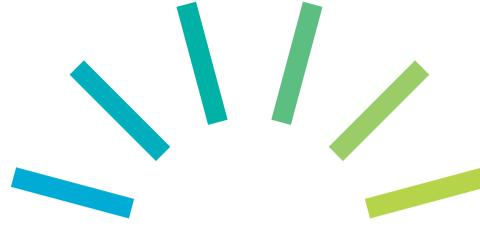


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# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

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## What's News

Business & Finance

U.S. companies are trying to stop employees from raiding their 401(k) plans, warning of the impact on their retirement goals. A1

♦ Investors are dialing back expectations for a big shift in U.S. trade policy, boosting multinationals, emerging markets and the peso. B1

♦ Oil companies are struggling to break even. Exxon, Shell, Chevron and BP didn't make enough in 2016 to cover their costs. B1

♦ The homebuying season this spring could be the toughest in a decade due to higher prices and rates and a lack of inventory. A3

♦ Tesla's sales rose 69% last quarter, its best yet, putting the auto maker on track to meet its first-half goal of 50,000 deliveries. B3

♦ The Treasury yield curve has flattened this year, a worrying sign for investors banking on resurgent U.S. inflation and growth. B5

♦ Chinese firms issued \$52.6 billion of U.S. dollar bonds last quarter, up 72% from the prior period. B5

♦ Bank shares rose just 0.3% last quarter, as hopes for tax cuts, regulatory rollbacks and stronger growth eased. B7

♦ The number and value of IPOs boomed in the first quarter, with robust investor demand for shares. B8

World-Wide

♦ Senate leaders sparred ahead of a vote on Gorsuch's Supreme Court nomination that will test Democrats in GOP-leaning states. A1

♦ Trump emphasized that the U.S. is willing to take unilateral action against North Korea if China doesn't act to curb its nuclear threat. A6

♦ U.N. envoy Haley said she is taking a tough stance on Russia over its actions in Ukraine and its interference in the U.S. election. A6

♦ Flynn initially didn't cite payments from three Russian-linked entities on a financial disclosure form. A4

♦ Trump signaled that he wasn't abandoning efforts to dismantle and replace the Affordable Care Act. A4

♦ Rescue workers in Colombia searched for survivors of a flood and mudslide that killed over 200. A8

♦ Serbia's prime minister claimed victory in the presidential election. A10

♦ The EU is set to back a peace deal between Afghanistan and a rebel group. A11

♦ Ecuador's ruling-party candidate had a slight lead in the race for president. A8

♦ South Carolina defeated Mississippi State, 67-55, to win the women's college basketball championship. A18

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## After the Deluge, a Frantic Search for Survivors Buried in the Mud



Mired in Grief: Rescuers Sunday dug through debris in southern Colombia after a mudslide left at least 200 dead and 200 missing. A8

## Firms Curb Raids on 401(k)s

As early pillaging of accounts becomes a trend, employers worry workers won't retire

By ANNE TERGESEN

American companies are trying to stop employees from raiding their 401(k)s, in an attempt to ensure that older

workers can afford to retire and make room for younger, less-expensive hires.

Employers of all types—from Home Depot Inc. to a mortgage lender—are taking steps to warn workers of the financial implications of borrowing from their retirement accounts and pulling the money out when they leave jobs.

Tapping or pocketing re-

tirement funds early, known in the industry as leakage, threatens to reduce the wealth in U.S. retirement accounts by about 25% when the lost annual savings are compounded over 30 years, according to an analysis by economists at Boston College's Center for Retirement Research.

"Employers have done a lot to encourage people to save in 401(k) plans, such as automati-

cally enrolling them. But there is a growing recognition that if the money isn't staying in the system, the objective of helping employees reach their retirement goals isn't being met," says Lori Lucas, defined-contribution practice leader at investment-consulting firm Callan Associates Inc.

Movement Mortgage LLC, a Fort Mill, S.C.-based mortgage

Please see SAVE page A2

## INSIDE



### IN DEFENSE OF STEAK, WELL-DONE

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### A COMEBACK FOR ACTIVE MANAGERS

MARKETS REVIEW, B1, B5-8

## A WINNER IN SYRIA'S CIVIL WAR: HEZBOLLAH

The Lebanese militant group has grown stronger fighting Syrian rebels

By MARIA ABI-HABIB

Few wars have seen such a tangle of combatants as Syria's, from obscure and morphing rebel groups to Russians, Turks, Kurdish and Iraqi militias. From the chaos, one clear winner is emerging.

Returning to his ancestral Syrian town of Qusayr after years away, a man named Mohammed discovered a new militia patrolling the neighborhood. Patches on the men's camouflage uniforms called them the Islamic Resistance of Syria. Their identity became clearer when he found a notice on his house claiming it for Hezbollah, the Lebanese militant group.

"Many houses have been confiscated with notices that they've been reserved for this or that family," Mohammed said.

Please see SYRIA page A14

Hezbollah, founded in the early 1980s to fight Israel's occupation of southern Lebanon, became involved in the civil war next door to protect its patrons in Damascus and a supply line of Iranian weapons. After years of growing engagement, including training thousands of mostly Shiite Muslim fighters and beginning to provide social services, Hezbollah is today stronger, more independent and in command of a new Syrian militia that its officials say is ready to be deployed to other conflicts in the region.

Hezbollah now fights alongside Russian troops, its first alliance with a global power. It was Hezbollah that devised the battlefield plan for Aleppo used by Syrian and Russian forces last year, according to Arab and U.S. of-

## Central Bankers Rethink Strict 2% Inflation Target

By DAVID HARRISON

Inflation has finally returned to the Federal Reserve's 2% goal after undershooting it for nearly five years. Now, just as the central bank has inflation where it wants it, economists and central bankers are starting to think such a rigid goal is a mistake.

After that long period of exceptionally low inflation and interest rates, developed-world central banks are talking about alternatives to the target, many of which involve the option of letting inflation rise above 2%, either permanently or for a time.

"This is one of those ideas that has moved from a crazy idea that no one would discuss to an idea that is being seri-

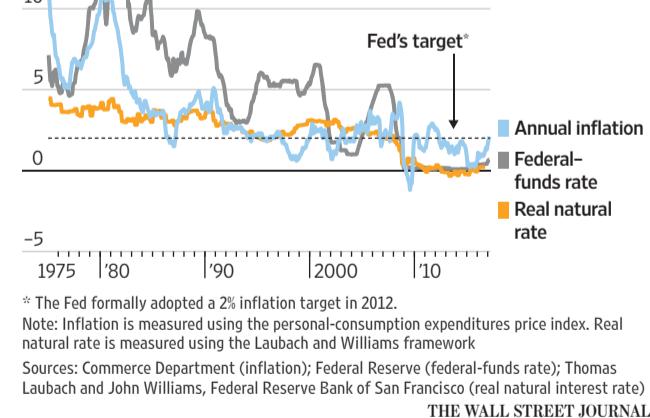
Please see BANKS page A2

♦ Yield curve shows growth is still a worry..... B5

### Down Down Down

Lower real natural interest rates have held down the federal-funds rate, leading some economists to call for letting inflation drift higher.

20%



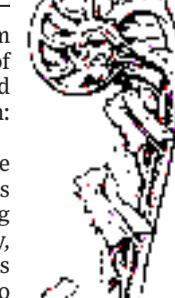
\* The Fed formally adopted a 2% inflation target in 2012.

Note: Inflation is measured using the personal-consumption expenditures price index. Real natural rate is measured using the Laubach and Williams framework.

Sources: Commerce Department (inflation); Federal Reserve (federal-funds rate); Thomas Laubach and John Williams, Federal Reserve Bank of San Francisco (real natural interest rate)

THE WALL STREET JOURNAL.

## Foragers Draw Outcry, 'Stop Eating My Yard!'



\* \* \*

Demand for wild veggies sparks standoff; 'fry it up and eat it'

By JENNIFER LEVITZ

In late April, Tim Marks's 40 acres of Maine forest land faces an infestation: fiddlehead foragers.

The retired state trooper spots dozens of them traipsing across his property, stuffing burlap sacks with the greens to sell at farmers markets. He has shooed them off, and even put up trail cameras. But they'll go as far as to sneak back in at night, with headlamps.

"I'm a victim of fiddlehead theft," he sighed. "It's ridiculous."

Such tensions are becoming more common in Maine, where the rise in popularity of wild vegetation like fiddleheads, ramps, mushrooms and seaweed for uses from gourmet cooking to nutritional supplements is causing friction between foragers

and landowners. It is also threatening the state's unusual and centuries-old tradition of allowing public access to pri-

vate property.

For Mr. Marks, the fiddleheads on his property if not dug up by foragers can generate as much as \$600 at local markets, which he uses to help pay his property tax. "Some people pickle them, make quiche out of them," he said. "I eat them, but my wife won't touch them. She thinks they look like a fern."

State Senator Thomas Saviello thinks it is time to stop this free-range foraging, saying many are abusing the state's land-access culture.

"There is the perception here that we are allowed to go

Please see FORAGE page A14

# U.S. NEWS

## Oakland Ponders Economic Impact of Raiders' Exit

By ZUSHA ELINSON

OAKLAND, Calif.—The announcement last week that the Raiders would move to Las Vegas was a clear shot through the heart for the loud and loyal fans here.

The economic impact is murkier.

Oakland taxpayers have been losing money on the lease with the football team and are still paying off renovations made to the stadium in the 1990s.

The Raiders brought limited economic stimulation to local businesses because the Oakland Coliseum and the neighboring arena—occupied by the NBA's best team, the Golden State Warriors—are surrounded by vast concrete parking lots and a freeway.

Yet the Raiders and the Warriors, who are set to leave Oakland for San Francisco, have been a source of jobs for people who live in the shadow of the sports complex in East Oakland where both crime and unemployment are high. It is an area far from the parts of Oakland now booming with tech money.

"We're still a pretty economically challenged area," said Johnny Stake, 63 years old, who manages food-service stands at Raiders, A's and Warriors games. "We depend on the Coliseum for our jobs."

Mr. Stake, who lives less than a mile away, started working here in 1982. His daughters now work alongside him. It is a union job with decent pay and



One resident said the Coliseum was 'one of the last economic focal points' in the Oakland community.

benefits, but people are paid by the hour so after baseball season is over they depend on Raiders and Warriors games, he said.

"Both of them are leaving, so what are we supposed to do now?" said Mr. Stake. "Everyone is really worried about it."

Ray Bobbitt, who grew up nearby, said the entry-level jobs are a boon for young people. His brother worked at the Coliseum as a youngster and went

on to become a police officer. Many of his childhood friends from the neighborhood are "dead or in prison," he said.

"It's one of the last economic focal points in the community," said Mr. Bobbitt, 47, who formed a group to fight the move.

But not everyone benefits. Local taxpayers have been losing about \$1 million a year on the team's lease agreement, said Scott McKibben, executive

director of the Oakland Alameda County Coliseum Authority. The authority makes \$7 million off the Raiders, but spends about \$8 million for game day and other expenses, he said.

"From a purely business perspective, it's much better for us that the Raiders exit and that they exit now," he said.

Mr. McKibben acknowledged, however, the departure is a blow to the 3,000 people who

work Raiders games and expect to lose their jobs or see their hours cut.

The Raiders say they hope to stay in Oakland until the new stadium opens in Las Vegas, but city officials are looking for ways to kick them out before then.

A Raiders spokesman didn't respond to calls and emails seeking comment about the impact of the team's departure.

Roger Noll, a Stanford Uni-

## BANKS

Continued from Page One

ously discussed by important policy makers," said Emi Nakamura, an economist at Columbia University.

Central bankers, spooked by inflation spikes during the 1970s and early 1980s, had come to view targets as a core tenet of sound monetary policy. In the 1990s and 2000s, many picked a 2% target, seeing it as not so high that it would disrupt business decisions and wage negotiations, and not so low that it would make interest rates unmanageable.

The financial crisis and its aftermath shifted the consensus. Instead of high inflation, today's central banks are confronted with aging populations, lower long-term growth and higher saving rates. Those all hold down the real natural interest rate—the equilibrium interest rate, adjusted for inflation, that keeps borrowing, lending and the broader economy in balance.

A very low natural rate is a

problem for central bankers, who manipulate short-term interest rates to manage their economies. When the economy heats up, they push rates higher to slow it down. When the economy slows down, they cut rates to speed it up.

When the natural rate is very low, central banks risk running rates into zero when they're trying to cut, effectively running out of room to stimulate the economy in a downturn unless they resort to unusual measures such as asset purchases or negative rates.

New research by Fed economists Michael Kiley and John Roberts suggests Fed officials may now confront near-zero interest rates 40% of the time or more because of the low natural rate.

Olivier Blanchard, an economist at Peterson Institute for International Economics, kicked off the debate over higher inflation in 2010 when he suggested a 4% target while serving as the International Monetary Fund's chief economist. The idea was that a steady rate of higher inflation would mean that nominal in-

terest rates could be higher too, leaving central banks more room to cut in a downturn to boost output.

Fed officials rejected the idea of changing the inflation target as overly disruptive. But the debate is getting new life and economists are increas-

ingly talking about other approaches that would have the same effect of letting inflation drift up without resorting to a higher target.

Messrs. Kiley and Roberts, in their paper, don't endorse a higher inflation target. But they do suggest U.S. policy makers could let inflation exceed 2% for a time after recessions to give the economy more room to grow and more time to recover lost ground during a downturn.

Although the Fed remains committed to a 2% goal, it shows signs of tilting in this direction. Its March 15 policy statement stressed the inflation aim is "symmetric," meaning the central bank would tolerate slightly higher or lower inflation temporarily.

A symmetric inflation target is official Fed policy, but observers hadn't expected officials to underscore the term in their closely watched statement.

"This seemed like a good time to remind Americans that what our objective is is 2% inflation," Chairwoman Janet Yellen explained in the post-meeting news conference. "There will be some times when [inflation is] above 2% as well," she said.

Other countries are going in this direction. The Bank of Japan committed last year to overshoot its 2% target. Sweden's Riksbank is considering reintroducing a band around its 2% target, allowing officials to undershoot or overshoot when needed.

Inside the Fed, San Francisco Fed President John Wil-

liams has become a leading proponent of a rethink.

Economists and policy makers "need to put on their thinking caps, analyze the costs and benefits of the various alternatives and think seriously," he said last month.

Mr. Williams has suggested adopting the Bank of Canada's practice of formally re-evaluating its inflation target every five years. Although the reviews have consistently kept the target at 2%, Bank of Canada Gov. Stephen Poloz said the latest re-evaluation, which concluded last year, involved taking "a good look" at raising the target.

Tiff Macklem, dean of the Rotman School of Management at the University of Toronto and a former BOC official, said the reviews force policy makers to think hard about their assumptions.

"Throughout history we've seen different monetary policy regimes come and go so in that vein it is important to keep reassessing the regime you have in place," he said. "It's always important to be humble about monetary policy."

## ECONOMIC CALENDAR

The coming week will bring fresh insights into European and U.S. labor-market conditions, as well as clues on the Federal Reserve's plans for interest rates.

**MONDAY:** The eurozone's jobless rate resumed its long decline in February, figures to be released by the European Union's statistics agency are expected to show. The four-year-long drop in unemployment stalled in January at 9.6%, but economists predict a decline to 9.5% in February as the currency area's modest recovery continues. That will leave the jobless rate at roughly double its U.S. equivalent, which is one reason economists don't expect to soon see the pickup in wages identified by the European Central Bank as essential for meeting its inflation target.

**WEDNESDAY:** The Federal Reserve will release minutes from its March 14-15 policy meeting, which ended with the U.S. central bank voting to raise short-term interest rates for the third time since the financial crisis. The minutes will offer insight into that decision and could clarify when the Fed might raise rates again. Fed watchers also will monitor the minutes for details about when and how the central bank might start to shrink its large balance sheet.

**FRIDAY:** The U.S. Labor Department releases its jobs report for March. Economists will watch for any sign of flagging momentum after two strong months of hiring that appear to have been boosted, in part, by unusually warm winter weather. Any further decline in the unemployment rate, combined with more pickup in wage growth, would point to a tightening labor market and could prompt Fed officials to consider a more rapid pace of rate increases to contain potential inflation.

## SAVE

Continued from Page One  
lender with 4,200 employees, this year started requiring workers who initiate a 401(k) loan to consult with a financial counselor first, at the company's expense.

"We want them to stop looking at their 401(k) like a cash register," said Chief Executive Casey Crawford. Movement Mortgage aims to help employees get "a game plan in place," he said.

Employees who grew accustomed to borrowing from their 401(k)s during the recession are tempted by the rising balances in these types of plans, which currently hold \$7 trillion, up from \$4.2 trillion in 2009, experts say.

"People are getting statements telling them they have \$5,000 in this account and they are asking themselves, 'How can I get my hands on this money?'" said Rob Austin, director of retirement research at Aon Hewitt, a human-resources consulting firm.

Home Depot in recent years launched several initiatives aimed at "getting people out of the habit of going from one [401(k)] loan to the next," says director of benefits Don Buben.

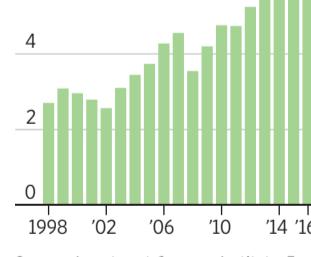
The home-improvement chain recently started making employees wait at least 90 days after paying off one 401(k) loan before initiating another. Workers are also encouraged to pay off their 401(k) loan balances early.

Since 2014, the total num-

### Loans and Leaks

As 401(k)-style plans have taken a greater role in Americans' retirement savings, 'leakage' of plan assets through unpaid loans and early withdrawals has emerged as a costly problem that saps savings.

#### Assets in 401(k)-style retirement plans



Sources: Investment Company Institute; Employee Benefit Research Institute

#### Percentage of eligible 401(k) participants with loans outstanding

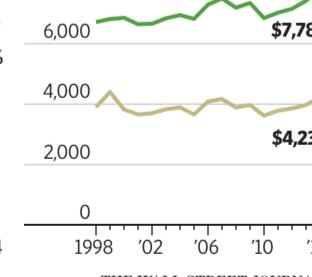


On average, about 30% to 40% of people leaving jobs elect to cash out their accounts and pay taxes and often penalties rather than leave the money or transfer it to another tax-advantaged retirement plan, according to recordkeepers and economists.

Most plans also allow people to pull out their savings—after paying taxes and typically a penalty—for reasons including buying a home, preventing foreclosure, and paying medical bills and college expenses, something relatively few participants do annually. These are known as hardship distributions and the employee must demonstrate an "immediate and heavy financial need," according to the Internal Revenue Service.

Employees can also generally choose to borrow up to

#### Median and average dollar amounts of 401(k) loans



THE WALL STREET JOURNAL

half of their 401(k) balance or \$50,000, whichever is less, without having to state a reason. According to the Employee Benefit Research Institute, a nonprofit research group, 87% of participants are in plans that let them take 401(k) loans.

About a fifth of 401(k) participants with access to 401(k) loans take them, according to the Investment Company Institute, a mutual-fund industry trade group. While most 401(k) borrowers repay themselves with interest, about 10% default on about \$5 billion a year, says Olivia Mitchell, an economist at the University of Pennsylvania's Wharton School.

