

PERSONAL JOURNAL



# Fashion's New Price of Entry The \$400 Dress



## The Next Luxury Destination: Nicaragua

# THE WALL STREET JOURNAL

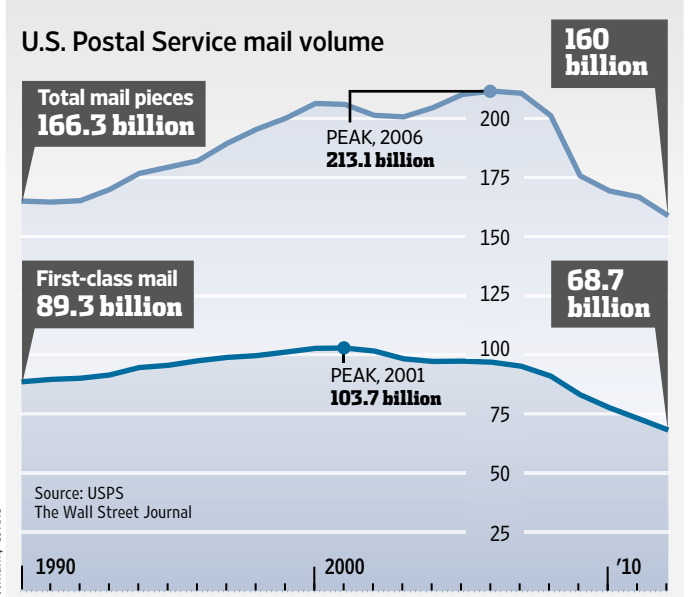
DOW JONES A NEW CORPORATION COMPANY \*\*\*\*\* THURSDAY, FEBRUARY 7, 2013 - VOL. CCLXI NO. 31 WSJ.com \*\*\*\*\* \$2.00  
DJIA 13986.52 ▲ 7.22 0.1% NASDAQ 3168.48 ▼ 0.1% NIKKEI 11463.75 ▲ 3.8% STOXX 600 284.52 ▼ 0.4% 10-YR. TREAS. ▲ 13/32, yield 1.967% OIL \$96.62 ▼ \$0.02 GOLD \$1,677.70 ▲ \$5.30 EURO \$1.3523 YEN 93.64

