



THE WALL STREET JOURNAL.

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DOLLAR 113.03 4.2% NASDAQ 2,964.38 1.5% NYSE 1,409.38 0.2% S&P 500 1,261.38 1.5% 10-YR. TREAS. 1.73% 4.40% OIL 88.43 \$5.30 GOLD \$1,656.20 \$7.20 EURO \$1.4090 YEN 78.87

Stocks Nose-Dive Amid Global Fears

Weak Outlook, Government Debt Worries Drive Dow's Biggest Point Drop Since '08

By Tom Ichniowski

Stocks plunged downward Thursday as investors bled under the strain of the global economic slowdown and the fall of policy makers to stabilize financial markets.

The selling began in Europe and continued in the U.S., where stocks plunged from the opening bell. The Dow Jones Industrial Average posted its worst point drop since the financial crisis in December 2008, falling 312.75 points, or 4.31%, to 11,303.68. Oil and other commodities were also hammered. Even gold was a safe haven no more as prices fell. Asian markets also fell on Friday morning, with Tokyo, Australia, South Korea and Hong Kong markets all falling more than 2% in early trading.

"It was an absolute blood-bath," said John Richards, head of strategy at RBS Global Banking & Markets.

There was no one single cata-

lyst for the downturn, traders say. Rather it reflected multiple concerns that have mounted over the past month and came to a head this week. Worries about a U.S. default, settled by a last-minute fix to lift the country's debt limit on Tuesday, have given way to broader fears about the falling health of the domestic economy. That will lead to close scrutiny of Friday's jobs report.

Investors are also questioning how much longer the recent run of strong corporate earnings can continue. Amid other troubles, corporate profits have been a very bright spot.

In Europe, lenders are grappling with a widening debt crisis, which started in Greece and spread to Italy and Spain. An earlier bailout of Greece was upped to 150 billion. There are growing concerns about European banks and their heavy investments in the debt of countries with big fiscal problems.

—Pascal Lamy for AP

WIDESPREAD PAIN: HOW THE MARKETS MOVED WITH THURSDAY'S DOW



Source: FactSet Research Systems, Citi Features

New Fee to Bank Cash

By Leo Rammner

Bank of New York Mellon Corp. on Thursday took the extraordinary step of telling large clients it will charge them to hold cash.

The unusual move means some U.S. depositors will have to pay to keep big chunks of money in a bank, marking a stark new phase of the long-running global financial crisis.

The shift is also emblematic of the strain plaguing the U.S. economy. Powerful corporations

and investors have been seeking more cash in their bank accounts rather than put it into even the given-year investments.

The giant bank, which specializes in handling funds for financial institutions and corporations, will begin assessing a fee next week on customers that have been flooding the bank with dollars, Bank of New York told clients in a note reviewed by The Wall Street Journal.

The decision won't affect individual savers, who already are stuck with near zero interest

rates as the Federal Reserve keeps rates low to support a soft economy. But it is a glaring sign that corporate executives, bank leaders and money-market fund managers are fleeing from risk and hoarding cash as the recovery threatens to peter out.

A Bank of New York Mellon spokesman said, "The vast majority of clients will not be affected by the proposed fee."

The Dow Jones Industrial Average plunged 312.76 points Thursday. The one-month Treasury bill rose to 0.12%.

—Pascal Lamy for AP

Markets in Turmoil

- A question of confidence: How the market tumbled compared with 2008. **A2**
- Europe's Central Bank takes new steps, while currency markets show the strain. **A6, A7**
- How small investors coped with the day. **C1**
- The only three S&P stocks that gained. **C7**
- Overseas markets and updates at WSJ.com

What's News—

Business & Finance

Kraft Foods, with an eye on activist investors, said it plans to split into two companies, one focused on candy and snacks and the other on North American grocery basics like cheese and Oscar Mayer Bologna. **B1**

■ **The SEC** dropped a high-profile insider-trading case against ex-Goldman Sachs director Rajat Gupta. **C1**

■ **Mortgage** rates have fallen to the lowest levels in the year, fueled by recession worries. But rates may need to drop even lower to ignite refinancing. **A3, C2**