"401(k) plan leakage amounts to a worryingly large sum of money that threatens to undermine retirement security," says Jake Spiegel, senior research analyst at research firm Morningstar Inc. His calculations show that employees pulled \$68 billion from their 401(k) accounts taking loans and cashing out when changing jobs in 2013, up from \$36 billion they withdrew in 2004.

Chadds Ford, Pa., is west of Philadelphia. An article in Saturday's Review section on an exhibition of Andrew Wyeth's art incorrectly said the town was east of Philadelphia.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com) or by calling 888-410-2667.

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Chadds Ford, Pa., is west of Philadelphia. An article in Saturday's Review section on an exhibition of Andrew Wyeth's art incorrectly said the town was east of Philadelphia.

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## U.S. NEWS

# Property Buyers Face Hard Spring

Rising prices, rates on mortgages complicate search; first-timers feel especially pinched

By LAURA KUSISTO

Robin Manthie and her husband have been looking for their first home in Minneapolis since May. They thought this spring would bring a flood of inventory, making their search easier. But by most measures it is getting tougher.

The inventory of homes for sale in Minneapolis dropped by about 25% in February compared with a year earlier, while the median sale price rose by 7.6% to \$223,000, according to the Minneapolis Area Association of Realtors. That is on a par with the national median home price of \$228,400. The average number of days homes in the area are spending on the market is at a 10-year low of 81 days so far this year.

Ms. Manthie, a 33-year-old consultant, and her husband trudge to open houses most weekends in search of a four-bedroom home in the \$700,000 range—up from \$400,000 when they started.

"It's shocking. The house [two doors down from] my mother-in-law went in three hours," she said.

This year's spring selling season promises to be the toughest for buyers in a decade, economists said, as rising

prices and mortgage rates combine with inventory near 20-year lows.

"We think that 2017 will be the fastest market" since the peak of the last housing boom in 2006, said Nela Richardson, chief economist at Redfin. So far this year, homes are selling an average of eight days faster than last year.

It isn't just hot spots like Seattle and Denver that are seeing scarce supplies of homes for sale but also sleepier locales like Minneapolis, Cleveland, Nashville, Tenn., Tampa, Fla., and Louisville, Ky.

These markets typically are enjoying strong job growth with young first-time buyers out looking for homes, but also declining inventories, according to Svenja Gudell, chief economist at Zillow.

Economists had predicted the inventory crunch would ease this year, as several years of solid price gains induced more sellers to put homes on the market and spurred home builders to break ground on more new homes.

Instead, inventory has gotten tighter as demand has increased rapidly and the pickup in construction has lagged behind. Sellers have become hesitant to put their homes on the market because rising prices and mortgage rates have made it more expensive to trade up.

In December, the number of homes for sale hit the lowest level since the National Association of Realtors began tracking



A Minneapolis agent shows a potential buyer a house. Starter homes are in tight supply in the area, where overall prices have risen.

ing such data in 1999. It has ticked up slightly, but inventory in February was 6.4% below a year earlier and about 30% below the long-term average.

What is more, there is a growing mismatch between an abundance of high-price inventory on the market and increasing demand for starter homes. In Minneapolis, 32% of online searches are for starter homes but 21% of the inventory is in the appropriate price range, according to real-estate tracker Trulia. There is a relative glut of luxury homes, which account for 40% of searches but 58% of the inventory.

Single-family-housing starts rose to a 10-year high in February but remain about a third below the 50-year average.

The lack of inventory is pushing up home prices, which grew at the fastest rate since

mid-2014 in January, climbing 5.9% compared with a year earlier, according to the S&P CoreLogic Case-Shiller Indices.

Adding to affordability challenges for buyers, mortgage rates have risen to 4.14% from about 3.5% in November, according to mortgage-company Freddie Mac.

Economists expect strong price growth and soft sales this year because there isn't enough supply to meet demand. Freddie Mac predicts home sales will decline slightly this year to 5.9 million from 6 million from last year.

"Looking at 2017, we feel pretty good about housing but we don't think we're going to match [last year's] volume," said Len Kiefer, deputy chief economist at Freddie Mac.

Unlike boom-bust markets such as Las Vegas, Miami and

parts of coastal California, Minneapolis has typically been a fairly stable housing market. Investors are fairly rare, and the area has long been an affordable place for young families to buy homes.

Home prices have risen 55% since the market bottom in 2012 and hit a new high in 2016, according to the local Realtors association.

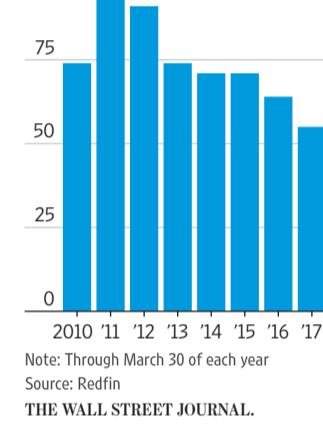
Chris Prescott, an agent at Redfin, said he has seen examples of sellers receiving 25 offers, including cash buyers bidding significantly over the listing price.

"I don't know where these cash buyers are coming from," he said. "We have not seen a market like this in the Twin Cities in a very long time."

◆ Christopher Mims: Online bidding comes to rentals.... B1

## Big Sellers

This spring's home-selling season will be the most frenetic in years, with homes being snapped up quickly as inventory shrinks. Median days on market:



Note: Through March 30 of each year  
Source: Redfin  
THE WALL STREET JOURNAL.

# Pit Bulls Get a New Leash on Life—as Police Dogs

By TAWNELL D. HOBBS

DALLAS—The pit bull, Athena, sniffed around desks and school backpacks on a recent day, looking for drugs as part of the city school district's random spot checks. Just weeks before, the 11-month-old dog had been sitting in a nearby animal shelter, having arrived as a stray with bite wounds.

Pit bulls, a common name for some terriers and mixed-breed dogs that can often have a stocky, muscular build, are moving out of shelters and into jobs once reserved for other breeds—as police dogs. Animal Farm Foundation, a New York nonprofit group that focuses on equal treatment of pit bulls, and Universal K9, a police-dog training facility in Texas, prepared Athena for her drug-prevention work.



BRANDON THIBODEAUX FOR THE WALL STREET JOURNAL

Athena in the hallway at William B. Travis Academy/Vanguard for the Academically Talented and Gifted, in Dallas, last month.

They seek to reverse a stigma associated with pit bulls as overly aggressive, and also to provide school districts and local law enforcement with free alternatives to traditional

police dogs. Dutch Shepherds and Belgian Malinois, for instance, can run at least \$20,000 with training.

Most of the pit bulls are from Texas shelters. They are

trained for free by Universal K9 and then donated for service, to detect items like drugs or explosives or to track certain people. Other costs are paid by the 32-year-old foundation, which gave about \$551,000 in grants to animal-related causes in 2014.

"When it comes to narcotics, they do it just as good, if not better" than traditional purebred dogs, said Jody Bullard, a police officer in the Dallas Independent School District who partners with Athena.

But pit bulls, which are banned in some big cities, such as Denver, or under restrictions in others, have their opponents. "It's how they attack that make them so dangerous," said Colleen Lynn, a victim of a pit-bull attack who runs Dogs-Bite.org, and who opposes using pit bulls as police dogs.

"Most dogs bite and release, but not the pit bull. They latch on and shake their head...to inflict maximum damage."

Stacey Coleman, executive director of Animal Farm Foundation, disputes that pit bulls are innately ferocious. "That's simply not true," she said, calling the characterization an "urban legend."

On a recent day at Dallas's animal shelter, just over half of dogs for adoption were at least part pit bull. "Everyone seems to be having difficulty adopting out pit bulls because of the stigma," said Gabi Vannini, spokeswoman at Dallas Animal Services.

Ms. Coleman said none of the K9 pit bulls in the program have injured anyone while working. She described one incident in March when a handler was playing with a niece

and a K9 pit bull in Orange Grove, Texas. The niece needed stitches after the "dog ended up with the child's ponytail in his mouth rather than a toy and pulled out a shock of the child's hair." Ms. Coleman said in an email. The dog is back at the training facility, she said.

About 25 pit bulls have graduated from the K9 training program since the initiative started about two years ago.

At the Dallas school, Athena did her search, and hopped up on a desk at one point. "I thought it was going to get my food," said 13-year-old Maddie Jewesson, as she and other students returned to the classroom after the search.

Athena found no drugs—she found a cotton ball smelling of a drug that police planted at the end of the search to keep her on her game.

# Live-Streamed Assault Case Yields an Arrest

By ZUSHIA ELINSON

Chicago police have arrested a 14-year-old boy in connection with a sexual assault that was streamed live on Facebook, part of a grim trend of violent acts being broadcast live on the internet.

A 15-year-old girl was lured to a Chicago residence on March 19 and assaulted by multiple juveniles while people watched online, police said Sunday.

"It just disgusts me that people would look at those videos and not pick up the phone and call 911," said Chicago Police Superintendent Eddie Johnson.

Law enforcement said they learned of the assault when the girl's mother approached Superintendent Johnson after a press conference last month to report that her daughter was missing. She also showed him snapshots of the video.

"No woman should ever be treated the way this young girl was," he said.

The 14-year-old boy is facing charges of sexual assault and manufacture and distribution of child pornography, according to police. It was unclear Sunday if he had a lawyer.

Those tracking crime in major cities say it is increasingly common for violence to be streamed on services like Facebook and Twitter or provoked

by social-media interactions.

According to a tally by The Wall Street Journal, people have used Facebook Live to broadcast at least 64 violent or criminal acts, including murder, suicides and the beating in January of a mentally impaired teenager, also in Chicago.

Facebook said videos glorifying violence are against its content guidelines but that it largely relies on users to flag objectionable content. The company said it is researching the use of artificial intelligence to detect violence in live videos.

In the Chicago sexual assault case, the city's police worked with Facebook to execute social-media search warrants and track down the suspects, said Commander Brendan Deenihan. A second arrest warrant has been issued for a 15-year-old, and police expect to make more arrests as well, he said.

The victim, who was located by police after her mother reported her missing, is "extremely traumatized from this event," said Cmdr. Deenihan. After the assault, people bullied her online, causing "a lot more trauma," he said. "She's having a very difficult time even talking about what occurred," he said.

—Deepa Seetharaman contributed to this article.

An advertisement for Brooks Brothers featuring a man in a grey herringbone blazer over a yellow sweater. The ad includes the Brooks Brothers logo and the text "The Golden Fleece® Collection".

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## U.S. NEWS

# Trump Hints Health Bill Can Be Revived

President cites unity of Republicans after he blasted dissenters; Sunday golf with critic

BY PETER NICHOLAS

President Donald Trump signaled Sunday that he wasn't abandoning efforts to dismantle and replace the Affordable Care Act, invoking unity within the same Republican Party he threatened just last week to purge of dissident lawmakers.

"Anybody (especially Fake News media) who thinks that Repeal & Replace of Obamacare is dead does not know the love and strength in R Party!" according to a message posted on Twitter by Mr. Trump. He added: "Talks on Repealing and Replacing Obamacare are, and have been, going on, and will continue until such time as a deal is hopefully struck."

The GOP health-care bill collapsed in the House late last month, when Republican leaders failed to secure enough support to bring it to the floor. Although some Republicans have said they hoped to revive

it, leaders for now want to address other agenda items, notably a rewrite of tax policy.

Rep. Kevin Brady (R., Texas), the chairman of the House Ways and Means Committee, told reporters in the Capitol last week: "We continue to move our focus to tax reform."

Mr. Trump's tweet marks another shift in his roller-coaster rhetoric following the failure of the Republican health-care push.

After initially blaming Democrats, Mr. Trump later lashed out at conservatives and floated the idea of working out a compromise with Democrats.

It is unclear whether Mr. Trump's latest tweet was meant to demonstrate a shift in political strategy toward smoothing over differences between the Republican Party's conservative and establishment blocs.

Last week, he took aim at the conservative Freedom Caucus, saying he would target them in the 2018 elections unless they got on board with his plans, as punishment for their opposition to the GOP health bill.

Mr. Trump wrote that the caucus would "hurt the entire



Reps. Justin Amash (R., Mich.), left, and Mark Sanford (R., S.C.) are part of the Freedom Caucus.

Republican agenda if they don't get on the team, & fast." Referencing the midterm elections, he lumped in Freedom Caucus members with Democrats as opponents "we must fight."

Picking up on this theme, senior White House aide Dan Scavino, in a tweet Saturday, singled out a prominent member of the Freedom Cauc-



KEVIN LAMARQUE/REUTERS

cus, Rep. Justin Amash (R., Mich.). Mr. Scavino's tweet described the congressman as a "big liability" and urged the "TrumpTrain" to defeat him next year in a GOP primary.

Mr. Amash responded on Twitter: "Bring it on. I'll always stand up for liberty, the Constitution & Americans of every background" and said the Trump administration and

party establishment have merged into the "Trumpstab-lishment."

Appearing on CNN's "State of the Union," Freedom Caucus member Jim Jordan (R., Ohio) stuck up for Mr. Amash.

"Justin Amash is a good friend and one of the most principled members of Congress and frankly if he is primaried I'm going to do everything I can

to help him," Mr. Jordan said. On Sunday, however, the White House seemed to want to make amends with health-care critics. After sending out his tweet, Mr. Trump went to his club in Virginia for a golf outing with Sen. Rand Paul (R., Ky.) who had dismissed the GOP's health law as "Obamacare-lite." They were joined by White House Budget Director Mick Mulvaney.

After playing golf with Mr. Trump, Mr. Paul told reporters that the two men had "talked about a little bit of health care."

He also said that "I continue to be very optimistic that we are getting closer and closer to an agreement on repealing Obamacare."

Mr. Trump made clear in an interview with the Financial Times, published Sunday, that he isn't giving up on passing a health-care bill.

"If we don't get what we want, we will make a deal with the Democrats and we will have in my opinion not as good a form of health care, but we are going to have a very good form of health care and it will be a bipartisan form of health care," Mr. Trump said.



Sen. Claire McCaskill, a Democrat from Missouri, said on Friday that she would oppose Neil Gorsuch's nomination.

## VOTES

Continued from Page One  
to as the "nuclear option."

"We're going to get Judge Gorsuch confirmed," Senate Majority Leader Mitch McConnell (R., Ky.) said on Fox News Sunday. Asked if he is ready to change the Senate rules, Mr. McConnell said: "We'll know through the course of the week," adding: "It's in the hands of Democrats."

The Senate Democrats' leader, Chuck Schumer of New York, said Republicans shouldn't destroy the chamber's precedent over high-court judges.

"It looks like Gorsuch will not make the 60-vote margin," Mr. Schumer said Sunday on NBC. "When a nominee doesn't get 60 votes, you shouldn't change the rules, you should change the nominee."

About three dozen Democrats, outraged that Republicans refused even to hold a hearing last year for former President Barack Obama's high-court nominee, have indicated they would vote to block Judge Gorsuch.

Three Senate Democrats have said they will vote for him. Joe Donnelly of Indiana became the third Sunday, joining Joe Manchin of West Virginia and Heidi Heitkamp of North Dakota. All three are from states Mr. Trump won easily and are up for re-election in 2018.

Many senators from states that Mr. Trump carried more narrowly have pledged to block his court nominee, including Bob Casey of Pennsylvania and Debbie Stabenow of Michigan.

The approach of the red-state Democrats, who are dividing in the final weeks over how they will vote, will affect the course of the Gorsuch confirmation fight—especially whether Democrats can sustain a filibuster—and the Senate's longtime reputation as one of the last remaining political arenas to compel bipartisan consensus.

Sen. Claire McCaskill, a Mis-

### Donald Trump's First 100 Days

The administration's latest actions and agenda at a glance

#### WHAT'S AHEAD

◆ On Monday, the Senate Judiciary Committee is set to vote on Mr. Trump's nominee for the Supreme Court, Neil Gorsuch. The 20-member committee is expected to approve the nomination, moving the confirmation to its next step: a vote by the full Senate.

◆ Egyptian President Abdel Fattah Al Sisi is scheduled to visit the White House on April 3. It will be the first meeting between Messrs. Sisi and Trump, who spoke days after Mr. Trump took office.

◆ Mr. Trump is to meet Chinese President Xi Jinping on Thursday and Friday at the U.S. president's Mar-a-Lago

home in Palm Beach, Fla. The meeting is likely to be tense, with trade looming as a major issue between the world's two largest economies.

#### QUOTES

"The committee is going to conduct an investigation. You asked me if I knew anything about alleged wiretapping by the previous president. The answer is no."

—Sen. Mitch McConnell (R., Ky.), discussing the Senate investigation into Russian intelligence activities in the 2016 U.S. election, speaking Sunday on NBC's "Meet the Press"

"Every time we turn around, another shoe drops from this centipede, and we need to examine all of the aspects of it—President Trump's priorities and the other priorities that many of us believe exist."

—Sen. John McCain (R., Ariz.), on the same investigation, on ABC's "This Week"

On Sunday evening, Sen. Jon Tester of Montana also said he would vote against Mr. Gorsuch.

In 2013, when Democrats controlled the chamber, they changed rules to enable cabinet appointments and lower judicial nominees to be confirmed with just a simple majority, but they left in place the higher threshold for Supreme Court picks.

If the Senate is able to confirm Supreme Court nominees with a simple majority, centrists in both parties fear that future presidents whose party also controls the Senate will have no incentive to pick a nominee aimed to garner bipartisan support.

Presidents "will go to the extremes because the base will demand it and we'll end up with a Supreme Court that has far more extreme justices on both sides of the aisle," Sen. Bob Corker (R., Tenn.) said last week.

Senate Democrats wavering on Mr. Gorsuch have cited a similar argument in his favor.

The "most unique political body in the world, the U.S. Senate, will be no more than a six-year term in the House, and I don't think anyone wants to be here for that," Mr. Manchin said shortly before he announced his support for Mr. Gorsuch.

Other Democrats have said voting to block Mr. Gorsuch is necessary, given his judicial record, and called on Republicans to not change the rules.

"I got the feeling that he will vote against the little guy for the big corporations," said Sen. Bill Nelson (D., Fla.).

While Supreme Court fights in the Senate are nothing new, most presidents until recent years nominated at least one justice who found little opposition. The last three nominees to be approved to the court—Justices Samuel Alito, Sonia Sotomayor and Elena Kagan—drew several "no" votes but had no trouble getting past the filibuster threat. Democrats say the Republican roadblock of Mr. Obama's nominee, Judge Merrick Garland, escalated the partisan tensions over the high court.

Liberal groups, also incensed over Mr. Trump's comments and actions since taking office and bolstered by his low approval ratings, are demanding that Democratic senators work to deny the president a Supreme Court victory.

The People's Defense, a coalition of groups aimed at blocking Judge Gorsuch, held nationwide protests Saturday. The group also launched a six-figure digital ad campaign in March calling on senators to oppose Judge Gorsuch. Sen. Michael Bennet (D., Colo.), who represents Judge Gorsuch's home state, and Sen. Angus King of Maine, a registered Independent who caucuses with the Democrats, haven't yet said how they would vote.

—Byron Tau  
and Dante Chinni  
contributed to this article.

# Flynn Initially Didn't Disclose Russia Payments

BY BYRON TAU

WASHINGTON—President Donald Trump's embattled former national-security adviser, Mike Flynn, initially didn't disclose payments he received from three Russian-linked entities on a financial disclosure form he filed upon entering government.

As part of the routine public release of the financial-disclosure reports from top officials, the White House provided two versions of Mr. Flynn's 2016 financial-disclosure form over the weekend—an initial version he filed in February and a more complete version he submitted last week.

