

Why women are the key to Europe's economic future

EDITORIALS & OPINION | PAGE 14

Among Anglicans, a battle for control moves to Africa

NEWS IN DEPTH | PAGES 16-17

What's News—

Business & Finance

World-Wide

Many analysts now expect the ECB to hold rates steady the rest of the year and that the Bank of England's next move will be a rate cut, following the U.S. Fed's half-point cut in interest rates and worries about the global economic fallout from a credit crunch. **Page 1**

■ **European stocks leapt**, led by financial issues and buoyed by the Fed's rate cut. The Dow Jones Stoxx 600 rose 2.7%. **Page 20**

■ **U.S. stocks advanced** despite oil prices rising to a record \$81.93 a barrel and Morgan Stanley's earnings. **Pages 19, 20**

■ **Asian stocks and currencies** surged after the Fed cut rates to limit the chances of a U.S. downturn. Tokyo's Nikkei average jumped 3.7%. **Page 24**

■ **Morgan Stanley's net fell** 17%, hurt by write-downs and hedge-fund losses totaling more than a combined \$1 billion. **Pages 8, 19**

■ **Borse Dubai emerged** as the front-runner to win Nasdaq's roughly 30% stake in the London Stock Exchange. **Page 19**

■ **German retailer Metro's** CEO, Hans-Joachim Körber, will resign and be succeeded by Eckhard Cordes. **Page 8**

■ **Sainsbury is close** to clearing one of the last steps to sell itself to an investment fund backed by the state of Qatar in a \$21.03 billion takeover attempt. **Page 21**

■ **Inditex's net climbed** 33% as the fashion retailer opened more stores and controlled costs. Sales rose 19%. **Page 4**

■ **U.S. Treasury prices fell** mid-afternoon amid weak housing data. The Fed rate cut could backfire by spurring a new round of carefree borrowing. **Pages 21, 25**

■ **British Airways said** it will increase its U.S. services next summer under the Open Skies trans-Atlantic pact. **Page 9**

■ **Deutsche Lufthansa ordered** 41 Airbus jets for itself and its Swiss International unit. **Page 9**

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	13815.56	+76.17	+0.55
Nasdaq	2666.48	+14.82	+0.56
DJ Stoxx 600	377.53	+9.86	+2.68
FTSE 100	6460.0	+176.7	+2.81
DAX	7750.84	+175.63	+2.32
CAC 40	5730.82	+181.47	+3.27
Euro	\$1.3958	+0.0090	+0.65
Nymex crude	\$81.93	+0.42	+0.52

Money & Investing > **Page 19**

The EU proposed legislation to stop foreign energy suppliers from controlling supply networks, which could prevent Russia's natural-gas monopoly from buying pipeline networks. The plan is evidence of how skeptical European leaders have become of Moscow, and how tough it will be to stem Russian dominance. **Page 1**

■ **Israel declared** the Gaza Strip an enemy entity and said it would cut utilities to the territory, complicating a U.S. plan to relaunch talks on establishing a separate Palestinian state in Gaza and the West Bank.

■ **Iran has drawn up** plans to bomb Israel if the Jewish state should attack, the nation's deputy air force commander said.

■ **A bomb killed** a pro-government member of Lebanon's Parliament and six others, days before lawmakers were scheduled to elect a new president.

■ **Musharraf's resignation** as army chief if he is re-elected president would help deepen democracy in Pakistan, a Commonwealth spokesman said.

■ **Gunmen kidnapped** more soldiers in northwest Pakistan, raising concerns about troops' ability to stand up to militants.

■ **Maliki disputed** Blackwater USA's version of a shooting that killed civilians in Iraq, while the U.S. said a joint commission will investigate the incident.

■ **China is stepping up** enforcement of visa restrictions for foreigners living in Beijing, in an apparent sign of its anxiety about the Olympics. **Page 11**

■ **The EU banned** bluefin-tuna fishing in the Mediterranean and eastern Atlantic, after 2007 catch quotas were reached.

■ **The EU confirmed** Belgian Gilles de Kerchove as its new antiterror coordinator. **Page 10**

■ **NATO forces launched** a new operation in southern Afghanistan, while soldiers said Taliban fighters used children as human shields during a battle.

■ **A U.N.-supported tribunal** charged the top surviving leader of Cambodia's Khmer Rouge, Nuon Chea, with war crimes.

■ **Secular party leader** Abbas El Fassi was named the new prime minister of Morocco.

The Washington Post

The U.S. aims to reshape Iraqi detainees' views, with help from moderate Muslims. **Page 10**

Europe's rate view shifts

After Fed move, ECB is likely to stand pat; forecast cut for BOE

By JOELLEN PERRY

FRANKFURT—In the wake of the Federal Reserve's half-percentage-point cut in interest rates and angst about the global economic fallout from a credit crunch, many analysts now expect the European Central Bank to hold rates steady the rest of the year and the Bank of England's next move to be a cut.

That is a change from early last month, when expectations were that the ECB by year end would raise its key interest rate to at least 4.25% to restrain inflationary pressures stoked by expansion in the 13 countries that share the euro. The bias to raise rates at least once more was bolstered recently by ECB policy makers, who said—even as they kept interest rates on hold at 4% on Sept. 6—that factors including low unemployment and strong money-supply growth meant inflation risks remained a top concern.