World-Wide

- **Spending cuts** threaten national security, analysts said. The defense chief called automatic cuts in the debt ceiling deal a "necessary" measure. If they kick in, the Pentagon is in line for some \$50 billion in budget reductions over 10 years; a second round could mean \$600 billion more. **A4**
- **Japan's** Prime Minister Shinzo Abe warned that the crisis could have a "demonstration" impact on the economy. **A4**
- **Philippines** gunmen murdered three people in Manila as the siege of the Syrian city continued. Russia vowed its hardest criticism of Assad. **A9**
- **U.S. lawmakers** reached an FISA funding deal that would let the agency operate through September, ending a shutdown. **A3**
- **Turkey** contaminated with salmonella may still be in stores and stores despite a recall, the CDC warned. **A4**
- **Scientists in Japan** have used lab-grown sperm to make sterile mice fertile, in a stem-cell breakthrough. **A4**
- **Obama** is renewing his effort to push a jobs agenda. On Friday, he will announce a plan to spur growth in housing. **A4**
- **A Texas** jury convicted politician Robert J. LaSalle of child sex assault in a case involving "optical misperceptions." **A5**
- **Virginia Tech**, the site of a 2007 massacre, lifted a lockdown imposed after reports of a man trying to enter. **A5**
- **NASA** discovered evidence of flowing water on Mars, raising the prospect that life could exist on the planet. **A5**

Vital Signs



■ **Germany's** manufacturing economy has yet to show signs of recovery. An index of manufacturing orders rose 1.8% in June from May, breaking its 10th highest level in over three years. But with Europe's financial crisis continuing to fester, and global growth slowing, demand for Germany's factory goods may slow in the months ahead.

Behind a GOP Contender's Iowa Surge



Michele Bachmann campaigned at the Story County Fair in Nevada, Iowa.

By Monica Langley and Patrick O'Connor

MAHON, Iowa—To understand why presidential candidate Michele Bachmann surged in Iowa, watch when she is headed to a baby. On a recent stop here, she took off her bra, and heeded his while he bearded on the pearls.

During another campaign appearance, Ms. Bachmann climbed down from the stage to take the hands of a woman who asked a question, holding them as she answered. Meeting a teenager with Down syndrome, the Minnesota congresswoman swept him up in

a hug, then signed his T-shirt.

Ms. Bachmann has built a national reputation for hard-line conservative stances—most recently, she backed her own Republican leaders to oppose the debt-ceiling compromise—and her repeated vow to retire President Barack Obama.

But here in Iowa, the tough rhetoric is shrouded in a soft presidentialism. Bachmann hugs, dances and offers girl talk on the campaign trail—"That's a rockin' shirt!"—as if taking her steady conservatism into a warm apple pie.

Ms. Bachmann has placed first in the last three publicly available surveys of Iowa Republicans. Even among Iowa Republicans, she has placed first in

—Pascal Lamy for AP

All Hail the Record Chunk of Ice In Mr. Scott's Frost-Free Freezer

Two-Pounder Fell From South Dakota Sky. Now It's Celebrated on Its Own T-Shirts

By Don Stewart

VIRHAN, S.D.—Cattle rancher Les Scott keeps one of his prized possessions—a hailstone—in his white upright Montgomery Ward Sigmund's frost-free freezer in his basement. It's on the shelf between the ice pops and the frozen pizzas.

He holds the U.S. record for the nearly two-pound hailstone that fell from the sky during a major thunderstorm July 23, last year. Virhan isn't the first what meteorologists call "hail day" in the area where Colorado, Nebraska and Wyoming meet. Hail storms are common there by May through October.

Mr. Scott let National Weather Service meteorologists cast mold of the hailstone at their lab in Boulder, Colo., but he

wouldn't let them dissect it. He donated one mold to a museum here. The other went to a doll on an old hatch set to a glass jar of strawberry Jolly Rancher candies in the Scott home.

"People still come over to see it," said Mr. Scott, 54, who sells curiosity seekers T-shirts and baseball caps.

He says "Hail, yes" and "I got stoned in Virhan."

But three have already been a number of severe storms in this year. So Mr. Scott's record may be in jeopardy.