On the earlier version of the form, Mr. Flynn didn't provide a full list of organizations and companies that had paid him for speaking engagements, including three Russia-linked organizations. Those payments became a source of controversy for the former national security adviser and retired three-star Army general who was forced to resign from the Trump administration earlier this year.

On a second, amended form filed Friday, Mr. Flynn acknowledged that he had received fees from RT, the television network and media outlet funded by the Russian government; Volga-Dnepr Group, a Russian cargo company; and Kaspersky Government Security Solutions, a U.S. subsidiary of a leading Russian cybersecurity firm. Those three speaking engagements had been previously reported.

Mr. Flynn was forced out of his White House position earlier this year after it was revealed that he misled top officials about the nature of his communications with representatives of the Russian government.

He has since been in discussions with the House and Senate intelligence committees about testimony in exchange for possible immunity.

Robert Kelner, an attorney for Mr. Flynn, said he had disclosed a speaker's bureau contract but not the itemized

speeches in the February form, which he described as a draft. He said the process of submitting a disclosure form was suspended when Mr. Flynn resigned.

"When he made his initial submission, he very clearly showed his speaker's bureau contract in the relevant part of the form. It was not at all clear that he had to itemize," said Mr. Kelner. "When he was requested to do so, he did."

The March 31 form listed the companies under a section for sources of compensation exceeding \$5,000 in a year, along with a full list of other speaking engagements from Mr. Flynn that were omitted from

*Mike Flynn has taken on significant private-sector work as a consultant.*

the February form.

Mr. Flynn's attendance at an RT event in December 2015 in particular has been a source of controversy for both him and Mr. Trump. RT, previously known as Russia Today, has routinely been accused of acting in the interests of the Russian government, and Mr. Flynn was seated at the same table as Russian President Vladimir Putin during the dinner.

Mr. Flynn was paid \$45,000 for his appearance, according to documents released by a congressional committee, part of which went to the speaker's bureau.

Since leaving his position as director of the Defense Intelligence Agency in 2014, Mr. Flynn has taken on significant private sector work as a consultant. He reported \$827,055 in salary from his firm, Flynn Intel Group LLC, and additional consulting fees from and salary from a number of other firms including the software company Adobe and several defense contractors.



Lucas Jackson/Reuters

Mike Flynn at President Donald Trump's inauguration. Mr. Flynn was forced out of his White House position earlier this year.



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## U.S. NEWS

# Haley: U.S. Tough on Russia

U.N. ambassador's comments come amid shaky diplomacy between the countries

BY BEN KESLING

WASHINGTON—President Donald Trump's ambassador to the United Nations said she is continually "beating up on Russia" over its actions in Ukraine and its interference in the U.S. election, indicating the administration is sticking with America's adversarial stance toward Moscow despite earlier signs that Mr. Trump wanted warmer relations.

"There's no love or anything going on with Russia right now," Nikki Haley said in an interview that aired Sunday on ABC in which she was pressed to clarify the administration's approach toward Russia. "I think that Russia is very aware that they're on notice when it comes to certain issues."

Ms. Haley's hard line on Russia and its president, Vladimir Putin, comes as hopes of a rapprochement between the two countries have faded and allegations of collusion between Trump associates and Russia during the campaign continue to bog down Mr. Trump's nascent presidency.

The ambassador's comments follow a week of shaky diplomacy between the two countries and indications from Congress that an investigation into Russian meddling in the presidential election could further entangle Trump associates and executive-branch officials.

In her interview, Ms. Haley said she is "beating up" on Russia for that country's militarily backing of Ukrainian separatists who seek to return parts of that country to Russian control. She also criticized Mr. Putin for Russia's meddling in last year's U.S. presidential elections.

Ms. Haley was asked whether Mr. Trump's position aligns with Ms. Haley's hard-



'There's no love or anything going on with Russia right now,' U.N. Ambassador Nikki Haley said.

line stance with Russia. She was pressed on a television interview segment in which Fox News' Bill O'Reilly referred to the Russian president as a "killer" while Mr. Trump seemingly defended the Russian and disparaged the U.S.

"There are a lot of killers. Do you think our country is so innocent?" Mr. Trump responded during the interview.

Asked whether Mr. Trump himself needs to express more forceful positions in opposition to Moscow's policies, Ms. Haley demurred.

"He's got a lot of things he's doing, but he is not stopping me from beating up on Russia," she said.

Mr. Trump's campaign pleasantries and overtures toward Mr. Putin have been throttled back since the election as he rebuffed proposals by the Kremlin to arrange a meeting between the two men.

A summit between the two was expected soon after Mr. Trump's inauguration, but now probably won't happen before the Group of 20 summit in Germany in July.

On ABC, Dmitry Peskov, Mr.

Putin's spokesman, said: "We insist that any blaming that Russia could have been interfering in domestic affairs of the United States is slander." In the segment, which was taped Friday, Mr. Peskov said the way to calm the countries' volatile relations would be through a face-to-face meeting, something the Trump administration has given no indication it is planning.

During her interview, Ms. Haley also seemed to pull back on a policy put forth by both herself and Secretary of State Rex Tillerson last week that the Trump administration would no longer focus on the ouster of Syrian President Bashar al-Assad, a position Russia has long advocated.

"So Assad is always a priority. That is not an issue. He is a war criminal," Ms. Haley said when asked if the focus in Syria is removing Mr. Assad from power or defeating Islamic State militarily. "You don't have to have one or the other. We've got a lot of important issues. Assad's not going away, but we're not going to stop beating up on him."

Ms. Haley didn't provide specifics on the U.S. approach toward the Assad regime.

"We're not going to stop saying that the way he treats people in Syria is wrong, that he has actually killed his own people and America will never stand for that," Ms. Haley said.

Last week Ms. Haley said, in more decisive language, "Our priority is no longer to sit and focus on getting Assad out."

Mr. Tillerson said last week the people of Syria need to decide who the leader of the country should be, even as civil war rages in Syria and millions of people have been displaced, killed or wounded by Assad's regime.

Sen. John McCain (R., Ariz.), who has criticized Messrs. Trump and Putin, said Sunday on ABC that the Trump administration's statements last week about Syria were off base. "Mr. Tillerson's statement that the Syrian people will determine their own future, that is one of the more unusual statements I've ever heard," Mr. McCain said. "I know that Mr. Tillerson was busy, but did he miss the barrel bombing?"

# Trump Willing to Act on North Korea

BY BEN KESLING  
AND PETER NICHOLAS

WASHINGTON—President Donald Trump emphasized that the U.S. is willing to take unilateral action against North Korea if China doesn't move to contain the burgeoning nuclear power, as he put trade and the military threat from Pyongyang at the top of the agenda of his planned meeting with Chinese President Xi Jinping this week.

In his comments, Mr. Trump looked to tie U.S. imports of Chinese goods with China's cooperation on North Korea.

The Trump administration, which has made narrowing the trade deficit a priority, has called China a nonmarket economy with unfair trade practices, and recently signaled it is willing to keep Chinese goods eligible for higher U.S. tariffs well into the future.

"China will either decide to help us with North Korea, or they won't," Mr. Trump said in an interview with the Financial Times published on Sunday. "And if they do that will be very good for China, and if they don't it won't be good for anyone."

"I think trade is the incentive. It is all about trade."

Asked if some sort of grand bargain with China could result from the meeting, he said: "Well, if China is not going to solve North Korea, we will. That is all I am telling you."

China, which is North Korea's main economic and political benefactor, has a complicated relationship with the insular nation, which has acted as a buffer between communist China and American-backed South Korea.

China has emphasized talks with North Korea, while also signing on to United Nations sanctions.

This year, China proposed that North Korea suspend its nuclear and missile tests in exchange for a halt in U.S.-South Korean military exercises. The U.S. rejected the idea.

The U.S. has launched a review of its strategy on North Korea, which comes as recent events have ratcheted up tension in the region.

Mr. Trump has seen China as an important part of the calculus in curbing the North Korean threat but has also indicated the U.S. would be willing on its own, with or without Beijing's help.

"North Korea is behaving very badly," Mr. Trump tweeted in March. "They have been 'playing' the United States for years. China has

**China has a complicated relationship with North Korea.**

done little to help!"

Mr. Trump's secretary of state, Rex Tillerson, took a hard line in a visit to South Korea in March, warning of a possible pre-emptive military strike against North Korea.

Stepping up pressure on Beijing, Mr. Tillerson also criticized the Chinese for objecting to a defense system in South Korea meant to protect the country from a missile attack from North Korea.

Mr. Trump often spoke on the campaign trail about China's alleged currency manipulation and unfair trade deals.

Since his election, Mr. Trump has talked about taking more aggressive trade and military stances with regards to China, but hasn't taken action on that front.

## Alabama Holds Breath In Probe of Governor

BY ARIAN CAMPO-FLORES

Alabama lawmakers are poised to receive the results of two investigations that likely will shape whether they will move to impeach Republican Gov. Robert Bentley, who stands accused of misusing state property as part of an alleged extramarital affair.

On Friday, a special counsel hired by the judiciary committee of the Alabama House of Representatives is expected to deliver findings in a probe of Mr. Bentley. That would be followed by committee hearings, a response by the governor and a potential impeachment vote by the House in May.

Among other things, the investigation is examining whether Mr. Bentley used state-owned property, such as residences or an airplane, to carry out or conceal the alleged affair with his former chief adviser, Rebekah Caldwell Mason.

Separately, the Alabama Ethics Commission this week could release the results of its investigation into complaints filed against the governor, also about his alleged relationship with Ms. Mason. The commission could recommend that prosecutors pursue criminal charges against Mr. Bentley, or it could exonerate him.

More than a dozen governors have been impeached in U.S. history—none from Alabama. The two most recent examples are former Arizona Gov. Evan Meacham, a Republican, who was removed in 1988, and former Illinois Gov. Rod

Blagojevich, a Democrat, who was removed in 2009.

The scandal unfolded last year when Spencer Collier, the former head of the Alabama Law Enforcement Agency who was fired by Mr. Bentley for alleged wrongdoing, accused the governor of improper conduct with Ms. Mason. Local media later posted leaked audiotapes that they said were a recording of Mr. Bentley making sexually explicit comments over the phone to Ms. Mason.

Mr. Bentley and Ms. Mason denied having had a physical affair, though Mr. Bentley said he had made the comments over the phone. Ms. Mason resigned. The governor issued repeated apologies to the people of Alabama, at one point expressing regret "for any conversations or behavior...that was inappropriate."

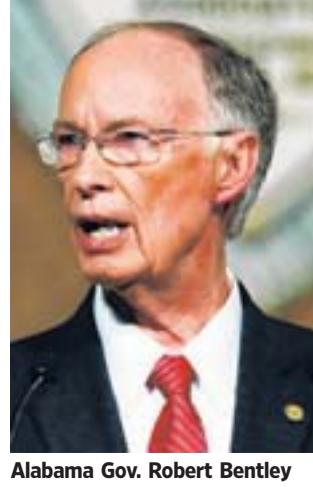
For the Republican-controlled House to recommend impeachment, three-fifths of the chamber would have to vote to bring the matter to the floor for consideration. If a majority then were to vote to impeach Mr. Bentley, the Senate, also controlled by Republicans, would hold a trial. The governor would have to step down until the matter was resolved.

Ross Garber, an attorney for Mr. Bentley who has represented other governors facing potential ouster, said the special counsel hired by the judiciary committee, Jack Sharman, had "seized control" of the investigation and was acting like a "political hit man."

He said the judiciary committee has deprived Mr. Bentley of due process—for instance, by preventing the governor from confronting and cross-examining witnesses making allegations against him.

Mr. Sharman said the governor was receiving more due process than a target of a grand jury investigation and had the ability to question any witness that comes before the committee and to submit exhibits. He denied acting with any political agenda, saying the comments by Mr. Bentley's attorney are a circumstance that happens from time to time when the subject of an investigation doesn't like it.

BRYNN ANDERSON/ASSOCIATED PRESS



## In Key West, 'Runners' Try to Stay Hydrated



**BRIDGE TO NOWHERE:** Participants in Sunday's Cow Key Channel Bridge Run in Key West, Fla., strolled across the 300-foot-long span, in what is billed as the only 'zero K' bridge run. The event offers participants beer near the finish line.

ATLANTA

### Man Faces Arson Charges in I-85 Fire

The man accused of starting the fire that destroyed part of Interstate 85 north of downtown Atlanta last week faces charges of first-degree arson and property damage.

Basil Eleby, who was arrested Friday and charged Saturday, told city and federal investigators that he had discussed smoking crack cocaine with two companions under the highway overpass before deciding to do the drug alone, according to his arrest affidavit.

The flames that lit up Atlanta's skyline Thursday burned so hot the concrete and steel overpass disintegrated.

Russell McMurry, commissioner of the Georgia Department of Transportation, said repairs will take at least several months and 350 feet of highway

must be replaced in both directions on I-85, which carries about 400,000 cars a day through Atlanta.

Mr. Eleby's bond was set at \$200,000 pending his next court appearance on April 14.

—Associated Press

WYOMING

### Grizzly-Bear Habitat Expected to Expand

Grizzly bears continue to expand their range amid an effort to turn over management of the bears from the U.S. Fish and Wildlife Service to the states of Wyoming, Montana and Idaho, a federal official said.

"We've seen an 11% change in increasing range in just a couple of years," Frank van Manen, head scientist of the Interagency Grizzly Bear Study Team, said at a meeting last week in Jackson, Wyo.

Since coming under the pro-

tection of the Endangered Species Act, grizzlies have expanded their habitat outward from the population's core in Yellowstone National Park.

The population of grizzlies within an area monitored annually has fallen for two consecutive years, from about 750 to 690. But Mr. van Manen said grizzly numbers outside the monitoring area aren't counted and he believes the population is now at the highest point in decades.

Center for Biological Diversity attorney Andrea Santarsieri said he was concerned by the decline in grizzly numbers and worried that hunting could soon occur near the Yellowstone and Grand Teton park boundaries if states gain management authority.

A final rule to delist the Yellowstone-area grizzly bear as a federally protected endangered species will be released as early as June, federal officials said at the meeting.

—Associated Press

THE SOUTH

### Storms Prompt 'High Alert' in Louisiana

A storm system with hurricane-force winds crawled across the Deep South, damaging homes and businesses Sunday.

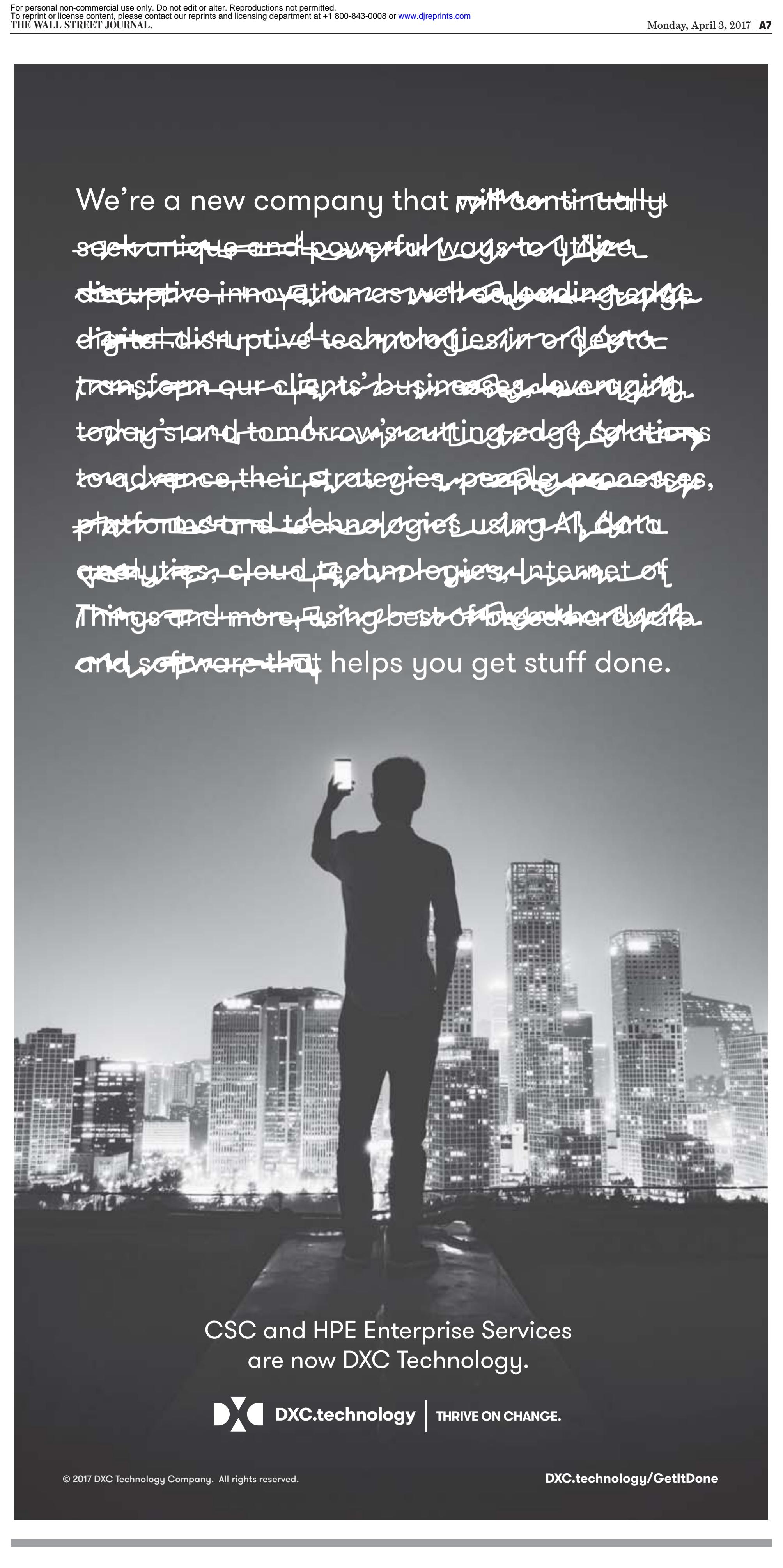
Louisiana Gov. John Bel Edwards put the entire state on "high alert" and warned residents to stay off the roads.

Parts of Arkansas and Mississippi were also under threat of tornadoes, but the bull's-eye was on Louisiana into Monday morning, with the system bringing unconfirmed tornadoes to the state as well as heavy thunderstorms, large hail and flash flooding.

National Weather Service warned that it was a "particularly dangerous situation." Straight line winds could reach upward of 80 miles an hour. Hurricanes have winds of at least 74 mph.

—Associated Press

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# WORLD NEWS

## Colombia Searches for Mudslide Survivors

President pledges aid to devastated region where more than 200 died after flooding

By KEJAL VYAS  
AND SARA SCHAEFER MUÑOZ

MOCOA, Colombia—President Juan Manuel Santos on Sunday pledged hundreds of thousands of dollars in aid for victims of a flood and mudslide in remote Putumayo state that left more than 200 people dead, as emergency teams continued to extract bodies and search for survivors amid thick mud and wreckage.

The death toll as of late Sunday stood at 254, President Santos said in a message on his Twitter account, following his second visit to the decimated city of Mocoa, the capital of the state in southern Colombia.

In a televised speech Sunday night, the president lauded rescue teams for their tireless work and praised government and aid groups for quickly providing food, water and medicine.