## What's News—

Business & Finance World-Wide

- **American Airlines parent AMR and US Airways** are hashing out the last major details of a merger agreement that would create the world's largest airline and are racing to finalize a deal. **A1**
- **Boeing is proposing** battery design changes that it believes would allow grounded 787 Dreamliners to fly again while it continues searching for a longer-term fix. **B1**
- **RBS traders tried** hundreds of times to rig Libor, sometimes succeeding, said regulators as they unveiled a \$612 million settlement with the bank. **C1**
- **Deutsche Bank has** suspended five traders for alleged involvement in rigging Euribor, Libor's lesser-known cousin. **C3**
- **Alcatel-Lucent is expected** to announce that CEO Verwaayen will step down from the telecom-equipment giant after a transition period. **A1**
- **Italy's Monte dei Paschi** was so strapped for cash in late 2011 that it negotiated a covert, nearly \$2.7 billion loan from the nation's central bank. **C1**
- **The Dow industrials** edged up 7.22 points as investors weighed the latest round of earnings reports against weakness in European markets. **C4**
- **Japan's stock market** is staging its biggest rally in years amid optimism stoked by the faltering yen and economic-stimulus measures. **C4**
- **S&P could face** a much higher bill than the \$5 billion sought by the federal government as more states join the battle against the firm. **C1**
- **ArcelorMittal reported** its first annual loss and a deeper quarterly loss, adding to the gloom surrounding the global steel industry. **B8**
- **Glaxo said** it plans to revamp its European drug business and is weighing options for its Lucozade and Ribena drinks, as it posted a drop in profit. **B3**
- **Biogen agreed** to buy partner Elan's interest in Tysabri for \$3.25 billion, giving it full control of the blockbuster multiple-sclerosis drug. **B3**
- **An analysis of 21 fast-food** and sit-down restaurant chains found that lower-calorie food and beverages fueled the chains' growth. **B8**
- **The U.S. plans** to issue floating-rate notes within the next year, though first it must resolve how to set the adjustable rates on the securities. **C4**
- **News Corp.'s quarterly** earnings more than doubled, helped by gains related to acquisitions, but the company cut its profit outlook. **B3**
- **Time Warner's profit** rose 51% in the fourth quarter thanks to cost cutting and strength at the company's television networks. **B3**
- **CVS Caremark got** a sales bump from customers seeking cold and flu remedies, the latest sign the flu season has been good for pharmacy chains. **B3**
- **Obama agreed to share** the secret drone document. Members of the House and Senate intelligence panels will be able to review the classified opinion explaining the administration's legal justification for the targeted killings of U.S. terror suspects abroad. The move comes on the eve of the confirmation hearing of counterterrorism chief Brennan to become CIA director. **A1**
- **The White House had** resisted past requests for the memo, and human-rights groups have challenged the drone policy in court.
- **A leader of Tunisia's** secular opposition was shot dead, sparking protests and an announcement by the premier that he will dissolve his Islamist-led government. **A9**
- **Democrats and Republicans** warned of the potential damage of Pentagon budget cuts due to hit March 1 but remained split over how to avoid them. **A4**
- **The Boy Scouts delayed** until May a decision on whether to end their ban on gay members after a planned vote exposed serious rifts. **A2**
- **Syrian opposition fighters** and regime forces clashed in Damascus, in what many called a bid by hard-line rebels to derail any potential talks. **A9**
- **France said** it hoped to start pulling troops from Mali next month, as its forces continued to chase Islamist rebels and African soldiers arrived. **A11**
- **Iran's banks** have been able to dodge a ban on carrying out global transactions through the Swift electronic-payment system, Swift officials said. **A10**
- **The EU could label** Hezbollah a terrorist organization after Bulgaria linked the group to a deadly bomb attack on Israeli tourists, an EU official said. **A9**
- **China's Yunnan province** is halting the use of so-called re-education-through-labor camps, which are commonly used to stifle dissent. **A7**
- **Obama picked** Sally Jewell, the chief executive of outdoor-gear retailer REI, to head the Interior Department. **A4**
- **Penny Pritzker**, an Obama fundraiser and Hyatt director, is a leading candidate to become commerce secretary. **A4**
- **Ozone from air pollutants** may increase the risk of pre-eclampsia, a potentially dangerous pregnancy condition. **A2**
- **The Postal Service said** it would end Saturday first-class mail delivery beginning Aug. 5 in an effort to curb losses. **A6**
- **Obama's planned** visit to Israel and the West Bank this spring is raising hopes about restarting peace talks. **A9**
- **Moscow rejected** claims that workers building facilities for the Winter Olympics have been exploited by employers. **A10**
- **Dogs in England** will have to be fitted with microchips by 2016, the government said. **A10**

## Costs Do What Snow, Rain, Night Can't



**DELIVERING BAD NEWS:** The Postal Service said it will end Saturday delivery starting in August to curb losses. The move would force some businesses to rethink how they reach consumers over the weekend. **A6**

## New Air Giant Takes Shape

### American, US Airways Close In on Deal To Create the World's Biggest Carrier

By Mike Spector and Susan Carey

American Airlines parent AMR Corp. and US Airways Group Inc. are hashing out the last major details of a merger agreement that would create the world's largest airline and are racing to finalize a deal, said people close to the discussions.

If the deal is reached, the new company could have a market capitalization of more than \$10 billion and would vault ahead of United Continental Holdings Inc. as the biggest U.S. airline by traffic. The all-stock deal would be executed as a reorganization plan that takes American out of Chapter 11 bankruptcy protection.

The people cautioned the merger negotiations remained fluid and could fall apart. American has resisted a deal at various points in favor of emerging from bankruptcy protection as an independent airline. Significant points of the deal, including how to split ownership of the airline and how to arrange board seats and management ranks, remain unresolved. The boards of both airlines haven't yet convened to consider the deal, although American representatives on Wednesday discussed whether to schedule such a meeting, said a person close to the matter. It could take another couple of weeks for an agreement to be completed, the people said.

The discussions are now at an advanced stage, with AMR Chief Executive Tom Horton, US Airways CEO Doug Parker, and a small circle of advisers negotiating the merger's finer points. Under the deal's current contours, American creditors would own roughly 72% of the airline and US Airways shareholders about 28%, people close to the deal said.

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## Obama Relents on Secret Drone Memo

By Siobhan Gorman and Evan Perez

WASHINGTON—On the eve of a battle to confirm his pick for America's CIA chief, President Barack Obama agreed Wednesday to let a small group of lawmakers look at a long-sought, classified Justice Department opinion explaining his administration's legal justification for targeting killings of American terror suspects in other countries.

