

THE WALL STREET JOURNAL

DOW JONES A NEWS CORPORATION COMPANY

FRIDAY, JANUARY 22, 2010 - VOL. CCLV NO. 17

***** \$2.00

DJIA 10389.88 ▼ 213.27 -2.0% NASDAQ 2265.70 ▼ 1.1% NIKKEI 10868.41 ▲ 1.2% DJSTOXX 50 2553.27 ▼ 1.4% 10-YR TREAS ▲ 12/32, yield 3.611% OIL \$76.08 ▼ \$1.66 GOLD \$1,102.70 ▼ \$9.60 EURO \$1.4094 YEN 90.41

Predicting the Unpredictable



The NFL playoffs so far have been quite short on drama and tension. Expect that to change this conference-title weekend. **W5.** Updates, [WSJ.com](#)

What's News—

Business & Finance

World-Wide

Stocks fell sharply, sending the Dow industrials to their worst two-day percentage drop since June, as governments took a tougher line on the financial system. The Dow sank 213.27 points, or 2%, to 10389.88, and is down 3.1% in two days. Commodities were pressured, with oil futures losing \$1.66 to settle at \$76.08. **C1, C10**

■ Obama proposed new limits on the size and activities of big banks, pushing a more muscular approach toward regulation. **A1, A4**

■ China took further steps to discourage bank lending, signaling growing concerns about inflation as GDP outstripped expectations. **A11**

■ Goldman posted \$4.95 billion in quarterly profit and a record \$13.39 billion for the year, driven in part by restraining compensation amid a public outcry. **C1**

■ Google reported that earnings surged on strong revenue growth and gave its firmest public statement that it would like to continue doing business in China. **B1**

■ Unemployment claims unexpectedly surged in the latest week, generating fresh anxiety about a labor market that has yet to catch up with the overall economy. **A2**

■ The vote on Bernanke's confirmation for a second term as Fed chairman could be closer than seemed likely just a few weeks ago. **A2**

■ UnitedHealth issued a better-than-expected earnings report, providing the latest dose of good news for the insurance industry. **B1**

■ Toyota recalled 2.3 million vehicles in the U.S. to correct sticking accelerator pedals, increasing the number affected by 600,000. **B3**

■ Southwest Air and Continental both swung to a profit, but Southwest's chief said fuel hedging this year will be higher than ever. **B3**

■ Union Pacific posted a 17% drop in earnings, but said a decline in shipping volumes had reversed. **B5**

■ The EU's antitrust enforcer cleared Oracle's \$7.4 billion takeover of Sun Microsystems after a nearly six-month investigation. **B4**

■ MGM is exploring a possible prepackaged bankruptcy as part of its auction, as initial bids came in below what the studio owes lenders. **B3**

■ Nokia launched a range of new free-of-charge navigation services in order to ramp up its service offerings and sell more phones. **B4**

■ AMD swung to a hefty profit, aided by a \$1.25 billion payment from Intel and improving demand. **B4**

■ Congressional Democrats scaled back health proposals. In the wake of the party's defeat in Massachusetts, Democrats are focusing on tougher regulations on the health-insurance industry instead of a broad overhaul of U.S. health care. Pelosi said Congress must prevent insurers from denying policies to people with pre-existing conditions and called for a repeal of the industry's antitrust exemption. The speaker said she didn't have enough votes to pass the Senate health bill. **A5**

■ Other House Democrats called for a more populist tone; the GOP said Congress must start from scratch.

■ The GOP win in Massachusetts was lifted by support from union households, a sign of trouble for Democrats in the midterm elections. **A3**

■ Haiti's government is turning its attention to the challenges of caring for survivors, even as it buries the dead in mass graves. **A8**

■ Foreign governments have pledged about \$1 billion in aid to Haiti, with the U.S. and Canada the leading donors. **A9**

■ A divided Supreme Court struck down limits on corporate political spending, letting businesses and unions spend freely on commercials. **A1**

■ Corporations, unions and other political entities are gearing up to play a larger role in influencing elections. **A6**

■ Gates traveled to Pakistan to reassure Islamabad about U.S. aims and to praise Pakistan's military offensive against Islamic militants. **A15**

■ Iraq's president called for a review of the panel that disqualified over 500 candidates from parliamentary elections slated for early March. **A13**

■ The White House is starting a new search for a nominee to head the TSA amid warnings al Qaeda still wants to target air travel. **WSJ.com**

■ The average birth weight of full-term babies in the U.S. fell from 1990 to 2005, reversing a long trend. **A3**

■ A new interrogation group will need several more months to establish teams to question high-profile subjects. **A5**

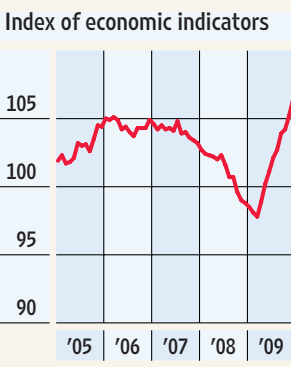
■ The Senate voted 53-45 to wind down TARP, a move with no real impact because at least 60 votes are needed. **A2**