"We offer the condolences and the sorrow of an entire country," he said. "We will leave Putumayo better than it was before. We will build up Mocoa, it will recover."

Amid the rescue efforts, distraught members of victims' families gathered outside the city's morgue to identify loved ones. Others desperately



Soldiers on Sunday helped evacuate survivors in Mocoa, in southern Colombia. More than 200 people are missing after the disaster.

waved pictures and identification cards of the missing on national television.

Mr. Santos pledged the funds to rebuild the city, vowed to cover funeral expenses for the victims and offered financial assistance for families affected.

The president, whose approval ratings have slipped re-

cently, was quick to highlight the efforts of state agencies to manage the disaster, saying health officials had immediately dispatched doctors, nurses, stretchers and more than 1,000 pounds of medicine to a field hospital and the main hospital in Mocoa. He said officials had brought in 13 water trucks and set up 10

generators in the city, and on Monday would start a program of vaccinations to prevent the spread of disease.

Many residents feared the death count would rise. Sandra Macuacu, a 37-year-old primary schoolteacher, said she and her colleagues had so far been able to locate only 15 of the 70 children who attend their classes.



THE WALL STREET JOURNAL.

Witnesses felt buildings vibrate before an avalanche of water carrying mud and debris swept through, toppling homes and lifting trucks downstream.

Residents who live further away from the waterfront said they only noticed something unusual after hearing neighbors scream and plead for help.

Alexander Gomez, a 27-year-old construction worker, said his brother, sister-in-law and niece were killed as their house was completely taken away by the rush of water, rocks and debris. He spent all day Saturday looking for them until authorities notified him that their bodies had been recovered far downstream, he said.

Mr. Gomez, whose home was a little further inland, was unable to wake up his brother before Mr. Gomez and his own family had to flee to higher ground. Mr. Gomez's house was also destroyed. "Everything I had is gone," he said.

## Failed Power Grab Rattles Venezuela

By ANATOLY KURMANAEV

CARACAS, Venezuela—President Nicolás Maduro's decision to scrap a court order that dissolved congress has brought Venezuela back from the brink of an unprecedented constitutional crisis, but has also exposed divisions within the government and limits to Mr. Maduro's increasingly authoritarian rule.

Prompted by a protest from Attorney General Luisa Ortega, the Supreme Court on Saturday reversed key parts of its ruling earlier in the week that essentially dissolved the opposition-controlled National Assembly, hours after Mr. Maduro said he and his top officials asked the judges to clarify the decision.

"This has put a lid on things," a former top official under Mr. Maduro said. "The government has won itself some time" to regroup.

A pro-democracy opposition rally held on Saturday after the Supreme Court issued the new ruling drew around 1,000



Opposition leader Rafael Guzmán, left, confronted the National Guard at a pro-democracy protest in Caracas on Saturday.

people, mostly party activists. By Sunday, life was back to normal in the capital. Several opposition leaders have left the country on holidays or business, opposition officials said.

But beneath the apparent calm, Mr. Maduro's failed power grab—the culmination of earlier moves that include silencing the media, jailing opponents and postponing elections—has left the country with a weaker leader facing a spiraling economic crisis, said Félix Seijas, a Caracas pollster. It has also given oxygen to the demoralized opposition.

The Supreme Court's ruling on Wednesday created a political storm in Venezuela, with the opposition calling it a coup. Several Latin American governments recalled ambassadors for consultations. And Mr. Maduro suffered the biggest split in his four-year-old administration after Ms. Ortega, who had been a Maduro ally, said the ruling was illegal.

To deal with the crisis, Mr. Maduro has postponed a cur-

rency overhaul, seen by economists as crucial to begin stabilizing the economy, until at least late April, two people familiar with the matter said.

The ruling has also likely delayed Mr. Maduro's attempts to sign new oil deals with foreign companies and local businessmen to raise the much-needed cash for bond payments, two Venezuelan oil officials said. Although the Supreme Court's revised ruling still gives Mr. Maduro the right to create new oil joint ventures without congressional approval, those deals will now attract greater public and investor scrutiny, they said.

Ms. Ortega's unprecedented criticism also has torpedoed the government's carefully orchestrated show of unity, exposing deep divisions within Mr. Maduro's administration.

Spokesman for the Venezuelan armed forces didn't respond to a request for comment.

Mr. Maduro will face more pressure within the ruling party and from neighboring countries to hold elections this year, opposition leaders said. Fearing what polls show to be almost certain defeat, Mr. Maduro has used his control of courts and the electoral council to indefinitely postpone elections for state governors, raising questions about the fate of a presidential election due to take place next year.

—Mayela Armas contributed to this article.

he said. "This revolution will continue." Mr. Correa said Mr. Moreno's lead was irreversible.

Mr. Lasso, a 61-year-old ex-banker who promised to roll back taxes to boost economic growth, hasn't conceded, saying there was fraud and that Mr. Moreno's presidency would be illegitimate. He had claimed victory after three exit polls showed he won the race.

After official results showed he was trailing, he called on his supporters to peacefully defend their vote.

"They've crossed a line and that line that they've crossed is to try to abuse the popular will," he said in a speech. "You aren't going to allow it, and neither are we."

Televised images later showed Mr. Lasso's supporters chanting "no to fraud" outside the national electoral council's office in the coastal city of Guayaquil. Hundreds of his supporters broke through barricades surrounding the council's office in Quito to protest the results while waving Ecuadorean flags.

If confirmed, Mr. Moreno's victory would extend the leftist government's decadelong hold on power, bucking a trend in Latin America that has seen the region's populist left lose power amid slower economic growth.

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By GABRIELE STEINHAUSER

JOHANNESBURG—Rifts between allies and opponents of South African President Jacob Zuma deepened over the weekend, setting up a decisive week for the ruling African National Congress following the ouster of the popular finance minister.

The ANC's top six officials—three of whom have lashed out against the firing of Pravin Gordhan—will meet on Monday to decide whether to take further steps against Mr. Zuma, including a gathering of the party's National Executive Committee, which could force the president to step down.

Opposition parties demanded that Parliament be convened for a special session to consider motions of no confidence against Mr. Zuma, while civil-society groups called on citizens to wear black on Monday to protest the cabinet shuffle. The hashtag #BlackMonday was trending on Twitter in South Africa.

More street protests are planned for Friday, the same day Moody's Investors Service is expected to release its latest assessment of South Africa's creditworthiness. It currently

rates the country's debt at Baa2, two notches above junk.

"What we see this time is a more all-around mobilization against the president," said Susan Booyens, professor at the Wits School of Government in Johannesburg. "What we do not know is whether this time around it will go further."

Mr. Zuma dismissed Mr. Gordhan—along with 19 other ministers and deputy ministers who were either moved out of or around the cabinet—early Friday, ignoring objections from his own party's top brass.

The move sent the rand tumbling and triggered a sell-off of South African banking stocks, as well as analyst warnings of an almost-certain downgrade of the country's credit rating.

But it is unclear how much the opposition or a disgruntled ANC leadership can do to rein in Mr. Zuma. The 86-member National Executive Committee, the ANC's top decision-making panel, remains stacked with the president's allies. An attempt to oust him failed in late November and among the officials promoted in Friday's cabinet shuf-

fle were several members of the National Executive Committee.

"That is Zuma taking out insurance against the NEC tipping against him," Prof. Booyens said.

Parliament Speaker Baleka Mbete said on Sunday that she would spend the week in consultations on whether lawmakers should be recalled from recess to vote on the president's future. Without a special session, any motion against Mr. Zuma would be delayed until early May, giving the ANC time to pacify defectors in its own ranks.

Zweli Mkhize, the ANC's treasurer, added his criticism of Mr. Zuma's conduct to that of Deputy President Cyril Ramaphosa and ANC Secretary-General Gwede Mantashe, who complained that they weren't consulted on the cabinet changes.

That means three of the ANC's six most senior officials have now come out against the shuffle, with only ANC Deputy Secretary-General Jessie Duarte openly standing by the president. Ms. Mbete, the final member of the leadership team, which also includes Mr. Zuma, on Sunday declined to either endorse or criticize the president's decision.

## South African Cabinet Shuffle Widens Rift

By GABRIELE STEINHAUSER



Former Finance Minister Pravin Gordhan, center, attended the funeral of an antiapartheid activist last week. President Zuma stayed away.

CORNEL TURK/EUROPEAN PRESSPHOTO AGENCY



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## WORLD NEWS

# U.K.'s Task: Reconcile Its Brexit Aims



SIMON NIXON

EUROPE FILE

After nine months of phony war, the Brexit battle lines have been drawn.

Last week's opening salvos were cloaked in generous diplomatic language. British Prime Minister Theresa May used her letter invoking Article 50 of the Lisbon Treaty to laud Europe's liberal democratic values and declared her wish for a "deep and special partnership" with the European Union.

EU Council President Donald Tusk reciprocated by declaring the Brexit negotiations an exercise in "damage control" with the goal of keeping the U.K. as close a partner as possible.

The desire for an amicable divorce on both sides is sincere. Yet neither side is confident that the obstacles to a deal can be overcome.

The greatest obstacles lie within the U.K. itself. Mrs. May faces what may prove an impossible trilemma.

She needs a deal that, first, is close enough to the EU to



British Prime Minister Theresa May departed 10 Downing Street on Wednesday.

ANDY RAIN/EUROPEAN PRESSPHOTO AGENCY

minimize disruption to business and allow the continued free flow of people, goods and services that are vital to the U.K.'s prosperity. Second, she needs a deal that will satisfy those in her own party who dream of a "global Britain" that can pursue an independent trade policy and cut regulation and taxes. Third, she needs a deal that will preserve the unity of the United Kingdom amid rising nationalism in Scotland and Northern Ireland and questions about the status of Gibraltar.

**T**hese three goals may be irreconcilable. The EU made clear in its draft negotiating guidelines

that the price of a deep and comprehensive trade deal will be fiscal, social and environmental safeguards to protect the EU from suffering a competitive disadvantage through what it calls "social dumping."

Brexiteers fear that whatever right the U.K. may have regained to strike its own trade deals and re-engineer its economic model would likely be constrained in practice as the country would remain bound by rules over which it no longer had any control.

On the other hand, the kind of "clean Brexit" demanded by hard-line Brexiteers whereby the U.K. simply seeks to trade with the

EU on World Trade Organization terms would not only cause maximum economic disruption, it would create a hard border with the Republic of Ireland which could fuel Irish nationalism and jeopardize the peace process.

**I**f forced to choose, it seems clear which way Mrs. May intends to jump. In her public statements last week, she used the cloak of a largely concocted row about whether she was blackmailing the EU by linking future security cooperation to a trade deal to drop many cherished goals of hard-line Brexiteers.

She accepted that British businesses would have to

abide by EU rules—at least when doing business with the EU; that the U.K. would have to pay a financial price to secure an exit deal; and that far from gaining £350 million a week, as Brexiteers famously promised, there would be "consequences" for the U.K. economy.

Privately, some cabinet ministers accept that further substantial compromises will be essential if the U.K. is to get any negotiated exit and trade deal. They believe Mrs. May has established enough political capital with the Brexiteers to negotiate whatever deal she thinks is in the national interest.

Nonetheless, Mrs. May's political capital is about to be tested. The EU's draft negotiating guidelines show the bloc will be tough in defending the interests of its member states. It won't discuss future trade arrangements until the two sides have made "sufficient progress" toward a deal that will settle the U.K.'s financial obligations and which protects the rights of EU citizens settled in the U.K.

Far more problematically, the EU is determined to find a solution that avoids a hard border in Northern Ireland before trade talks start and it wants to make any deal effectively conditional on the U.K. reaching an agreement with Spain over the future status of Gibraltar. Both may require compromises beyond even Mrs. May's capacity to deliver.

## WORLD WATCH

EGYPT

### Focus on Security For Trump-Sisi Talks

President Donald Trump will host Egyptian President Abdel Fattah Al Sisi on Monday as his administration focuses on its security relationship with Egypt while limiting human-rights concerns to private conversations, officials say, in a policy shift.

Ahead of the visit, White House officials said Mr. Trump wants to "reboot the bilateral relationship" and build off of the strong connection Mr. Trump and Mr. Sisi fostered during a meeting last fall while Mr. Trump was still a candidate.

The officials said regional security and U.S. military aid will be key topics and that unlike the Obama administration and the George W. Bush administration, the Trump administration would avoid publicly airing human-rights concerns.

Mr. Sisi's visit is his first to Washington since taking office. He won an election in 2014, several months after the military, then under his command, led a coup to oust Egypt's first freely elected leader, President Mohammed Morsi of the Muslim Brotherhood.

—Felicia Schwartz

PARAGUAY

### Constitutional Vote Triggers Protests

Paraguay confronted a constitutional crisis on Saturday, as Latin American nations urged the country to uphold its constitution hours after senators quietly moved to amend it, sparking fierce protests.

The upheaval in Paraguay's capital, Asunción, came after angry mobs set fire to Congress after learning that members of President Horacio Cartes's conservative Colorado Party voted to change the constitution to let him seek re-election next year.

Paraguay's top diplomat, Eladio Loizaga, said that despite the protests, democracy in the country is "firmer than ever." The lower house of Congress is expected to vote on the amendment this week, with legislators in favor saying they have enough votes to pass it. Opponents have called for fresh protests.

—Taos Turner

## Serbian Prime Minister Takes Lead in Presidential Vote

Associated Press

BELGRADE, Serbia—Prime Minister Aleksandar Vucic claimed victory on Sunday in the presidential election seen as a test of his rule amid growing Russian influence in the Balkan region.

Speaking to supporters at his party's headquarters, Mr.

Vucic said, "My victory is crystal clear. This is a very important day for us, showing which way Serbia should be heading." He added that "a huge majority of people in Serbia support continuation of the reform process, continuation of the European path for Serbia along with preserving our traditionally good ties

with Russia and China."

He spoke after projections by different independent polling agencies had him receiving more than 55% of the votes cast during Sunday's election. Liberal challenger Sasa Jankovic placed second, with 15%, and Luka Maksimovic, a media student, came in third with 9%, according to the pollsters. Official re-

sults are expected on Monday.

Mr. Vucic, a former ultranationalist who now declares support for Serbia joining the European Union, needed to win more than 50% of the vote to avoid a runoff that would have put him in a trickier position against a single opposition candidate.

Mr. Jankovic, an independent, said he was happy with

his campaign, which has galvanized the pro-democratic movement opposed to the country's persistent corruption and growing autocracy.

As a satirical candidate decked out in a white suit, oversize jewelry and a man-bun, Mr. Maksimovic mocked corruption in Serbian politics by promising to steal if he were elected.

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## WORLD NEWS



ISRAEL HAO/EUROPEAN PRESSPHOTO AGENCY  
Relatives waited to receive the bodies of the victims at the remote religious shrine in Sargodha, Pakistan.

# Twenty Massacred at Shrine

Pakistani police say bodies of devotees bore marks of torture; custodian confesses

BY QASIM NAUMAN

ISLAMABAD, Pakistan—The custodian of a remote shrine in central Pakistan, known for conducting rituals, and his two assistants drugged and then killed 20 people with clubs and machetes, officials said.

The killings took place at a shrine devoted to Ali Muhammad, a spiritual figure, on the outskirts of a village in the Sargodha district, police said. Officials said the victims were invited Saturday evening by Abdul Waheed, the shrine's custodian.

"As the devotees arrived, they were drugged and then tortured to death," said Liaqat Ali Chattha, the deputy commissioner in Sargodha. "They dumped the bodies in a house

next to the shrine."

Police and health officials said the bodies were stripped naked and bore marks of torture with machetes and clubs.

Millions of devotees flock to the many shrines in Pakistan every year, especially those dedicated to revered saints of Sufi Islam. Smaller shrines dedicated to local spiritual figures, like the one where the killings took place Saturday, also dot the country.

Devotees visit not only to pray, but also for exorcisms and treatment for illnesses they believe are caused by evil spirits.

The custodians and healers at smaller shrines sometimes carry out violent rituals. Injuries and even deaths from such rituals have been reported in recent years, but a high toll like that in Sargodha on Saturday is rare.

Police said they arrested Mr. Waheed and the two assistants early Sunday, and all three confessed to the killings. The assistants weren't identified.

In a video shot with a mobile phone and aired on local news channel Geo News, Mr. Waheed said his victims were planning to kill him.

"They had poison pellets, they were going to put that in my food and kill me," a handcuffed Mr. Waheed says in the video. He couldn't be reached directly for comment.

Police officials said Mr. Waheed would undergo a psychological exam to determine his mental state. They declined to comment on the video aired on Geo News, saying they would speak on the matter when the investigation is completed.

Mazhar Shah, the head of the local government emergency-response team, said Mr. Waheed visited the shrine a couple of times a month.

"He had been conducting such activities for two years at this shrine," Mr. Shah said. "He would torture visitors, claiming it will cleanse them."

Zaeem Qadri, minister for re-

ligious affairs and sites in the Punjab province, where Sargodha is located, said "We have been taking action against such fake healers who dupe innocent people and then exploit and abuse them in the name of God." Mr. Qadri said the Sargodha shrine was built two years ago and wasn't registered with the government.

Psychiatric experts said many people in Pakistan attribute illnesses or personal troubles to evil spirits or divine punishment, and seek help from those claiming to be spiritual healers.

Many small shrines have been built in recent decades to earn money from exorcisms and cures, especially for mental illnesses and infertility, government officials said. A lack of adequate health care is also a factor, experts said. Public spending on health care between July 2015 and June 2016 was 0.45% of gross domestic product, according to the finance ministry.

# EU Set to Back Afghan Peace Deal

BY JESSICA DONATI

KABUL—The European Union is preparing to offer millions of dollars to support a peace deal between the Afghan government and an insurgent group led by a notorious warlord, a measure it hopes will encourage similar accords with other militants in the war-torn country.

The EU's top envoy to Afghanistan, Franz-Michael Mellbin, said the bloc would review a proposal from the Afghan government before deciding on the amount it will commit to help implement the peace agreement with the Islamist political and militant group, Hezb-e-Islami, which the U.S. has endorsed.

An initial EU commitment could fall between \$2 million and \$5 million, according to notes from a recent diplomatic briefing on the matter that The Wall Street Journal reviewed.

The militant group is led by Gulbuddin Hekmatyar, who was removed in February from a United Nations Security Council sanctions list following a request from Afghanistan. The security council's move paved the way for international donors to help implement the peace deal Afghanistan signed with Mr. Hekmatyar and his group in September.

It isn't immediately clear what the EU funds will be used for. "Hezb-e-Islami will not have any control over the money," Mr. Mellbin said.

The peace deal included a provision to provide compensa-

tion to Mr. Hekmatyar and members of his group. The deal also calls for joint commissions to implement other provisions, for which contributions from international donors could pay.

The U.S. and its allies hailed the deal with Mr. Hekmatyar, who has lost much of his influence in recent years, as a symbolic step that could build trust in peace talks and encourage other militants to join. There is little evidence, however, that the Taliban, who are gaining on the battlefield, are interested in talks soon.

The deal's implementation faces hurdles, including how to lift international sanctions targeting Mr. Hekmatyar and reintegrate the militants and their families into mainstream society.

Mr. Hekmatyar is still a U.S.-designated "global terrorist" and his group is designated by Washington as a foreign terrorist organization.