The secret legal memo has become a flash point in the nomination of White House counterterrorism chief John Brennan to become director of the Central Intelligence Agency. Lawmakers this week wrote to Mr. Obama demanding the release of Justice Department documents that they first began seeking soon after a U.S. missile struck the vehicle carrying the radical, American-born cleric Anwar al-Awlaki in September 2011, killing him.

The administration had resisted past requests, instead providing summaries of its reasoning that failed to satisfy lawmakers. Human-rights groups, meanwhile, challenged the administration's policy in court, in a confrontation that resembled elements of the fight over the George W. Bush administration's secret drone program.

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## Alcatel Chief Is Out as Turnaround Stalls

By Sam Schechner and Dana Cimilluca

PARIS—Telecom giant Alcatel-Lucent SA, which has been burning cash and reeling from cut-throat competition, is expected to announce Thursday that its chief executive officer will step down after a transition period, people close to the board said Wednesday.

Some directors have been frustrated with Ben Verwaayen's slow progress in turning around the telecommunications equipment maker, one person close to the board said. Another person said the decision was mutual and that Mr. Verwaayen had managed to stabilize the company. The company is searching for a replacement, and Mr. Verwaayen plans to stay on until one is found, people close to the board said.

A spokeswoman for Alcatel-Lucent declined to comment. Mr. Verwaayen didn't return phone calls seeking comment.

The CEO's departure comes at a turbulent time for the equipment maker. More than six years after France's Alcatel merged with U.S.-based Lucent Technologies to create a telecom-equipment giant, the company is discovering that it can't keep up in the global tech race. It is smaller by revenue than most of its competitors. But it competes in more lines of business than almost all of them. It has racked up billions of euros of red ink for its efforts.

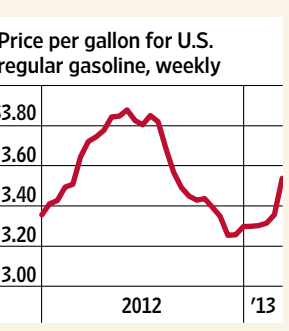
Over the past half decade, Alcatel-Lucent has spent heavily to research the newest generation of wireless network. But when France's two largest cellphone operators launched the first such networks in the Paris area last week, they weren't using Alcatel-Lucent's gear.

Instead, they went with competitors who had figured out how to bundle the new network alongside existing ones all in the same small transmitter—something Alcatel-Lucent couldn't easily match. The Paris-based company was outflanked in its back yard.

When Alcatel-Lucent reports 2012 earnings on Thursday morning, it is expected to show a significant loss.

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### Vital Signs



◆ **Gasoline prices** are on the rise again. The average retail price of a gallon of regular gas stood at \$3.54 on Feb. 4, its highest level since October. Thus far in 2013, gasoline prices have jumped 7%, hitting the pocketbooks of Americans already grappling with higher payroll taxes. Prices at the pump remain slightly below the average last year of \$3.62 a gallon. **C4**

## On Pins and Needles: Stylist Turns Ancient Hairdo Debate on Its Head

### Ms. Stephens Says Ornate Coiffures Weren't Wigs After All; The Vestal Virgin Challenge

By Arigail Pesta

By day, Janet Stephens is a hairdresser at a Baltimore salon, trimming bobs and wispy bangs. By night she dwells in a different world. At home in her basement, she meticulously re-creates the hairstyles of ancient Rome and Greece.

Ms. Stephens is a hairdo archaeologist. Her amateur scholarship is sticking a pin in the long-held assumptions among historians about the complicated, gravity-defying styles of ancient times. Basically, she has set out to prove that the ancients probably weren't wearing wigs after all.

"This is my hairdresserly grudge match with historical representations of hairstyles," says Ms. Stephens, who works at Studio 921 Salon & Day Spa, which offers circa 21st-century haircuts.

Her coiffure queries began, she says, when she was killing time in the Walters Art Museum in Baltimore back in 2001. A bust of the Roman empress Julia Domna caught her eye. "I thought, holy cow, that is so cool," she says, referring to the empress's braided bun, chiseled in stone. She wondered how it had been built. "It was amazing, like a loaf of bread sitting on her head," says Ms. Stephens.

She tried to re-create the 'do on a mannequin. "I couldn't get it to hold together," she says. Turning to the history books for clues, she learned that scholars widely believed the elaborately teased, Please turn to page A12



Fonseca Bust

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