■ Yemen will tighten visa rules to try to prevent militants from entering to train with an al Qaeda offshoot. **A15**

■ John Edwards admitted he fathered a child during an affair in 2007, dropping his long-standing denials. **A2**

■ California's high court struck down a law limiting the amount of medical marijuana a patient can possess. **A2**

Vital Signs



■ The economy is heading for a powerful recovery. The index of leading economic indicators—a composite of 10 economic and financial indicators, including building permits, interest rates and consumer expectations—rose 1.1% in December from November for its ninth straight month of gains. At 8.8% over its March level, it has registered its strongest rebound in over 25 years. **A2**

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CONTENTS	
Books.....	W6
Corporate News.....	B2-3
Earnings.....	B5
Heard on Street.....	C10
Int'l Finance.....	C2
Opinion.....	A17-19
Sports.....	W5
Stocks in the News.....	C5
Taste.....	W11
Technology.....	B4
U.S. News.....	A2-6
Weather Watch.....	B6
World News.....	A10-15



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New Bank Rules Sink Stocks

Obama Proposal Would Restrict Risk-Taking by Biggest Firms as Battle Looms

WASHINGTON—President Barack Obama proposed new limits on the size and activities of the nation's largest banks, pushing a more muscular approach toward regulation that yanked down

By Jonathan Weisman, Damian Paletta And Robin Sidel

bank stocks and raised the stakes in his campaign to show he's tough on Wall Street.

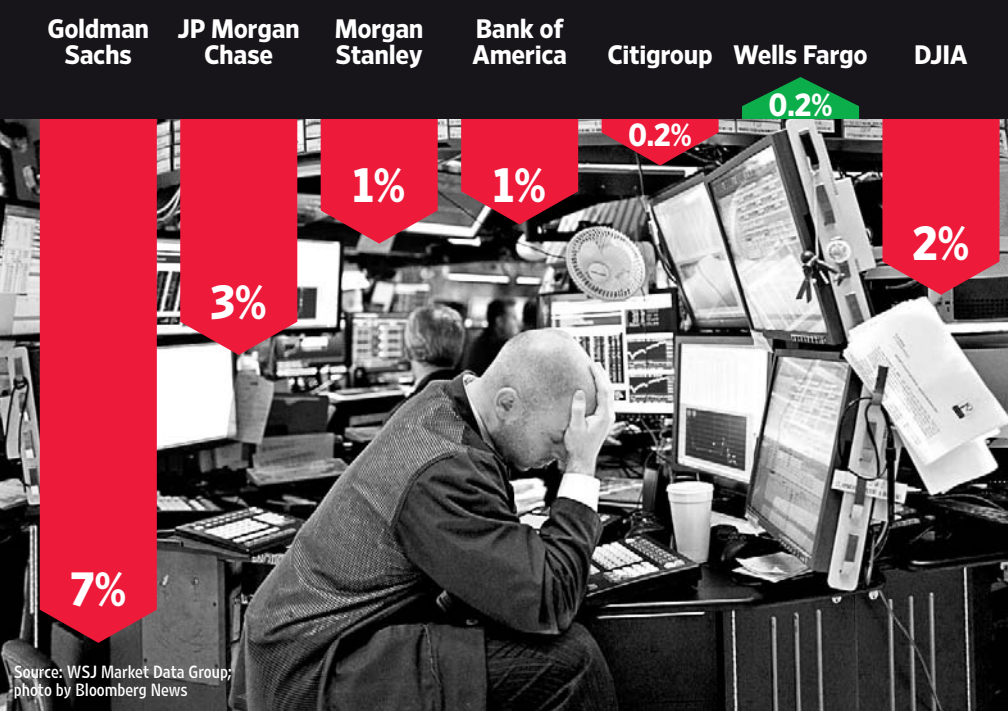
With former Federal Reserve Chairman Paul Volcker at his side, Mr. Obama said he wanted to toughen existing limits on the size of financial firms and force them to choose between the protection of the government's safety net and the often-lucrative business of trading for their own accounts or owning hedge funds or private-equity funds. Mr. Volcker has been an outspoken advocate of such rules; until recently Mr. Obama's top economic advisers, including Treasury Secretary Timothy Geithner and Lawrence Summers, were less than enthusiastic.

"Never again will the American taxpayer be held hostage by a bank that is too big to fail," Mr. Obama said Thursday, two days after voters crimped his ability to pursue his agenda by sending a Republican to the Senate to fill a vacancy created by the death of Edward M. Kennedy. The election deprived Democrats of the 60 votes often needed to get major measures through the Senate.

Administration officials said they weren't trying to resurrect

Shaken Financial Pillars

Shares fell Thursday for nearly all the nation's largest banks, dragging down the markets.



the Depression-era law—known as Glass-Steagall—that strictly divided commercial banks from the business of underwriting securities. Nor would their proposals force existing financial firms to downsize, officials said.