Afghan officials are hopeful the U.S. will also contribute funds to support the deal. A State Department official said expectations of U.S. funding were inaccurate. The official said the department hadn't received any request to drop the terrorist designation for Mr. Hekmatyar or his group.

Critics of the peace deal have said compensating Mr. Hekmatyar and his group could encourage others to take up arms in the hope of being bought off later.

—Habib Khan Totakhil contributed to this article.



ASSOCIATED PRESS  
The U.S. has declared Gulbuddin Hekmatyar a global terrorist.

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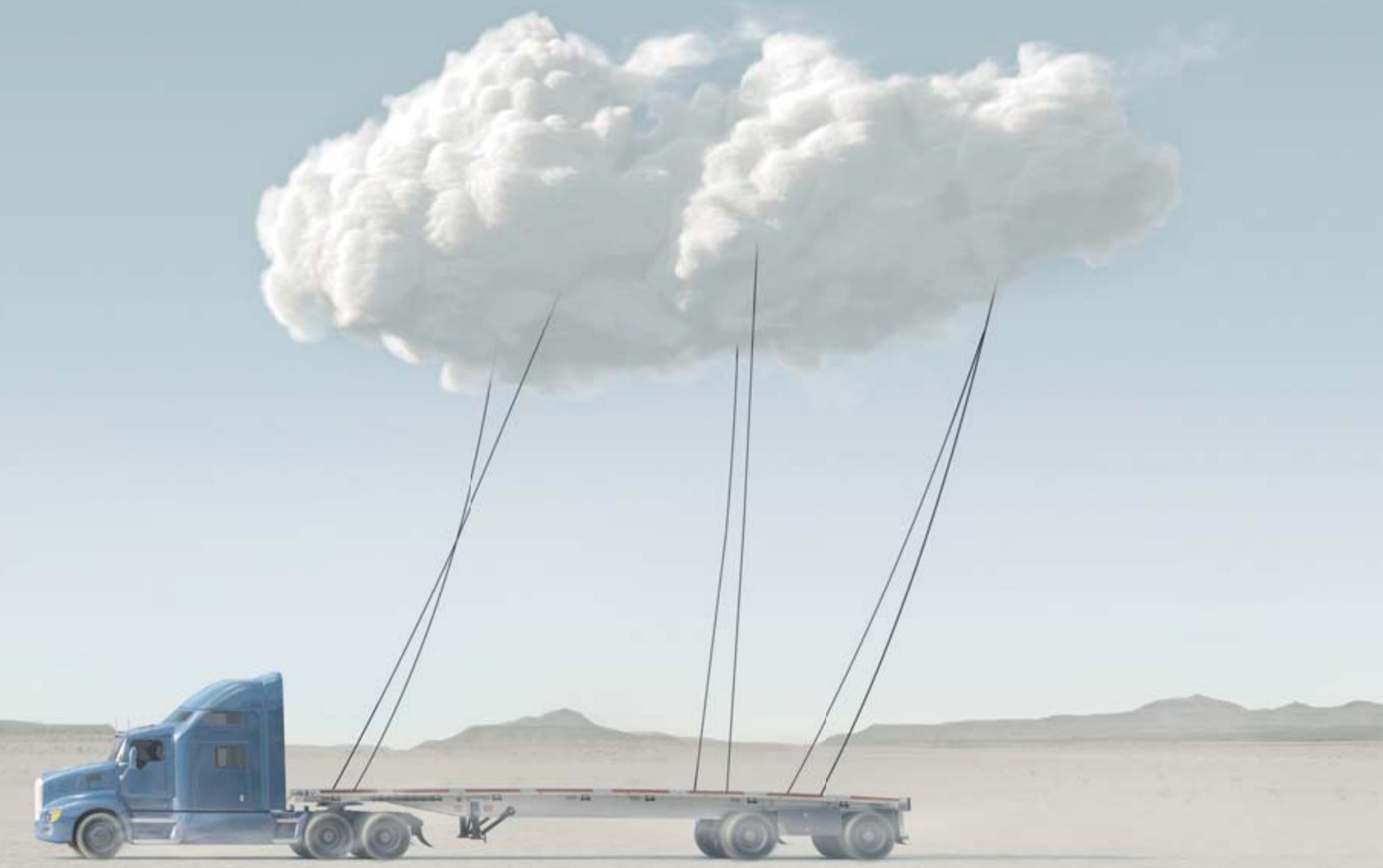
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## IN DEPTH

# SYRIA

Continued from Page One  
ficials who monitor the group.

Thanks to money and arms from Tehran, Hezbollah now stands almost on a par with Iran as a protector of President Bashar al-Assad's government, and as a sponsor of Shiite fighting forces in Syria.

"It's hard to see people rising through Syrian intelligence or military ranks without the blessing of Hezbollah or the Iranians," said Andrew Exum, until January a U.S. deputy assistant secretary of defense for the Middle East.

With its growing might, this arch-foe of Israel, a group long labeled terrorist by the U.S., has gained a modicum of international recognition. It participated in negotiations sponsored by Russia following the rout of rebels from Aleppo. When China's special envoy to Syria visited Lebanon in December, he carved out time to see Hezbollah's foreign-relations chief.

Even before the Syrian civil war, Hezbollah had evolved beyond its guerrilla-group origins into a business and political enterprise that holds positions in Lebanon's government and runs social programs such as schools and clinics. Now it is poised to capitalize on what many Middle East analysts expect will be an eventual end to the Syrian war that leaves Mr. Assad in power. Syria will have \$180 billion of war-reconstruction needs, by a World Bank estimate. Hezbollah has experience at that. After a 2006 conflict with Israel, the group efficiently organized the rebuilding of battered Beirut suburbs.

"Hezbollah is well-positioned to make a lot of



MAMMOUD ZAYAT/AGENCE FRANCE PRESSE/GETTY IMAGES

Hezbollah fighters honor one of their comrades who died in combat in Syria during a funeral last month in southern Lebanon.

### A Power in Syria

The Lebanese militant group Hezbollah has become an important player in the Syrian civil war, training local fighters and leading offensives against anti-Assad rebels.



THE WALL STREET JOURNAL

money" from Syrian reconstruction, said Matthew Levitt, director of the Washington Institute's Stein Program on Counterterrorism and Intelligence, a veteran of the Treasury and State departments.

U.S. and Israeli officials have watched Hezbollah's growth with concern

### Religious power

Hezbollah's role has implications for eventual postwar arrangements in Syria, given how its religious influence will likely compete with the secular politics of the Assad regime. Before the war, that government was improving relations with Saudi Arabia and once even considered a peace treaty with Israel. The improved ties have broken down, with the Saudis supporting Syrian rebel groups. Diplomats in the region say any normalization of relations after the war ends, likely with Mr. Assad still in power, will be even more difficult given Hezbollah and Iran's newfound clout in Syria.

Hezbollah has helped the Assad regime survive partly by propping up its undisciplined

military, which is plagued by corruption and defections. In Syrian villages retaken from rebel control, Hezbollah fighters have been seen holding Syrian soldiers by the wrist or collar and forcing them to return appliances or furniture looted from homes.

Syrian civilians say Hezbollah fighters sometimes openly disrespect Syrian troops on battlefronts, a stark change from its previous deference. Cars with blacked-out windows and Lebanese license plates screech up to Syrian checkpoints, the Hezbollah commanders inside refusing to get off their phones during identification checks or to answer questions posed by their Syrian allies.

When Russia and Syria wanted to put priority on retaking Islamic State's capital of Raqqa last year, Hezbollah, along with Iran, insisted the focus instead be dislodging rebels from Aleppo to force them to the negotiating table, according to Mr. Exum and a Hezbollah official.

The strategy worked. The

rebels evacuated Aleppo and agreed to participate in Russian-sponsored political negotiations now taking place in locations outside Syria.

When formed in the 1980s, Hezbollah was trained by Iran's Quds Force, an arm of the Islamic Revolutionary Guard Corps that manages Iranian clients across the region. Hezbollah gave Lebanon's disenfranchised Shiite community political power and won its loyalty by providing free schooling and health care in addition to protection.

Militarily, it remained a guerrilla force, better at launching rockets from the bushes than spearheading offensives on urban centers—until Syria's civil war began in 2011. After wading in to protect its Iranian arms flow, Hezbollah stepped up its military commitment to counter Sunni extremists such as Islamic State, which regards Shiite Muslims such as Hezbollah as infidels. Hezbollah expanded its arsenal by gaining access to Russian and Syrian weapons under the cover

of the civil war's chaos.

Shipments from Iran gave the Lebanese group precise and powerful armaments that it previously lacked, such as Russian-made Yakhont missiles, said a former State Department official. Cooperation with Russia on the battlefield further increased the flow of weaponry.

"Russian stocks are open to Hezbollah," said a Hezbollah official who travels frequently to Damascus. "Our fighters eat and sleep alongside theirs and we're sharing everything, always." While an end to Syria's civil war could change the dynamics, Middle East analysts generally think Hezbollah's expanded access to weapons is secure.

Damascus was once considered a Hezbollah proxy master, but Western diplomats say the Lebanese group is carving out its own zones of influence across Syria by training local fighters. They include Shiites and Alawites, the latter being adherents of a branch of Shiite Islam that includes the Assad family.

Western diplomats estimate the number of these fighters loyal to Hezbollah's command, which Hezbollah calls al-Ridha Forces, and known locally as "Hezbollah in Syria," in the tens of thousands. Hezbollah officials say it is lower. Hezbollah's presence in Syria stretches 250 miles from the northern tip to the south, longer than the length of Lebanon.

Ryan Crocker, a former U.S. ambassador to both Iraq and Syria, said the autonomy Hezbollah enjoys in Syria arises partly because "Iraq is more important for Iran in many ways than Syria is," while to Hezbollah, next-door Syria is more important.

Messrs. Crocker and Exum said Hezbollah's strategy in Syria mirrors the Lebanese group's involvement in Iraq after the 2003 U.S. invasion. At that time, Hezbollah provided training inside Iraq to Iraqi Shiite militiamen. Iran relied on Arabic-speaking Hezbollah officers to bridge a language

gap that Iran's Farsi-speaking Quds Force couldn't overcome. A collateral result was to seed a Hezbollah social influence in parts of Iraq that persists.

In Syria, Hezbollah is playing for lasting political and social influence, Western and Arab diplomats say. The group has broadened its mandate from countering Israel to fighting Sunni extremist groups across the region to protect religious minorities—not only Shiites but also Christians. It has begun replicating inside Syria the social programs that brought it loyalty and political success at home.

Hezbollah has created a Syrian branch of its Imam al-Mahdi youth movement, a Boy Scouts-type group whose Facebook page shows videos of children getting coloring books, saluting at military parades and somersaulting over fire pits. Part of the idea is to funnel young people to Hezbollah-sponsored local fighting groups and to the larger ranks of Syrian civilians—accountants, hairdressers and farmers—who maintain a fierce dedication to what they call the resistance.

Among Hezbollah supporters in Syria, deference to the Damascus regime is eroding. Photos on the walls in Syrian towns show dead fighters, described as martyrs, against a backdrop of Hezbollah leader Hassan Nasrallah and Iranian revolutionary leader Ayatollah Ruhollah Khomeini. There are few photos of Mr. Assad.

Coffins of Syrians who fought with Hezbollah used to come home draped with both Syria's flag and Hezbollah's bright yellow banner showing a green hand holding up a rifle. Over the past year, they have started arriving with just the Hezbollah flag.

### War spoils

In Qusayr, the Syrian town where Hezbollah has confiscated homes for its supporters, Hezbollah militants held a military parade in November showcasing antiaircraft systems and tanks. "To host a military parade commanding yourselves in another country is as bold as you can get," said a former State Department official. "It's telling your masters 'We're here now.'"

The boldness carries over to the negotiating table in talks to decide Syria's fate. Hezbollah has dangled offers to Syrian rebel groups weary of fighting. A pending deal with one called Saraya Ahl Alsham, in the southwest Syrian town of Qalamoun, would allow people who fled to return with a promise of protection from Syrian government prosecution or conscription. Hezbollah has said it would guarantee the agreement.

"Hezbollah is in charge of the whole region, and they control everything here," said Abu Ishak, a spokesman for Saraya Ahl Alsham. Tweaking an Arabic proverb to describe the Syrian regime's absence from the negotiating table, he said, "Hezbollah designs it, and the Syrian regime wears it."

—Noam Raydan and Rory Jones contributed to this article.

# FORAGE

Continued from Page One  
onto someone else's land," he said. "What's changed is some of the value of some of the natural resources that are on this land that I don't think some of our forefathers really thought about. I mean, fiddleheads?"

The Republican lawmaker understands the appeal of regional delicacies like fiddleheads, which he likens to a very hard green bean. "They're crunchy. They're full of fiber and help keep you regular," he said. "Put a little olive oil on it, butter, fry it up and eat it. It's delicious."

Even so, he has sponsored a bill, still being tweaked, that would require written permission from landowners for commercial foraging on private property.

Pushback has sprouted like weeds. "Oh no! That would completely destroy the fiddlehead economy!" wrote one Mainer on the Facebook page for the group "Foraging in Northern Maine."

David Spahr, a farmer and author of "Edible and Medicinal Mushrooms of New England and Eastern Canada," said



TAMMY MARKS

Tim Marks, of Maine, with the bounty from his fiddlehead patch.

the bill bothers him as a forager and a landowner who freely lets people pick berries and mushrooms on his 95 acres in Maine. "I don't want people lining up at my door for permission slips," he said.

Robert Richardson, a professional forager in Wytopitlock, Maine, gathers ramps—wild onions—and fiddleheads from private property each spring and said he can make more than \$200 a day selling his haul to markets and restaurants.

"There has always been a tradition that people would al-

low you to go on their land," he said.

Mr. Richardson has finely tuned his foraging techniques. He pulls on his rubber boots—since fiddleheads sprout along rivers—and ventures out as early as 4:30 a.m., equipped with onion sacks, five-gallon buckets and a few cans of Coke. "You try to get there early when the pickin' is good," he said.

He also has teamed up with other foragers to approach patches by boat. "You can fill a whole canoe right through with fiddleheads in half a day,"

he said. He notices a lot more pickers wearing earbuds to listen to music, but he prefers to focus on the task and watch the wildlife. "You see geese, ducks, beaver, muskrat, fish jumping."

Such foraging comes across as less peaceful to landowners like Mr. Marks. He'll be sitting in his recliner watching television when he glances out the window and spots foragers walking through his property—at times moving carefully so as not to draw attention. "Some of them are sneaky," he said.

One morning last spring, Mr. Marks was at one end of his property when he got a call from a neighbor. Some pickers had headed onto the other side of Mr. Marks's land. He jumped into his four-wheeler with his black lab Vader and rode up to the foragers—who didn't seem too worried, he recalls.

"Nice dog," he said.

The Pine Tree State has long prided itself on an "open lands" culture, rooted in Colonial-era law giving anyone the right to walk through private unimproved land to reach a pond bigger than 10 acres.

Now, because Maine's land is 94% privately owned, the state's economy is dependent on the generosity of landowners for places to hunt, fish,

snowmobile and more.

Property owners can erect signs to keep out visitors, but it isn't easy because of "onerous" regulations about the number of signs required, said Mr. Savello. And posting is often frowned upon because many Mainers cling to the "open" tradition, he said.

The bill would afford landowners with fiddleheads the same protection awarded to those with rockweed, a brown seaweed draped over the rocks on Maine's coast. Rockweed has become part of a multimillion-dollar industry for organic fertilizer and other products.

In 2015, two brothers whose family has owned coastal property since the 1900s joined with a homeowners association to stop a Canadian company called Acadian Seaplants, Ltd. from harvesting rockweed there without permission.

At the crux of the debate was differing interpretations of an ordinance that dates to the 1600s and granted public access for "fishing, fowling and navigation" in the land that is exposed between low and high tides—where rockweed grows.

On March 14, a Superior Court judge ruled in favor of the brothers. The defendant

had argued that gathering rockweed fell into the fishing category, but the judge didn't bite.

"Harvesting a terrestrial plant is no more a fishing activity...than is harvesting a tree the same as hunting or trapping wildlife," he wrote. The company said it is appealing the decision.

James Black said that he did post signs asking people who want to visit his family's 700-acre "Black Acres Farm" in Wilton, Maine, to get permission from the owners first—but the foragers think it doesn't apply to them.

They are after chaga, a mushroom species reputed to be an immune-boosting superfood. "Some of them can be pretty pushy," Mr. Black said.

Some forest gleaners say it is sad but understandable that gathering wild plants is facing more regulation. Too many foragers have gotten greedy to keep up with consumer demand, said Michael Douglas, program director of Maine Primitive Skills School, which focuses on outdoor education.

"It's really new and kitsch to go out and gather wild leeks," he said, as an example. "Our culture seems to have this superstar- or super-fungus-of-the-week mentality."

# GREATER NEW YORK

## Deadline Passes, Still No Budget

Cuomo and legislators keep talking but have yet to agree on how to spend \$160 billion

By MIKE VILENSKY

ALBANY—Nearly 48 hours after the deadline to pass the state budget, New York Gov. Andrew Cuomo and lawmakers were still trying to reach a deal Sunday evening as a new Monday deadline inched closer.

But the talks between legislators and Mr. Cuomo, a Democrat, didn't appear to have made much progress over the weekend.

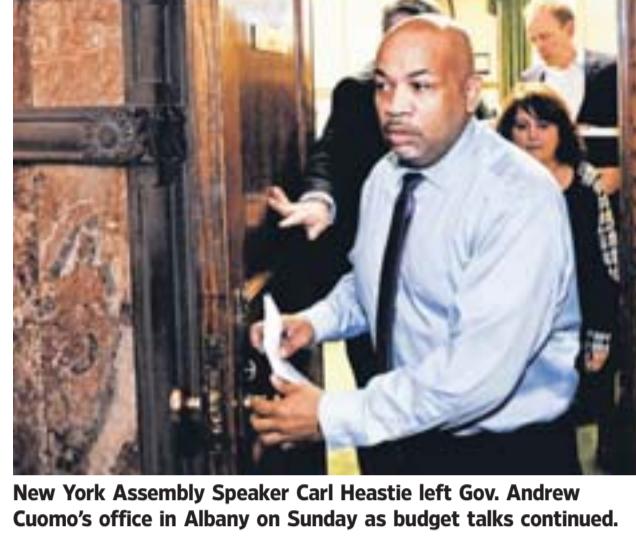
The governor has said he would issue an emergency extension of the current budget if lawmakers failed to reach an agreement by the end of the weekend, though they could reject the extender and potentially lead the state government to shut down its operations.

"There's a lot of moving parts," said Sen. Andrew Lanza, a Staten Island Republican, at the Capitol on Sunday ahead of a private meeting among Senate Republicans. "It's a very large state with diverse interests."

Asked when he expected the roughly \$160 billion spending plan to pass, Mr. Lanza said: "No idea."

While uncertainty hung over the negotiations between the Democratic Assembly, a bipartisan coalition leading the Senate and Mr. Cuomo, some lawmakers said they were still hoping to reach an agreement before Monday.

"We are...having good talks," said Mike Whyland, a spokesman for Assembly Speaker Carl Heastie, over Twitter. "But any talk of a deal



New York Assembly Speaker Carl Heastie left Gov. Andrew Cuomo's office in Albany on Sunday as budget talks continued.

### Extender Hasn't Been Used in Years

A budget extender would keep the government running in the new fiscal year, which began April 1, under the spending plan for the past fiscal year.

