business.

Roche's historic 20%-30% premium to peers has all but disappeared as the risks to its drug portfolio have become clearer. And generics firms look like the winners. Teva now trades at 11.5 times this year's earnings, a fraction above the global pharmaceutical sector. That is still behind biotech specialists like Novo Nordisk. But as opportunities for biosimilars develop, the balance could tip further in generic manufacturers' favor. —*Hester Plumridge*

A state of alert for insurance industry

Investors in property-and-casualty insurers are used to disasters like hurricanes. Today, a different kind of storm is a worry, the one roiling municipal-bond markets.

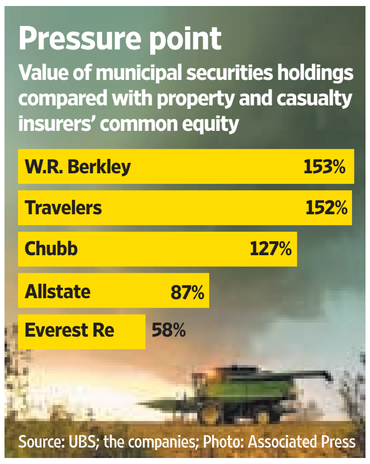
Munis account for about 30% of property-and-casualty insurers' invested assets. And companies like **Travelers** and **Chubb** have more than half of their fixed-income investment portfolios in the securities.

Those exposures—Travelers has $41 billion in munis; Chubb, $20.2 billion—may hit insurers' book values if the recent selloff doesn't reverse. Just how big a threat this poses depends on whether the problems in muni markets are related to a short-term supply-demand imbalance or deeper fiscal problems.

So far, many investors think it is the former. If so, insurers' losses should be manageable.

Should muni-market unease be indicative of deeper fiscal woe, however, the situation is more troublesome. About 15% of Traveler's muni portfolio, for example, is comprised of bonds from Texas and California, two states facing huge budget holes.

Such gaps will lead to battles over cost cuts or tax increases that could harm investors. The public outcry will "eventually lead the more problematic jurisdictions such as California, New York, Illinois to at least flirt with default—if for no other reason than as a means of playing investors and voters off against one another," Christopher Whalen of Institutional Risk Analytics wrote Friday.



Source: UBS; the companies; Photo: Associated Press

As a defense, many insurers have split their muni portfolios between state issues, bonds issued by local governments and debt backed by revenue from specific programs. Travelers has only about 20% of its holdings in state bonds, with 40% each in local and revenue issues.

And while acknowledging concerns about fiscal conditions, the company in earnings calls has stressed that it isn't afraid to "substantially" reduce positions if issuers' credit-worthiness deteriorates.

For now, insurers likely have room for maneuvering. But with muni portfolios at Travelers and Chubb both equal to more than 120% of shareholders equity, investors should keep their foul-weather gear handy. —*David Reilly*

OVERHEARD

Studying is a serious business. **MetLife** CEO **Robert Henrikson** reminisced at a New York conference last week about one university experience: "At the Wharton School, when they asked me how I became CEO, I said, 'Well, I was the oldest person at the company.' None of them laughed, and some of them wrote it down."

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Carl Icahn: private enemy No. 1? Since the veteran investor joined **Seneca Capital** to force **Blackstone Group** to up its offer for **Dynegy**, private-equity types have muttered about the implications. It isn't the first time buyout barons have faced such a situation. But they fear it will embolden investors again to push for more the next time they buy a public company. And given the power company postponed its shareholder vote until this week, there is still potential for a bigger shock.

—*overheard@wsj.com*

No European contagion for corporations

Europe's government-bond markets have the bailout blues again. But, so far, corporate credit markets have proved resilient, in contrast to the Greek crisis earlier this year when activity ground to a halt. With a rescue deal for Ireland on the way, corporate bonds should continue to trump sovereigns.

Markit's iTraxx SovX Western Europe index of 15 sovereign credit-default swaps hit a record last week. Key indexes of blue-chip and even "junk"-rated companies hardly budged in comparison. It costs $101,500 a year to insure investment-grade corporate debt against default, compared with $168,000 for sovereign debt.

Sales of investment-grade and high-yield bonds have continued to flow in recent weeks, data from Société Générale show. Globally, there were 35 high-yield bond issues this past week, according to Thomson Reuters, the highest number since records began in 1985.

With a deal for Ireland on the way, corporate bonds should continue to trump sovereigns.

Fundamentally, corporate credit still looks in good shape. Investment-grade balance sheets are strong after 2009's dash for cash, high-yield companies have refinanced debt, and credit-rating upgrades are coming through. The European default rate has plummeted.

Potential flash points remain. Were the crisis to infect Spain, Europe's capacity for bailouts would be tested. And, with 77% of investors in a Royal Bank of Scotland poll predicting a euro-zone sovereign-debt restructuring in the next three years, there are bound to be further stresses. But for now, the corporate credit market looks set to finish the year comfortably. —*Richard Barley*