If accepted by Congress, the Obama proposals could force significant changes in how the nation's biggest banks do business. The specter of new profit-crimping regulation battered bank stocks Thursday, dragging

down the Dow Jones Industrial Average by 213.27 points, or 2%, to 10389.88. Some financial stocks sank by more than 5%, though they recovered slightly after Barney Frank, the Massachusetts Democrat who is chairman of the House Financial Services Committee, said the new rules would take effect over three to five years, not immediately. J.P. Morgan Chase & Co.'s stock was the hardest hit, sinking

Please turn to page A4

Tightening the Reins

- Bernanke's confirmation is far from a slam-dunk..... **A2**
- Profit centers face big hit..... **A4**
- Timing the plan's release..... **A4**
- Goldman's pay curbs spark record profit..... **C1**
- Markets falter..... **C1**

See [WSJ.com](#) for breaking news and updates.

Al Qaeda's Deep Tribal Ties Make Yemen a Terror Hub

By Charles Levinson and Margaret Coker

SANA, Yemen—In nearly a decade of rebuilding its terror network here, al Qaeda has put down deep roots, a move that is now complicating U.S.-backed efforts to battle the group.

Unlike other chapters of the global terror network, Yemen's Al Qaeda in the Arabian Peninsula is a largely homegrown movement, with carefully cultivated ties to the local population. That sets it apart from other affiliates of al Qaeda, and could make it much more difficult to dislodge.

The group's strategy: apply lessons learned from mistakes by affiliates in other Mideast havens, particularly Iraq and Saudi Arabia.

In both those places, al Qaeda's footprint weakened significantly as local support for the group turned sharply against it. To avoid a similar fate in Yemen, the group has worked hard to curry favor with local tribes—so much so that it is now largely interwoven in the country's tribal fabric.

"They've worked hard to put deep, and what they hope are lasting, roots that will make it very difficult for them to be



An antiterror unit, which has been battling al Qaeda forces, trained earlier this month on the outskirts of Sana'a, Yemen's capital.

rooted out of Yemen," says Gregory Johnsen, a Yemen expert at Princeton University. "They've done a good job of looking at the mistakes that other versions of al Qaeda have made elsewhere."

Since late last year, Yemen has emerged as one of the biggest and most dangerous hubs for al Qaeda operations. U.S. officials have tied al Qaeda militants based here to two attacks against U.S. targets, including the attempted Christmas Day airline bombing allegedly by Nigerian Umar Farouk Abdul-

mutallah, who told U.S. Officials that he received his training from al Qaeda operatives in the Arab country. The push into Yemen, say U.S. officials, shows the group's increased ability to wage jihad against the U.S. and its allies, a main al Qaeda goal.

In recent months, a top al Qaeda leader publicized moving his foreign family here, while another married into a local tribe. The group is providing social and financial assistance in some of the country's poorest areas.

Please turn to page A16

Court Kills Limits On Corporate Politicking

By Jess Bravin

WASHINGTON—A divided Supreme Court struck down decades-old limits on corporate political expenditures, potentially reshaping the 2010 election landscape by permitting businesses and unions to spend freely on commercials for or against candidates.

President Barack Obama attacked the ruling and said it gave "a green light to a new stampede of special-interest money in our politics," particularly "big oil, Wall Street banks, health-insurance companies and the other powerful interests" that "drown out the voices of everyday Americans." He pledged to work with lawmakers to craft a "forceful response."

Senate Minority Leader Mitch McConnell, a Kentucky Republican who has long fought campaign-finance regulations, hailed the court for a "monumental decision" toward "restoring the First Amendment rights of [corporations and unions] by ruling that the Constitution protects

Please turn to page A6

Gag Order: Conan O'Brien Promises Not to Be Mean to His Old Bosses

Can Snarky Comic Stop Jabbing NBC? \$45 Million Says Yes—for Now

By Shira Ovide and Lauren A.E. Schuker

How does a professional disparager honor a nondisparagement clause? Conan O'Brien is about to find out.

Mr. O'Brien and his team are walking away from NBC with a whopping \$45 million settlement, but there's a condition: "The Tonight Show" host can't bad-mouth the Peacock Network and its top brass.

"We wanted to give him a graceful exit. Hopefully he will be graceful," Jeff Gaspin, chairman of NBC Universal Television Entertainment, said of Mr. O'Brien, whose last show is Friday.

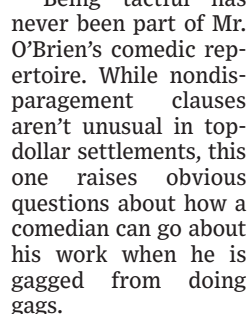
Thursday night, with the ink barely dry on his exit package, Mr. O'Brien didn't spare his rat-

ings-challenged employer. "Have to watch at least one NBC show every weeknight in order to double ratings," Mr. O'Brien said. People familiar with the matter said the nondisparagement provision kicks in when Mr. O'Brien leaves the network.

Being tactful has never been part of Mr. O'Brien's comedic repertoire. While nondisparagement clauses aren't unusual in top-dollar settlements, this one raises obvious questions about how a comedian can go about his work when he is gagged from doing gags.

In recent shows, Mr. O'Brien has joked about getting around nondisparagement constraints.

"Luckily, folks, they're not saying I can't sing anything neg-



Conan O'Brien

Please turn to page A16

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