The maneuver was last employed under Gov. David Paterson, a Democrat.

If legislators reject an ex-

tender, it would be an unprecedented event that would potentially shut down the operations of state government, throwing into uncertainty the funding for state agencies and thousands of public employees.

"New York is staring into the abyss," said Blair Horner, the director of government watchdog New York Public Interest Research Group.

—Mike Vilensky

is jumping the gun."

The continued haggling marked an unusual level of pushback from state legislators toward Mr. Cuomo, who has prized an on-time budget as a symbol of functional government on his watch.

Already, this is the latest state budget in Mr. Cuomo's seven years as governor. He hasn't made a public appearance or issued any statements since declaring at midnight on Friday that he intended to issue an extender through May if an agreement wasn't

reached by the end of Sunday.

Earlier this year, lawmakers had vowed to act as more of a check on Mr. Cuomo this session. Tensions were inflamed after the governor's appointees to a state pay panel blocked the first legislative salary increase since 1999.

Mr. Cuomo has pointed to New York's on-time budgets as evidence that Albany can operate in a bipartisan fashion.

But at a time of growing polarization around the U.S., state legislators are facing new pressures this year to

stand firm on issues close to their constituents and their party's values rather than work closely with the opposing party.

Eight of the nine Democrats who co-govern the Senate with Republicans in a group called the Independent Democratic Conference have faced recent protests by constituents calling on them to rejoin the mainline Democrats and create a Democratic majority in the Senate.

There are currently an even number of Republicans and Democrats in the Senate, with one vacancy expected to go to a Democrat. But the Republicans have a majority with the Independent Democrats and a ninth Democrat, Sen. Simcha Felder of Brooklyn, who is more conservative.

The stakes are high for the Independent Democrats to prove they can get liberal legislation passed while keeping Republicans in charge.

A criminal-justice measure that would remove minors from adult proceedings has been a main stumbling block in the budget talks.

The Independent Democrats and Democratic Assembly majority have faced pressure from advocates and constituents to pass the legislation without watering it down. But Republicans and district attorneys have expressed concerns about exempting too many people from conventional criminal proceedings.

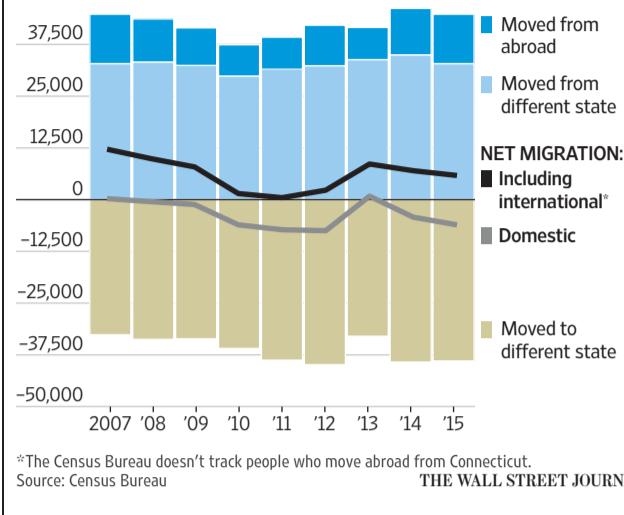
Mr. Felder, the ninth Democrat who governs with Republicans, said Sunday he felt lawmakers had come up with a "reasonable compromise" on the matter.

But, Mr. Felder said, "if someone is looking for 100 and getting 50, then they wouldn't see it as reasonable."

### Coming and Going

Connecticut has been losing more young people to other states than it has been gaining in recent years.

#### 20-to 34-year-olds migrating to and from Connecticut



\*The Census Bureau doesn't track people who move abroad from Connecticut.  
Source: Census Bureau

THE WALL STREET JOURNAL.

## Tax Credit Aims To Keep Grads In Connecticut

By JOSEPH DE AVILA

In an effort to stop young talent from leaving the state, Connecticut lawmakers have proposed a tax break for college graduates who stay put.

The tax credit, proposed by Democratic lawmakers, could help new graduates offset the cost of their student loans. It also could help the Constitution State retain some of the roughly 14,000 young people who graduate annually from the state's more than 30 higher education institutions, including Yale University and the University of Connecticut, say its supporters.

The goal is to improve the state's labor pool when population growth has been sluggish. Connecticut lost nearly 30,000 residents to other states from July 2015 to July 2016, more than double the loss from five years earlier, according to Census figures. The state hasn't seen any population growth during the past three years. "It's really trying to take advantage of our talent here in the state," said Democratic Speaker of the House Joe Aresimowicz.

The tax credit is available to anyone who earned an associate, bachelor's, master's or doctoral degree from an accredited higher-education institution in Connecticut. A graduate who attended an out-of-state school could qualify for the credit if they moved to Connecticut within two years of earning the degree. The credit can be claimed for a maximum of five successive years.

The proposal has broad support in the state's House of Representatives, which is controlled by Democrats. Republicans also have backed similar proposals in recent years, but none joined the Democrats to co-sponsor this bill.

Connecticut lawmakers are looking for ways to build the state's economy, which lost

about 2,000 jobs in 2016, the year General Electric Co. left suburban Fairfield after decades to relocate its headquarters in Boston. GE's departure highlighted the state's need to invest in its workforce, Mr. Aresimowicz said. "Part of the reason GE left for Boston is for that young talent pool."

The Connecticut proposal would base the amount of the tax credits on a percentage of the graduate's total income. Lawmakers don't have a current estimate for how much the tax break would cost the state.

**The goal is to improve the labor pool amid sluggish population growth.**

A 2016 survey by the University of Connecticut found that its college graduates were more likely to work in the state if they also had attended high school in Connecticut.

Steven Lanza, assistant professor in residence at UConn's Department of Economics, said he is skeptical that tax credits would play a major factor for new graduates deciding where they want to begin their career. Future job opportunities and quality of life are much more likely to be significant factors, he said.

For those who are undecided, however, "this could just be enough to do the trick and convince someone to stay in state rather than leave," he said.

Elliot Rogers, 22 years old, said he's debating whether to move to Massachusetts or stay in Connecticut after he finishes graduate school at the University of Connecticut School of Social Work. He expects to complete graduate school this year with about \$42,000 in debt, and said a tax credit could persuade him to stay. "Any help...would drive where I live," he said.



A red-tailed hawk clutching its prey took flight from an air-conditioning unit last year on the Lower East Side.

## Hawk Population Is Soaring in Manhattan

By THOMAS MACMILLAN

The raptor population in Manhattan has increased in recent years, making red-tailed hawks a more common sight as nests have been cropping up on air conditioners and fire escapes, bird experts say.

The hawk population in Manhattan has grown from only three known pairs in 2006 to 14 or 15 today, said Rob Mastrianni, a New York City Urban Park Ranger.

It is unclear why raptors are becoming more prevalent in Manhattan, said Debra Kriensky, a conservation biologist at New York City Audubon. Possible explanations include the abundance of food—rats, squirrels and pigeons—and city efforts to limit the use of rat poison, which can kill hawks.

Whatever the reason, the presence of more hawks heralds changes in the relationship between New Yorkers and nature. Combined with sightings of coyotes, deer, and even eagles prowling city neighborhoods,

hoods, hawk spottings are a reminder that urban areas can include a surprising amount of wildlife.

The sound of squawking birds recently filled the air at Conservatory Water, a Central Park pond near East 74th Street in Manhattan. "We hear a lot of blue jays calling out. That's a sign there is a hawk around," Mr. Mastrianni said.

Moments later, a lone red-tailed hawk wheeled through the sky. "That's probably Pale Male," he said.

Pale Male, now 27 years old, attracted attention when he nested in a Manhattan building in the 1990s. He became an international cause célèbre in 2004 when a building on Fifth Avenue unsuccessfully tried to remove his nest.

"Pale Male is the bird that started it all," Ms. Kriensky said. "Before that, there were no red-tailed hawks nesting in New York City, as far as I'm aware."

These days, Pale Male has plenty of raptor company, as

evidenced by the red-tailed hawk nests that have sprung up around the city, Mr. Mastrianni said. Hawks, who mate for life, like to nest near parks, where they have easy access to their preferred hunting grounds.

Given New York's robust rodent population, it doesn't take a large park to keep a hawk pair happy.

Bruce Yolton, who keeps the city's most comprehensive hawk-watch blog, said he has seen raptor fever spread through the city as New Yorkers realize the birds live nearby. "It became kind of a cool thing to have a red-tail in your neighborhood," he said.

A century ago, when the U.S. was more agrarian, cities tried to be animal-exclusive zones, Mr. Yolton said. "People all wanted to be off the farm. And now, 125 years later, that's turning and people want to have nature in their cities."

As the city adapts to hawks, hawks are adapting to the city.

Research shows hawks need about two square miles of ex-

clusive territory, but New York City's hawks are living as close as five blocks from each other, said Bobby Horvath, a city firefighter who rehabilitates injured hawks from New York City in his home in South Massapequa on Long Island. "I guess the red-tailed hawks haven't read that part of the textbook."

Mr. Horvath said he treats about 40 injured hawks each year, often after they have flown into buildings. "That's double from what it was five years ago."

The main danger hawks face in New York is eating rats that have been poisoned by rodenticide. But since the city has curtailed the use of rat poison in parks near known hawk nests, New Yorkers may continue to be startled by urban wildlife sightings.

"We get calls all the time: People saying, 'I think I just saw a bald eagle or a red-tail hawk! Is that possible?'" Ms. Kriensky said. "And we say, 'Yeah, it probably was.'"

Police union President Patrick Lynch says the civilian review board needs a revamp.

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## GREATER NEW YORK

### GREATER NEW YORK WATCH

NEW YORK CITY

#### Two People Killed By Gunfire Overnight

Two separate shootings in Brooklyn and the Bronx left a man and a woman dead, according to police.

A 26-year-old man was found with a gunshot wound to his chest late Saturday night on Bedford Avenue in Brooklyn. He was taken to the hospital, where he was pronounced dead. Authorities have identified him as Luis Gonzalez, of Brooklyn.

On Sunday at about 2:30 a.m., police responding to a 911 call found a woman in front of a Bronx building with a gunshot wound to her head. She was pronounced dead at the scene, and no identification has been released pending family notification.

No arrests have been made in either case.

—Associated Press

GREENWICH

#### Dye From Study Could Turn Harbor Reddish

Scientists are planning to release dye into Greenwich Harbor to study how wastewater discharges might be affecting shellfish growing areas.

Parts of the harbor may turn reddish during the study beginning on Tuesday. Scientists say the dye isn't harmful to people or the ecosystem.

The study will track the flow of emissions from the Greenwich Water Pollution Control Facility into Long Island Sound to determine where shellfish can be safely harvested. The goal is to use the information collected to support oyster enhancement projects developed by the Greenwich Shellfish Commission.

The study is being done by the Connecticut Department of Agriculture, the U.S. Environmental Protection Agency and the U.S. Food and Drug Administration Shellfish Sanitation Program.

—Associated Press

# Mall Courts Mini-City Hangout for Children

By KEIKO MORRIS

KidZania USA, the indoor educational mini-city for children, is close to signing a lease deal for an 80,000 square-foot location at the American Dream, the long-delayed retail complex once known as Xanadu in the New Jersey Meadowlands.

Like other KidZania venues, the franchise location at the American Dream would feature a miniature city with businesses where children can try out more than 100 professions, such as firefighters, bakers, broadcasters and doctors. Parents would be able to watch from a deck above.

KidZania's potential 25-year lease at American Dream would join other entertainment options and a lineup of marquee retailers including Saks Fifth Avenue, Lululemon and Zara that have committed to the 2.8 million-square-foot project.

The American Dream aims to have entertainment and food venues occupying half the space, with plans that include an indoor DreamWorks water park, an indoor ski slope, an aquarium and a performing arts theater.

A KidZania venue likely would cost about \$25 million, said Keith Rubenstein, the acting chief executive of KidZania USA.

American Dream's developer describes the property as the anti-mall.

"I'm creating an experience," said Don Ghermezian, president of Triple Five Worldwide Group of Companies, the Canadian developer of the American Dream and owner of other mammoth complexes including Mall of America in Minnesota. "It's almost as though the stores are secondary to what we're creating."

The location, which is less than 10 miles from the Manhattan side of the Lincoln Tunnel, is attractive because it has the potential to draw visitors



A KidZania firefighter-training game in Moscow, above. At right, a KidZania site in Tokyo. And below, Keith Rubenstein, the acting CEO of KidZania USA.



and locals from a dense and large region, Mr. Rubenstein said. A suburban complex also doesn't have the high rents and other costs of operating in Manhattan, he added.

"We said this is the perfect environment for KidZania to be because this is not just a mall, this is an experience beyond experiences in terms of



entertainment and traditional retail," Mr. Rubenstein said.

The development has been troubled almost from the beginning. A partnership led by developer Mills Corp. in 2003 broke ground on the project, then called Xanadu, in hopes of creating a mega-complex with an indoor ski slope, the largest Ferris wheel in North

America and the biggest movie theater in the U.S.

Not long afterward, Mills was grappling with accounting problems as Xanadu's costs soared to \$2 billion from \$1.2 billion. Slow leasing hurt its ability to finance Xanadu's completion.

A group led by private-equity firm Colony Capital Ac-

quisitions LLC took control of the project in 2006, but stopped construction in early 2009 as it struggled to replace financing cut off as a result of the bankruptcy filings of its original lenders, Lehman Brothers Holdings Inc. and Capmark Financial Group Inc. Lenders seized control of the project in 2010.

Triple Five acquired the project in 2013, and it, too, has faced hurdles and delays. The developer is substantially redesigning and expanding the project. Complex financing, permitting requirements and a lawsuit that has been resolved hampered the developer from opening earlier. One target date was the fall of 2016.

Such a large and unorthodox project carries risks, especially one with a history of failed attempts, said real-estate brokers and advisers.

Another possible roadblock is securing construction lending in a market where traditional lenders have become more cautious and restricted by regulations, they said. The project won approvals to sell \$1.15 billion in tax-exempt bonds last year and is looking to close on private financing.

Triple Five has spent more than \$800 million on the American Dream at the Meadowlands so far, and expects to invest more than \$2.7 billion, the company said.

With online shopping battering traditional retailers and forcing store closures and bankruptcies, mall owners have been looking for nontraditional tenants offering entertainment, experiences and services not found in the digital world.

Parent company KidZania Inc., based in Mexico, has 24 locations around the world that draw an average of 500,000 visitors annually. Locations such as the one in Tokyo pull in about 900,000 a year, according to Xavier López Ancona, the entrepreneur behind KidZania.

So far, there are no locations in the U.S., but the franchise has signed two leases in malls near Dallas and Chicago.

CLOCKWISE FROM TOP: VLADIMIR ASTAPOVICH/SPUTNIK/ASSOCIATED PRESS; TORU YAMANAKA/AGENCE FRANCE PRESSE/GETTY IMAGES; OHN/TAGA/GETTY IMAGES FOR THE WALL STREET JOURNAL

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WEDNESDAY, APRIL 12 1:05 P.M. MASTERCARD® \$5 GAME\* PRESENTED BY MASTERCARD® ALL GUESTS

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FRIDAY, APRIL 14 7:05 P.M.

SATURDAY, APRIL 15 1:05 P.M. CALENDAR DAY PRESENTED BY MASTERCARD® ALL GUESTS

SUNDAY, APRIL 16 8:05 P.M. PEEPS® PLUSH NIGHT PRESENTED BY PEEPS® FIRST 18,000 GUESTS

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NOTICE: For the safety of every Guest, all persons specifically consent to and are subject to metal detector and physical seat-down inspections prior to entry. Any item or property that could affect the safety of Yankee Stadium, its occupants or its property shall not be permitted into the Stadium. Any person that could affect the safety of the Stadium, its occupants or its property shall be denied entry.

All seat locations are subject to availability. Game time, opponent, date and team rosters and lineups, including the Yankees' roster and lineup, are subject to change. Game times listed as TBD are subject to determination by, among others, Major League Baseball and its television partners. Purchasing a ticket to any promotional date does not guarantee that a Guest will receive the designated giveaway item. All giveaway items and event dates are subject to cancellation or change without further notice. Distribution of promotional items will only be to eligible Guests in attendance and only while supplies last.



Spotify will move from Chelsea to a 378,000-square-foot space at 4 World Trade Center, above.

### PROPERTY WATCH

#### MANHATTAN

#### Office-Market Activity Ramps Up Downtown

Downtown Manhattan's office market is heating up again.

The area recorded 2.3 million square feet of leasing in the first quarter, the most in two years and 44% more than the quarterly average since 2007, according to a report from real-estate services firm JLL.

The 378,000-square-foot deal to relocate digital music company Spotify from Chelsea to 4 World Trade Center was among the biggest transactions, the report said.

In the typical tech and advertising corridors of Midtown South, the largest leases involved companies in the insurance, financial-services and beauty sectors as tech employment growth and venture capital funding cooled, the report said.

While overall Manhattan leasing activity has been robust, asking rents were mostly flat, with new and renovated office space driving any price increases, said Tristan Ashby, director of New York research for JLL.

Downtown asking rents were \$56.45 a square foot in the first quarter, down 2.2% from \$57.73 in the same quarter a year ago.

#### BROOKLYN

#### Retailer Muji to Open A Williamsburg Store

Muji is coming to Williamsburg.

The Japanese retailer has signed a 10-year lease deal to take 8,000-square-feet of space at a luxury rental building developed by L+M Development Partners Inc.

Muji, which sells a range of housewares, furniture and clothing, will join retail tenants such as an urgent-care center and a bank at 55 N. Fifth St., L+M said.

As residential developments have risen on the waterfront, shops and services are expanding west to the water, beyond the more established retail area of Berry Street and Bedford Avenue, said Christina Warner, vice president of retail leasing.

L+M chose retail tenants for its rental building, called Fifth & Wythe, to fill in the services that were lacking in the neighborhood. Fifth & Wythe has 164 apartments and has both market rate and affordable apartments. The building has five outdoor common areas, including a 4,400-square-foot landscaped roof deck with views of the Empire State Building.

Diana Boutross, executive managing director at Cushman & Wakefield, represented L+M in the transaction.

#### MANHATTAN

#### Staffing Firm Moving To Flatiron District

A modernist office building with a \$15 million lobby revamp has drawn an international staffing firm from SoHo to the Flatiron District in Manhattan.

The staffing company, 24 Seven Inc., will consolidate from two floors at its SoHo office to one large floor at 41 Madison Ave., said Celeste Gudas, the company's chief executive and founder. It will take 14,103 square feet and occupy the entire 37th floor of the tower, which is located near Madison Square Park. The building's owners, the Rudin family, built the 42-story tower in the 1970s.

The staffing firm, which specializes in industries such as beauty, fashion, retail and digital marketing, has an aggressive expansion plan to open more offices across the U.S. and Europe. It has 12 locations, including one in Canada and one in the U.K. It also has expanded its staff in New York City, growing about 20% in the past five years to about 100, Ms. Gudas said.

The Rudin family tapped Skidmore, Owings & Merrill LLP to renovate the tower's lobby. The revamp is expected to be completed by this summer.