Hail, which starts out as water droplets that accumulate layers of ice as they travel through clouds, commonly accompanies tornadoes and severe thunderstorms. Inside a thunderstorm are strong updrafts of warm air and downdrafts of cold air. If a

—Pascal Lamy for AP

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Joe Morgenstern
on a wild ape
adventure
with a
surprisingly
high IQ
D3

FRIDAY JOURNAL.

Rexanne
Pulitzer's Tellu-
side mansion—
bowling alley
and indoor
shooting range
included D6



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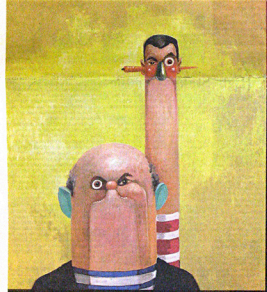


DIANNE WALLACE
by Martin Eder

"In the cat's face, you can more or less make me out," says Ms. Wallace, a longtime supporter of Mr. Eder's work.

The Changing Face of Portraits

Collectors are paying top dollar to be painted by famous artists—even if it means looking silly or grotesque. How an unflattering image became an art-world status symbol.



DAKIS JOANNOU
by George Condo

Mr. Condo, whose works typically sell for about \$450,000, made three portraits of Mr. Joannou (far left) and artist Maurizio Cattelan.



AUGUST KRUSE-TEMPLER by Nir Hod

Paintings by this Israeli artist typically sell for \$30,000. Fashion model Christina Kruse commissioned a portrait of her 5-year-old son, who was painted with a cigarette and a sneer.



BY ELLEN GARDNER
GREEK BUSINESSMAN Dakis Joannou was posing for a portrait by artist George Condo when he noticed a tuft of hair sprouting from the side of his head on the canvas. He interrupted the painter.
"I'm not worried about the teeth sticking out of my cheek, but I am worried about the hair sticking out of my face," Mr. Joannou told him.
With a few brush strokes, the artist, who is known for painting surreal faces with screwball features, lifted the hair to traditional spots just over the ears of the 71-year-old collector. The work by Mr. Condo, whose canvases typically command \$450,000,

now hangs in a privileged spot by a fireplace in the living room of Mr. Joannou's Athens home. It's one of three portraits Mr. Condo painted of the collector, who appears alternately with lime-green ears, a hellish blue clown nose and an endless chin. Mr. Joannou owns them all.
The portrait has long been a symbol of the relationship between an artist and a patron. Throughout most of art history, commissioned portraits enabled their subjects—showing them surrounded by symbols of wealth and virtue, perched regally on a steed or even transported into a New Testament scene. The artist, who depended on the patron for money and support, was typically happy to oblige any demands.

Today, portraits may be deliberately ugly, filled with palpable angst or defiantly abstract. The works are more about scouring the psychological depths or playing with the concept of portraiture than about illustrating a patron's smooth likeness.
These portraits reflect a shift in the power dynamic between collectors and artists. Contemporary art stars are wealthy and famous in their own right. Many of them view commissions as favors, not a necessary part of business. And collectors are willing to play by performatist rules for a camera they think will reveal something profound about them—or demonstrate their special relationship with a sought-after artist.
Please see adviser Kim Horvath

says collectors who saw Julian Schnabel's signature images of distorted faces made from broken dishes at his current exhibition in Venice immediately wanted to see themselves in fragments, too. "I had about four clients I walked through that show say, 'Do you think Julian would do a portrait of me?'" she says.
Fashion model Christina Kruse recently asked New York-based Israeli artist Nir Hod to paint her 5-year-old son, August. Mr. Hod, whose works typically sell for \$200,000, rendered the blond child with a snarl, cocked eyebrows and a lit cigarette. Ms. Kruse loves the work. "He did manage to get August spot on," she says, adding that her son sometimes sits with the bearing of a 50-year-old

man. August is less fond of the painting, which hangs in his bedroom at his father's house in New York, but his mother says that's because the boy prefers bright colors.
Patrons aren't always pleased with an artist's singular vision. "You have to understand that at least 50% of the people who have portraits done of themselves don't like the portrait," says Peter M. Reed, the nonprofit mogul and art collector who has bought or commissioned several portraits of himself and his family.
The resale market for commissions, which often cost more than an artist's other works, can be limited in the short term. Buyers may not be interested in owning a piece so plainly

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