In New York yesterday afternoon, the euro was at \$1.3963, down from Tuesday's close of \$1.3970.

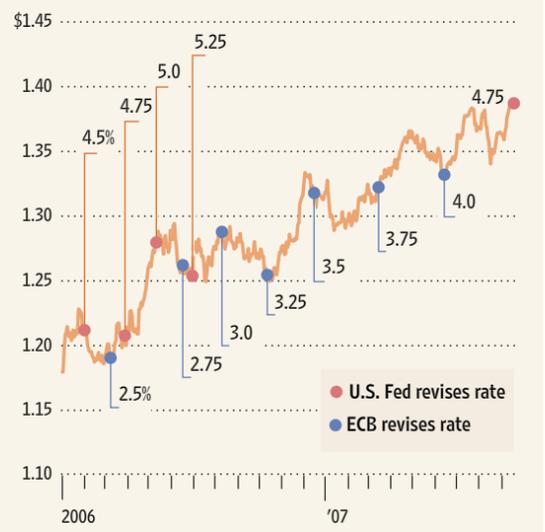
"The ECB still officially has a tightening bias," said Steve Barrow, currency analyst with Bear Stearns in London. "But it's never raised rates while the Fed's been easing,

The rise of rates... and the euro

The European Central Bank's continuing interest-rate rises have helped strengthen the euro as the U.S. Federal Reserve has kept its key rate steady.

Chart shows the strength of the euro against the dollar, and the key interest rate revisions since January 2006

Source: Thomson Datastream



and we don't expect it to start now."

The Fed's move reverberated in other parts of the globe. The Bank of Japan voted yesterday to keep interest rates unchanged, as expected, but policy makers said economic risks had increased. The central banks of the United Arab Emirates and Kuwait, meanwhile, cut their key rates. (See related articles on pages 12, 22).

Economists and investors also are changing their predictions about the Bank of England's next move. Many now expect the central bank to cut its key rate from a six-

year high of 5.75% by early next year, if not sooner. Earlier, forecasts called for another rate increase this year.

Amid unease about the economic impact of the country's banking-sector turmoil, the Bank of England yesterday staged its first intervention in long-term U.K. money markets since the credit crunch started. The bank said it will inject three-month funds into markets in four separate injections, starting with a £10 billion (\$20 billion) operation

Please turn to back page

EU takes swipe at Russia in proposed energy policy

By MARC CHAMPION
And CHARLES FORELLE

BRUSSELS—A proposal that could prevent Russia's natural-gas monopoly from buying pipeline networks in the European Union is evidence of how skeptical of Moscow European leaders have become, and how tough it will be to stem Russian dominance.

Yesterday's EU initiative to stop foreign energy suppliers from controlling supply networks could limit natural-gas giant OAO Gazprom's plans to buy transmission networks in Europe. Such a move would complicate frosty relations

between Moscow and Brussels.

But the plan faces a long road to approval, and the ability of the EU to police Gazprom's expansion into Europe is likely to prove limited. Gazprom supplies about a quarter of the 27-nation bloc's natural gas.

Under the proposal, foreign energy suppliers wouldn't be able to buy energy-transmission assets such as pipelines in the EU if the EU thinks they have any connection to companies that supply or generate energy—an allusion to companies such as Gazprom and Sonatrach of Algeria.

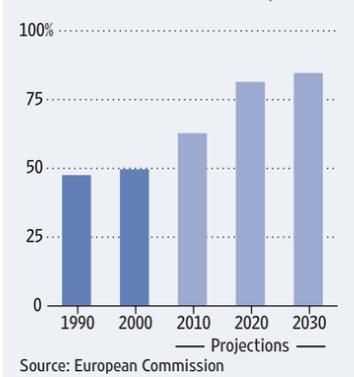
Sergei Kupriyanov, a Gazprom spokesman said of the proposal: "We're used to it from the Europeans." In an interview, he said it was too early to say whether the initiatives would seriously hinder the company from moving into European markets.

If enacted, the measures would stop Gazprom only from buying parts of the EU's transmission network. Gazprom could still acquire generation, production and retail assets, allowing it to continue its expansion into EU retail markets.

How to handle Russia, the EU's dominant energy supplier and largest neighbor, has been one of the bloc's most divisive foreign-policy issues in recent years. Yesterday's proposal reflects an evolution in attitudes that has seen EU countries

Energy outsourcing

Proportion of Europe's natural gas demand that comes from imports



Source: European Commission

that once firmly supported Moscow change their tone.

That's partly the result of changes in EU leadership, which has seen close friends of Russia such as former German Chancellor Gerhard Schröder, Italy's Silvio Berlusconi and France's Jacques Chirac replaced.

Russia's actions are also responsible for the shift. Gazprom cut off gas supplies to Ukraine and other ex-Soviet neighbors last year in an effort to get them to pay market prices and to punish them for policies Moscow considered hostile to its interests. That willingness to use energy supply as a weapon of foreign policy spooked and angered European leaders.

The disillusionment is reciprocal. "It is very clear [the Russians] are frustrated by what they

Please turn to back page

Wealth Journal

Going by the gavel

Robert Frank on what the latest auction results mean for the economy > **Page 31**