—Keiko Morris

KEVIN HAGEN FOR THE WALL STREET JOURNAL

# LIFE & ARTS



FROM TOP: ISTOCK; RIPE KITCHEN & BAR

## FOOD

### Steak Without Shame

Diners who prefer well-done meat know what they like, even if others think it's a 'crime against beef'

BY HILARY POTKEWITZ

**ON A RECENT VISIT** to a steakhouse in Omaha, Neb., Caroline Zaayer Kaufman went through a song and dance that may be familiar to anyone who always orders their steak well-done.

The server, incredulous, asked if she was sure. (She was.) "So that means it'll be cooked all the way through." (Yes.) "No pink in the middle?" (Correct.) "The chef will probably need to butterfly it." (That's fine.) "Your entrees will take longer to come out." (That's OK.) "You know, you could just eat a hockey puck covered in blue cheese instead of wasting a steak."

Ms. Kaufman, a 38-year-old marketing writer, laughed. A lifelong Nebraskan, she knows the rules: "In this state, it's considered a crime against beef to eat it cooked more than medium." Adding to her culinary rap sheet, Ms. Kaufman occasionally requests A1 sauce for her well-done tenderloin. "My husband has vowed to never take me out for a nice steak again because of my

blasphemous eating habits," she says.

The revelation that President Donald Trump orders his steak well-done has drawn attention to the long-suffering portion of the population who like their meat bloodless.

For Gwen Weiler, a book editor in Columbia, S.C., who's been shamed in restaurants for requesting A1, learning that Mr. Trump favors ketchup also gave her a boost. "I'm a classier steak-eater than the president!" she says.

The 35-year-old gets a little pang of anxiety when she goes out for steak. "I've had to send steak back multiple times because my version of well-done is not their version," she says. "It's like they're saying, 'Bless your heart, we know better than you so we're going to give you something bleeding.'"

About 19% of diners prefer their meat well-done or very well-done, according to a 2014 study by the Cattlemen's Beef Board. (That's



Chef Nigel Spence says any top chef can make a tender, well-done steak with extra effort.

compared with the 30% who prefer medium-rare, the most popular preparation.) Many in the well-done camp have grown accustomed to deep resistance—even condemnation—from restaurant staff. They also expect a second helping of scorn from tablemates.

"There is definitely a feeling of shame that comes with ordering your steak well-done," says New Yorker Tom Gesimondo, owner of business brokerage firm Transworld Business Advisors of Brooklyn West. Mr. Gesimondo, 58, goes to steakhouses several times a month with clients.

"I am so tired of apologetically ordering my filet mignon and offering 'the chef can butterfly it if he wants', and having the waitstaff accept my offer like they're embarrassed for me," he says.

Butterflying—slicing a thick cut of meat into two thinner cuts attached at the center—allows a steak to cook through faster. But it also lets out more natural juices and can lead to a

drier end result.

For that and myriad other reasons, most chefs resent it when customers ask for well-done. "It's true, I cry on the inside," says executive chef Victor Chavez, who spent 38 years at New York's Smith & Wollensky and recently opened his

own restaurant, Greenwich Steakhouse. "It takes me three to 12 weeks to age our beef, and I also butcher it myself into these beautiful little steaks," he says. "It hurts to see all that work wasted."

Matt Belton, 47, a cattle rancher in Steamboat Springs, Colo., feels no shame. He says he's used to the snickering and "harassment" he gets for ordering his steak very well-done while wearing a cowboy hat. His wife Christy won't even defend him. "I like to rub it in. I tell the waiter, 'Just bring mine out—don't even bother to cook it,'" she says. "I guess opposites attract."

Well-doners have various reasons for their choice: Some say they're concerned about possible bacteria in what they see as undercooked meat, or that red beef juice makes them squeamish. Others say they prefer a firm texture or the flavor of char—despite studies linking burned meat with increased cancer risk. Some shrug it off as a generational thing.

"Unfortunately, well-done is the only way my in-laws will eat their steak," says Zach Ellsworth, a 36-year-old caterer and owner of The Foundry, a modern American eatery in Uniontown, Pa. He trains his staff to pre-empt such orders by saying, "The chef recommends the New York strip medium-rare. Is that OK with you?" They strongly advise against well-done, but after informing the diner of the potential consequences the indemnified servers happily take all orders.

Rodrigo Fierro, a welder in Houston, refuses to accept that well-done meat must eat like shoe leather. "I don't like having to pull my steak with my teeth like an animal," he says. "But the way I cook them, at a very low temperature, slow, heavily seasoned, it'll cook completely through and be just as tender as any other steak. I guarantee it."

Chef Nigel Spence, owner of Ripe Kitchen and Bar, a Jamaican restaurant in Mount Vernon, N.Y., may be one of the few pros who understands the draw of well-done meat.

"In Jamaica, our cattle and meat in general isn't bred to be soft, so we've always done a lot of stews and braises," he says.

A classically-trained chef, Mr. Spence defeated chef Bobby Flay on his Food Network show "Throwdown" in 2007. One of Mr. Spence's signature dishes is a jerk rib-eye steak, which he says is best served medium-rare. "But everybody wants to order it well-done." He always urges people to try it his way, but says he often gets nowhere. And he's OK with that.

"My customers really taught me how to make a rib-eye steak well-done so it's good and juicy," he says, adding that any top chef can do well-done meat well with extra effort. "If it tastes like cardboard, it's just because the chef is pissed off at you for ordering a well-done cut, so he annihilates it to say, 'If you don't care, then I don't care.'"

**DJ Paul Oakenfold, seen here in San Bernardino, Calif., aims to perform on Mount Everest.**



**WHAT'S YOUR WORKOUT** | Jen Murphy

### TRAINING FOR A GIG ON MOUNT EVEREST

**THE EIGHTH STOP** on Paul Oakenfold's Generations World Tour, which kicked off Feb. 24, is his most ambitious gig in three decades as a DJ. As the 53-year-old party-hops around the globe from Miami Music Week to Attica, a Singapore nightclub with a riverside champagne bar, he's been training for his April 11 performance in Nepal. That will require him to trek to 17,500 feet above sea level to reach the stage at Mount Everest's South Base Camp.

The three-time Grammy nominee is a pioneer of electronic dance music. Until now, his workouts consisted of working up a sweat behind the turntables at hot spots like Ibiza. Mr. Oakenfold has performed in

extreme places, including on the Great Wall of China and Ushuaia, Argentina, near the southernmost tip of South America. But his shows have never required the physical and mental stamina of reaching Everest Base Camp, a journey that usually takes eight days.

"I've never hiked in my life," the Englishman says. "My mum's like, 'Why did you pick the hardest one to start with?' But this opportunity came up and I'm at a point in my career where I want challenges. I want to bring electronic music to the farthest reaches of the world."

British mountaineer Kenton Cool, who

Please see TRAINING page A17

ROBERT MAPLETHORPE

The auction house will sell contemporary artworks by Warhol, Koons and Richter from Emily and Jerry Spiegel

BY KELLY CROW

**NEW YORK'S MAJOR** spring art auctions are still a month away, but auction houses are starting to let slip a few of their key consignments—including a group of contemporary artworks that Christie's aims to sell for at least \$100 million combined.

Christie's said it intends to market the 25 pieces in the estate of Long Island, N.Y., real-estate developer Jerry Spiegel and his wife, Emily, as the plum batch of the spring sales season—and one of the priciest single-owner consignments to come to market in recent years. The estate is packed with name-brand artists whose prices have soared in the past decade like Jeff Koons, Christopher Wool, Cindy Sherman, Philip Guston, Bruce Nauman and Gerhard Richter.

The priciest works in the group include

from 1988 that looks like the word "please" has been stenciled on it six times. Christie's estimated it could sell for around \$20 million. When Mr. Wool was invited to exhibit at the 1989 Whitney Biennial, curators picked this work and another, "Apocalypse Now," which Christie's sold for \$26.5 million four years ago.

Christie's has put a roughly \$20 million estimate on German pop pioneer Sigmar Polke's 1964 "Woman with Buttered Bread," an early example of a series of portraits Polke took from advertisements. Like Robert Rauschenberg did with his own comic-style pop portraits, Polke painstakingly painted his smiling "Woman" to look like it has been printed in the dotted, halftone style of a newspaper. Only one Polke, a "Jungle" scene from 1967, has ever sold for more than \$20 million, so "Woman" could serve as a fresh test of the artist's market.

Please see CHRISTIE'S page A16



Emily and Jerry Spiegel bought heavily in the 1980s

## LIFE & ARTS

SIGHTINGS | Terry Teachout

# How Seeing Less Is Seeing More

People spend an average of 17 seconds looking at a painting during a museum visit; Slow Art Day hopes to change that.



**SATURDAY IS** Slow Art Day, an annual event in which 156 museums and art galleries in the U.S. and around the world are participating this year. Here's how it works:

- Sign up at a local museum or gallery. (You can do so at [www.slowartday.com](http://www.slowartday.com).)
- Show up on Saturday, then "look slowly—5-10 minutes—at each piece of pre-assigned art."
- Discuss your experience with other participants. Each institution has its own arrangements for doing so, but "what all the events share is the focus on slow looking and its transformative power."

That's all there is to it. The point is not the discussions, but the individual looking. According to the Slow Art Day website, "When people look slowly at a piece of art they make discoveries. The most important discovery they make is that they can see and experience art without an expert (or expertise). And that's an exciting discovery. It unlocks passion and creativity and helps to create more art lovers."

I think Phil Terry, the founder of Slow Art Day, is onto something here. As he explained in a 2011 interview with ARTnews magazine, "My wife kept dragging me to museums. I didn't know how to look at art. Like most people, I would walk by quickly." Then he spent a full hour looking at "Fantasia," a spectacularly complex 1943 abstract painting by Hans Hofmann that belongs to the University of California's Berkeley Art Museum, and found the unfamiliar experience galvanizing. According to one survey, most people spend roughly 17 seconds looking at each individual painting during a museum visit. That's why Mr. Terry started Slow Art Day—to encourage all of us to slow down and see more of what's there to be seen in great works of art. "People usually go to a museum, see as much as they can, get exhausted, and don't return," he says. "Slow Art Day energizes people."

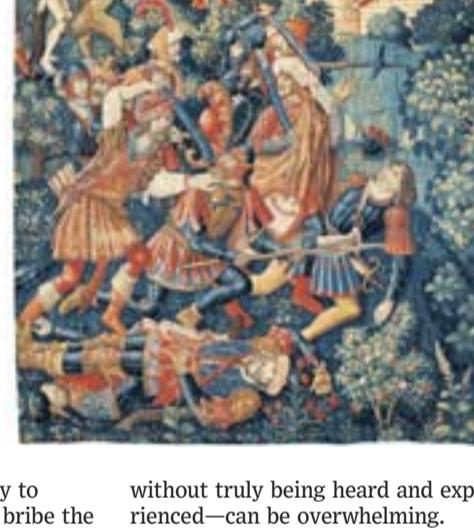
I am, I blush to admit, a bit of a galloper when it comes to museum-going. But I've spent enough time closely scrutinizing important works of art to know that the more time you spend looking at a painting of quality, the more fully it reveals its secrets, in much the same



Works being featured for Slow Art Day. Top: Francisco de Goya's 'The Miracle of St. Anthony' (1798) at the Carnegie Museum of Art; clockwise from above: Adam Bernaert's 'Vanitas' (c. 1665) at the Walters Art Museum; Hans Hofmann's 'Fantasia' (1943) at the Berkeley Art Museum; Flemish artist's 'Hercules Slaying King Laomedon' (1480-1500) at the Museum of Fine Arts, Houston

way that you come to understand a novel more completely by reading it. This is true of all important art, regardless of medium: I've reviewed Shakespeare's "King Lear" a dozen times for the Journal, and I'm only just starting to appreciate how rich and subtle it is.

The difference—at least in theory—is that performed art, unlike visual art, must be experienced across a predefined span of time. It takes a half-hour, more or less, to listen to a symphony by Mozart or Haydn, and the only way to speed up the process is to bribe the conductor to play it faster. Unfortunately, a fast-growing number of people now do most of their listening not in concert halls but on computers and hand-held devices of various kinds. Even for a seasoned music lover, the temptation to click from piece to piece in search of instant gratification—and, even more dangerous, to turn all music into background music that is played



without truly being heard and experienced—can be overwhelming.

That's why Benjamin Britten, even though he made memorable recordings of most of his major compositions, once claimed that "the loudspeaker is the principal enemy of music." Strong words, but Britten's explanation of what he meant has never been more relevant than it is today: "Music demands more from a listener than simply the possessions of a tape-



machine or a transistor radio. It demands some preparation, some effort, a journey to a special place, saving up for a ticket, some homework on the program perhaps, some clarification of the ears and sharpening of the instincts." Who does that kind of "homework" nowadays? We increasingly assume that museums will do it for us—or that it needn't be done at all. And given the natural tendency of busy people to rush through every part of their lives, it stands to reason that more casual museum-goers will try to "take it all in" in a single visit instead of quietly, patiently communing with individual works. This is what makes Slow Art Day so valuable.

Most of the institutions in the U.S. that are participating this year are comparatively small and little-

known. Still, a handful of major museums, among them Baltimore's Walters Art Museum, the Museum of Fine Arts, Houston, Philadelphia's Barnes Foundation and Pittsburgh's Carnegie Museum of Art, have signed up, and I'm sure that many of the smaller venues are worth a visit as well. In any case, it takes only one good painting, and five minutes of your time, to make Slow Art Day worth the trouble. Who knows what could happen if you make yourself stand in front of a painting like "Fantasia" and look at it for five whole minutes? You might end up sticking around for another five—or 55.

Mr. Teachout, the Journal's drama critic, writes "Sightings," a column about the arts, every other week. Write to him at [teachout@wsj.com](mailto:teachout@wsj.com)

CHRISTIE'S IMAGES LTD. 2017 (5)



# PLEASE PLEASE PLEASE PLEASE PLEASE PLEASE PLEASE



From left: Sigmar Polke's 'Woman with Buttered Bread'; untitled by Christopher Wool; Andy Warhol's 'Last Supper'; Gerard Richter's 'Barn.' Below, 'Painter at Night' by Philip Guston.

## CHRISTIE'S

Continued from page A15

Christie's new chairman of postwar and contemporary art, Alex Rotter, closed the deal for the estate last week, so he said he has yet to put asking prices on many of the other works. That didn't stop him from giving the estate's heirs a house guarantee that the set would sell for at least \$100 million. The guarantee means Christie's will buy the artworks if no one else bids during the sale on May 17.

Among the other expected

highlights in the estate are Guston's 1979 self-portrait, "Painter at Night," which shows the artist smoking a cigarette against a black background; Richter's blurry 1984 landscape of a "Barn;" and Andy Warhol's pink silkscreen rendition from 1986 of Leonardo da Vinci's "Last Supper."

The sale will also include the first major artwork the Spiegels bought, Anselm Kiefer's 1974 "Painting = Burning," which looks like the outline of a painter's palette has been scrawled atop a charred battlefield. Mr. Rotter said the Spiegels were arguably the first New York



collectors to collect Mr. Kiefer's work, a fact the couple themselves claimed in a 1987 New York magazine piece hailing them

as one of the city's rising collecting powers.

Mr. Spiegel, who was raised on his uncle's potato farm on Long Island and rose to become one of the island's biggest developers, took many of his art-buying cues from his wife, Emily, who later became a trustee of the Museum of Modern Art.

Ms. Spiegel, in turn, took advice from MoMA curator Kirk Varnedoe and art historian Robert Pincus-Witten. She bought heavily in the 1980s, inviting artists like Polke and Brice Marden to dinners of minted-pea soup and veal with truffles at her Fifth Avenue apartment.

The couple's house on Long Island's North Shore even had an underground art gallery—a move that presaged the private art museums that are popular with top collectors now.

The Spiegels died in 2009, and their daughter Pamela Sanders said the timing felt right to sell. "I finally decided that sending [my mother's] treasured works into the world so that other collectors can share and enjoy them would be a wonderful way to secure the importance of the legacy my mother had built," Ms. Sanders said.

A separate sale of the couple's photography collection will be held later this year.

## LIFE & ARTS



Paul Oakenfold works out in Miami while on tour. He aims to exercise six days a week and says he has cut out alcohol and caffeine.

## TRAINING

*Continued from page A15*  
has climbed Mount Everest 12 times, will guide Mr. Oakenfold and his group, which includes a Nepalese DJ and film crew. Mr. Oakenfold started training in November.

Maintaining a six-day-a-week routine from his home in Los Angeles wasn't so bad, he says. But waking up for a 6 a.m. workout after playing a set until 3 a.m. on tour has been taxing. "My friends tease me that I won't go out or drink," he says. "But I know I need to take this seriously if I want to get up the mountain." He plans to donate his equipment to a local DJ school in Nepal and will donate proceeds from the tour to two Nepalese charities and the Mayor's Music Fund in London.

### The Workout

Mr. Oakenfold starts each morning by taking 30 deep breathes from his diaphragm, followed by a series of stretches. In November, he began the first phase of his training, walking 3 miles five to six days a week. Phase Two required him to hit the gym, something he says he hadn't done in decades. He would climb the StairMaster or walk on the treadmill at an incline to simulate hiking. Mr. Oakenfold eventually worked his way up to walking at a quick pace on the treadmill at a steep incline for one hour.

Once that felt comfortable he started wearing an altitude mask. "I got all sorts of crazy looks from people at the gym," he says. "The mask reduces the air you breathe.



It's quite claustrophobic, but really helps me focus on breathing from my stomach rather than my chest."

He started taking Pilates classes at the gym to build core strength and had a trainer develop a strength routine of medicine-ball lunges, crunches, roll-ups and negative holds on the Roman chair to strengthen the lower back, hip flexors and abs.

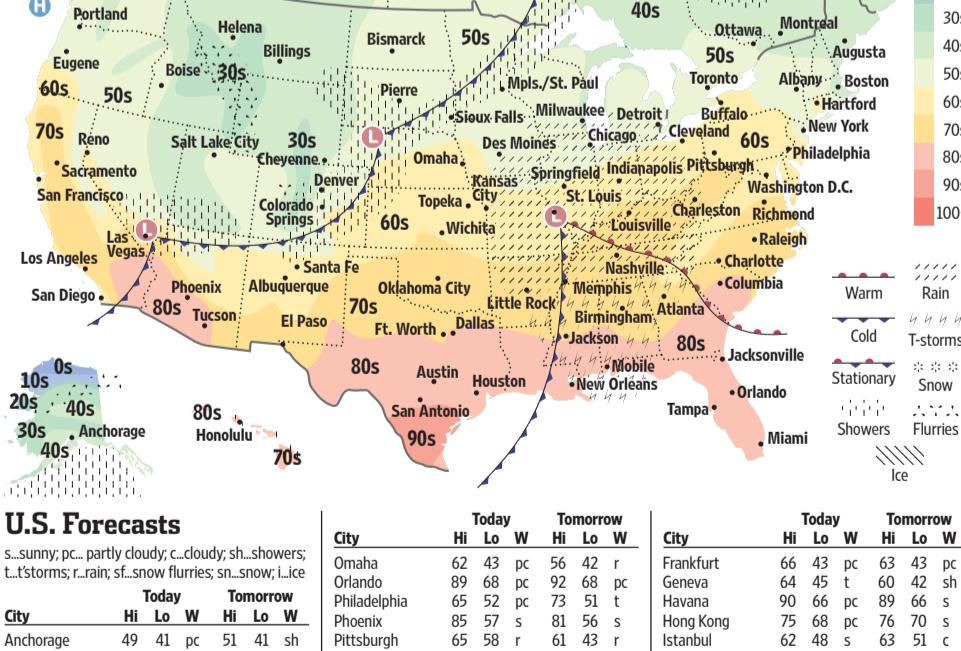
Phase Three of his training included hiking outdoors for two to three hours. "I'm lucky that my recent tour took me to mountain towns in Vermont, Salt Lake City

and Whistler [British Columbia] so I could hike at altitude," he says. He spent time in a CVAC Hypobaric Chamber at the Beverly Hills Rejuvenation Center a few times a week for the two months leading up to his expedition. The chamber simulates high-altitude conditions. Mr. Oakenfold gradually made his way to simulating being at 17,000 feet above sea level in the chamber.

**The Diet**  
Mr. Oakenfold did a self-imposed cleanse in November, cutting out two substances that fuel most

DJs: caffeine and alcohol. "I didn't want to be taking any stimulants," he says. "That's tough when you're playing shows late into the night and then need to be up the next morning to work out and catch a flight." He swapped out pasta, rice and dairy for a Paleo-influenced diet of root vegetables, salads and lean protein, like fish and chicken. He's been obsessive about tracking his water intake. "If you don't hydrate at altitude you'll suffer from headaches or dehydration," he says.

## Weather



## U.S. Forecasts

| City          | Today |    |    | Tomorrow |    |    |
|---------------|-------|----|----|----------|----|----|
|               | Hi    | Lo | W  | Hi       | Lo | W  |
| Anchorage     | 49    | 41 | pc | 51       | 41 | t  |
| Atlanta       | 75    | 60 | t  | 81       | 59 | pc |
| Austin        | 87    | 73 | pc | 88       | 54 | s  |
| Baltimore     | 64    | 54 | pc | 76       | 50 | t  |
| Boise         | 51    | 29 | pc | 55       | 41 | pc |
| Boston        | 49    | 38 | s  | 56       | 39 | r  |
| Burlington    | 49    | 38 | s  | 44       | 37 | r  |
| Charlotte     | 74    | 59 | r  | 80       | 50 | pc |
| Chicago       | 55    | 46 | r  | 57       | 39 | pc |
| Cleveland     | 62    | 56 | r  | 59       | 40 | r  |
| Dallas        | 80    | 59 | s  | 84       | 52 | t  |
| Denver        | 55    | 27 | c  | 42       | 20 | sn |
| Detroit       | 55    | 49 | r  | 56       | 38 | c  |
| Honolulu      | 84    | 73 | s  | 84       | 72 | pc |
| Houston       | 85    | 60 | s  | 86       | 63 | s  |
| Indianapolis  | 65    | 51 | r  | 60       | 44 | pc |
| Kansas City   | 60    | 46 | r  | 58       | 41 | t  |
| Las Vegas     | 73    | 50 | pc | 70       | 51 | s  |
| Little Rock   | 71    | 50 | r  | 78       | 56 | s  |
| Los Angeles   | 70    | 52 | pc | 75       | 54 | s  |
| Miami         | 85    | 75 | pc | 88       | 75 | s  |
| Milwaukee     | 47    | 42 | r  | 53       | 37 | pc |
| Minneapolis   | 56    | 42 | c  | 59       | 38 | c  |
| Nashville     | 72    | 57 | r  | 76       | 56 | pc |
| New Orleans   | 81    | 61 | t  | 82       | 69 | s  |
| New York City | 58    | 47 | pc | 63       | 49 | r  |
| Oklahoma City | 71    | 49 | pc | 69       | 42 | pc |
| Edinburgh     | 55    | 41 | r  | 53       | 41 | pc |

## International

| City         | Today |    |    | Tomorrow |    |    |
|--------------|-------|----|----|----------|----|----|
|              | Hi    | Lo | W  | Hi       | Lo | W  |
| Amsterdam    | 59    | 42 | pc | 60       | 43 | pc |
| Athens       | 64    | 53 | r  | 66       | 54 | pc |
| Bahrain      | 74    | 53 | pc | 75       | 53 | s  |
| Bangkok      | 91    | 76 | t  | 91       | 78 | t  |
| Beijing      | 79    | 51 | pc | 72       | 51 | c  |
| Berlin       | 57    | 40 | pc | 60       | 42 | pc |
| Brussels     | 60    | 42 | pc | 60       | 42 | c  |
| Buenos Aires | 77    | 60 | pc | 78       | 62 | sh |
| Dubai        | 96    | 77 | s  | 86       | 72 | s  |
| Vancouver    | 55    | 39 | r  | 52       | 39 | pc |
| Dublin       | 55    | 39 | r  | 52       | 39 | pc |
| Zurich       | 55    | 41 | r  | 53       | 41 | pc |

## LIFE & ARTS



### How Booze Affects Exercise

Some people see a cold beer as a well-earned reward after a workout. Others cut alcohol cold turkey to prepare for a race.

"Alcohol is toxic, essentially a poison which the body works very hard to eliminate," says Matthew Barnes, a sports medicine professor at New Zealand's Massey University. "When we drink alcohol the body prioritizes its metabolism to ensure alcohol is removed first. This can be at the expense of burning carbohydrate and/or fat and rebuilding muscle."

An amount of alcohol that may have had little effect on recovery in our 20s may have a stronger effect when we get older, Dr. Barnes says. "As we age, we tend to lose muscle mass. Alcohol is water-soluble, and how it affects us largely depends on the amount of muscle we have," he says.

A daily beer or glass of wine is unlikely to have any negative effects on adaptation to exercise, particularly if part of a person's regular diet, he says. However if you're serious about training, you'll see bigger gains by cutting the booze.

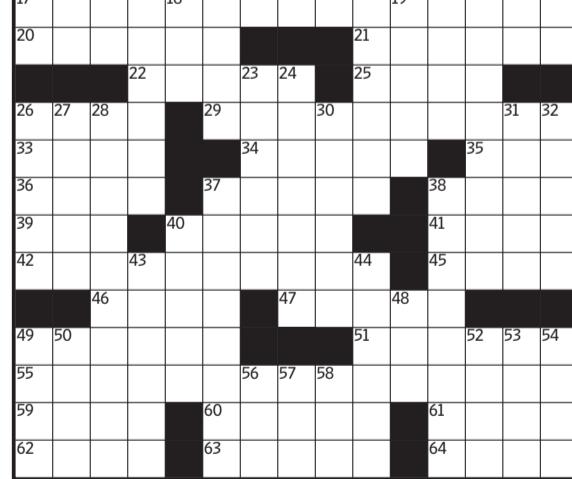
### The Cost & Gear

Mr. Oakenfold entered this process knowing nothing about mountaineering gear. He got outfitted by the Canadian outdoor gear company Arc'teryx. "When I asked about a shower, Kenton told me to buy baby wipes," he says. He purchased the Training Mask 2.0 from Under Armour (\$80), which is meant to simulate high-altitude training and regulate breathing.

### The Playlist

"I don't listen to music when I train," he says. "I try to clear my head, which is a workout of sorts. We all have so much going on in our minds that to really be present and focused is a challenge. I try to zone out and concentrate on my breathing when I'm walking or hiking."

## The WSJ Daily Crossword | Edited by Mike Shenk



### TOOL TIME | By Aaron L. Peterson

- Across**
- 1 Shoot the breeze
  - 5 Vaults
  - 10 Pool table surface
  - 14 Romantic flower
  - 15 Be of the same opinion
  - 16 At any time
  - 17 Jet pilot's favorite tool?
  - 20 On the schedule
  - 21 Exquisite
  - 22 Schemers hatch them
  - 25 Storage spots
  - 26 Give a new look to
  - 29 Sound mixer's favorite tool?
  - 33 Force fighting good
  - 34 Incites
  - 35 Angry feeling
  - 36 Clinton's veep
  - 37 Election predictors
  - 38 Problem for a plumber
  - 39 Mamie's husband
  - 40 "Robinson Crusoe" writer
  - 41 Alan of "M\*A\*S\*H"
  - 42 Intelligence agent's favorite tool?
  - 43 Spool for fishing line
  - 44 Piece of cake
  - 45 Look after
- Down**
- 1 Old PC monitors
  - 2 Coyote's cry
  - 3 Largest continent
  - 4 Major movie expected to support a studio
  - 5 Michael of "Bonanza"
  - 6 Easter basket item
  - 7 Former White House spokesman Fleischer
  - 8 Signing need
  - 9 Spots for planting
  - 10 Manx or Maine Coon
  - 11 City of southern Indiana
  - 12 Easter lead-in
  - 13 Card above a deuce
  - 18 Snaky fish
  - 19 Sandbox toys
  - 23 Fill, as a partially full cup
  - 24 Steakhouse choice
  - 26 TV's Philbin
  - 27 Bring to mind
  - 28 Lost motorist's need
  - 30 To the exclusion of all else
  - 31 Wear away over time
  - 32 Lengthy paper size
  - 33 Flaps for pooches
  - 38 They're heard during rush hour
  - 40 Thick
  - 43 Egypt-Arabia separator
  - 44 Early stage in development
  - 48 Container of peas
  - 49 Phishing offer, e.g.
  - 50 Lotion additive
  - 52 Hill in Jerusalem
  - 53 Jazz legend Fitzgerald
  - 54 Strike, in a way
  - 55 Agile deer
  - 57 Female deer
  - 58 Expert in CPR

### Previous Puzzle's Solution

UPLIT PGAG CHATS  
PAULOW COLON  
ORDERHERERE SPOKE  
NEORUDE ENYA  
KINGDOMOFEGYD  
IDBADGE PERU  
BRAY LUNULES  
MIL CLASSUP LOIN  
PINHOLD DOLPHIN  
AIDA AMNESTY  
GEN EDITION  
ABET TOMB ESP  
LEVIS FAMILY GUY  
ERECT ALI FAGER  
STRAY NYCSHORE

The contest answer is CAMEL. Each of the five parenthetically-numbered answers can be anagrammed to a life form: PINHOLD/dolphin, LOW/owl, LOIN/lion, SHORE/horse and UPLIT/tulip. Using the theme entries, take dolphin's biological order (Cetacea), owl's kingdom (Animalia), lion's class (Mammalia), horse's genus (Equus) and tulip's family (Liliaceae); their first letters spell the contest answer.

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

## SPORTS

# How Gonzaga Became a Top Dog

The Bulldogs are no longer a Cinderella team, but seek a fairy-tale ending in the national title game against North Carolina

BY JARED DIAMOND

Glendale, Ariz.

For most of college basketball history, a national championship game between North Carolina and Gonzaga seemed laughable, a ridiculous fantasy made possible only under the influence of Washington's legalized marijuana.

Until recently, the Bulldogs were the epitome of Cinderella, a school with a funny name miraculously good enough to run with the big boys but not ready to topple them. The Tar Heels are arguably the bluest of all blue-bloods, the program with the Hall of Fame coach, an alumni roster of all-time NBA greats and five titles to its name. When the two teams met in the Sweet 16 in 2009, North Carolina won by 21 points.

But times have changed, roles have evolved and expectations have grown. As North Carolina and Gonzaga prepare for Monday night's matchup here at University of Phoenix Stadium, it has become clear that this isn't David vs. Goliath—it's Goliath vs. Goliath.

"That may be the way it's perceived, David and Goliath," UNC head coach Roy Williams said. "But when you start watching them, it's not that much difference."

Gonzaga might still lack North Carolina's brand recognition, facing weaker competition in a small conference, but a closer look at the roster reveals that the Bulldogs are a Power-Five team in disguise.

Three of their four-leading scorers are playing their first season with Gonzaga after transferring from larger schools: Nigel Williams-Goss from Washington, Jordan Mathews from California and Johnathan Williams from Missouri.

The Bulldogs also have Zach Collins, a 7-foot freshman who perhaps encapsulates Gonzaga's growth from precious darlings to undisputed powerhouse. Collins is currently projected as the No. 11 pick in this year's NBA draft, according to nbadraft.net.

If he leaves, Collins would become Gonzaga's first-ever one-and-done player—even though he doesn't start and ranks only seventh on the team in minutes.

"They were Cinderella and all that pretty stuff" many years ago, South Carolina coach Frank Martin said after the Bulldogs beat the Gamecocks in the Final Four on Saturday. "They're as high major as high major can get."

With the Tar Heels playing in its second consecutive title game—they lost at the buzzer to Villanova in Houston last April—nobody would question North Carolina's bona fides. But UNC finds itself in a bit of an unusual position, needing to capitalize on this situation



North Carolina and Gonzaga are Goliath vs. Goliath—in quality and in their actual size.

in light of an unclear future.

North Carolina's top four scorers—Justin Jackson, Joel Berry II, Kennedy Meeks and Isaiah Hicks—are all upperclassmen, making up two-thirds of the team's offensive output. That roster composition has worked for the Tar Heels, but it is less of an intentional strategy and more of an inevitability.

UNC remains mired in an academic scandal that could result in NCAA sanctions. That uncertain status has hurt the Tar Heels on the recruiting trail. From 2009 through 2014, North Carolina on average had the fourth-best recruiting class each year, according to ESPN. Since then, the Tar Heels have been No. 20.

"We recruited 26 McDonald's All-Americans in the first 10 years," said Williams, UNC's coach since 2003. "In the last three, we've gotten one. I don't think I got that dumb that quickly."

Whatever happens moving forward, however, doesn't change the fact that North Carolina and Gonzaga are similarly matched.



Tar Heels assistant Sean May described it as "a big heavyweight battle." May meant that in a figurative sense, but he could have meant it literally. North Carolina and Gonzaga are Goliath vs. Goliath not just in the quality of their programs—but in their actual size.

In recent seasons, the NCAA

tournament has been dominated by guards, giving rise to the theory that in college basketball, bigger isn't better. The last three Most Outstanding Players—Villanova's Ryan Arcidiacono, Duke's Tyus Jones and Connecticut's Shabazz Napier—have all stood 6-foot-3 or smaller. That makes Monday's

North Carolina-Gonzaga showdown something of a throwback, a game that will be won not at the 3-point arc, but under the basket.

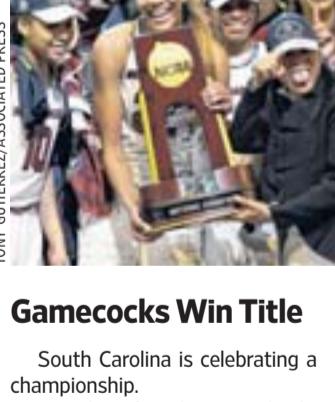
The Tar Heels are monsters on the board, leading the country in the regular season by grabbing 43.5 rebounds per game, including 15.8 on the offensive end. The Bulldogs, meanwhile, have two giants underneath: Collins and Przemek Karnowski, a 7-foot-1 senior from Poland with a massive beard and an even larger frame.

Gonzaga head coach Mark Few said that keeping his big men out of foul trouble and UNC off the offensive glass will likely prove the difference in the game. Williams said that the Bulldogs "have the most size of anybody we've played all year." Both coaches called the low-post battle between Karnowski and the 6-foot-10 Meeks as key.

Ultimately, this is exactly what Gonzaga has wanted for nearly two decades. After all, the Bulldogs are 37-1 and have spent most of the season ranked No. 1 by the advanced analytics website KenPom.com. They don't need any more validation—but a national title would hurt.

"We don't pretend or think we're anywhere near the level with the tradition of Carolina or Duke or Kentucky," Few said. "But we also think that this is the national brand and national entity and we're not going anywhere."

## HEARD ON THE FIELD



### Gamecocks Win Title

South Carolina is celebrating a championship.

One day after the men's basketball team lost to Gonzaga in the Final Four, the women's basketball team beat Mississippi State 67-55 on Sunday to capture the school's first national title in the sport.

The night was supposed to be a coronation for Connecticut, but the Huskies had their record 111-game win streak snapped by Mississippi State on Friday night in a national semifinal game.

In the final, the Bulldogs didn't have an answer for A'ja Wilson, who scored a game-high 23 points and was named the tournament's Most Outstanding Player.

South Carolina coach Dawn Staley took over in 2008 and has now built the program into a powerhouse that could potentially challenge UConn in years to come. She has led the school to the Final Four in two of the past three seasons.

—Jim Chairusmi

## TENNIS

# FEDERER ON ROLL

BY TOM PERROTTA

A serious concept in tennis that would have been absurd to think about last year: Roger Federer might be better than ever.

Federer won his third title of the season on Sunday with a 6-3, 6-4 defeat of former hex Rafael Nadal at the Miami Open. Federer, age 35, has now beaten Nadal, 30, three times this year, with victories at the Australian Open, Indian Wells and now Miami. His record for the season: 19-1, including 7-0 against top 10 opponents. Only one other time in his career, in 2006, did Federer win all three of these tournaments to start a season.

Last year, Federer's future seemed fittingly dim, as an injury kept him off the tour for six months, following Wimbledon.

No one expected much when he returned at the Australian Open in January, not even Federer.

In tennis there's sometimes a wonderful contribution from low expectations. Relaxation. Fun. Aggression and risks that don't feel like risks anymore. And in Federer's case, an ideal miracle occurs sometimes, too. Trailing in the fifth set of the Open final against Nadal, Federer went for more, missed less and sprinted to victory.

He's since looked like a relaxed man sipping lemonade at a beach, not a long-time player who will

turn 36 in August. On Sunday, he became the oldest man to ever win the Miami tournament, passing Andre Agassi's previous record, when he won at the age 32.

"Once you win a big tournament like the Australian Open, or any big tournament for that matter, you can just bank usually on some confidence," Federer said. "I am definitely profiting from confidence."

Federer's backhand causes more danger for opponents than ever before. He hits more of them with pace and mishits much less often. Being more aggressive, as unlikely as this sounds, gives him better percentages, not worse.

Nadal has now lost the final in this tournament five times and never won it, a rare case of futility for a man who has won all four major titles and just about everything else. "He's playing good and with high confidence," Nadal said.

"When a top player like him is playing with this high confidence and playing that good then it's tough to win."

How much confidence? Enough to save two match points earlier in the tournament, against Tomas Berdych. Enough to win an exhausting, three-set, triple tie-breaker match against Australia's Nick Kyrgios on Friday evening. And then enough to beat Nadal for the fourth time in a row—for the first time in his career.

Federer looked stiff at the start of the final on Sunday and faced



Roger Federer celebrates after beating Rafael Nadal to win the Miami Open.

break points on his opening service game. He escaped and then cruised in the second set, as if his legs had loosened up.

"I was tired so I didn't think about it very much," he said. "Just like, OK, go through the warm-up, go through everything, and then once the match starts it's all go."

Federer won't compete in as many matches as he did in 2006, when he played in four Grand Slam finals, won three of them and finished the year with a 92-5 record. He said he won't play any clay court tournaments until the French Open, where he won once in his career, in 2009, and it won't be surprising if he skips the Grand Slam at Roland Garros.

Federer didn't say this but he might as well have said: health

and Wimbledon, where he has won seven titles, is a bigger part of the season.

"Hopefully I'll play the French, but we'll see how all of the buildup is going to go," he said. "Then obviously for me, that's when the season essential starts."

Whenever he plays again, there's one certainty: Everything else is a bonus. Federer, now the owner of 18 Grand Slam titles and much more, has already accomplished the inconceivable. Now he's going to enjoy some time off.

"I can't keep this pace up on every single day," he said. "Just too much and I'll run out. The desire will run out. I would rather stay, take a step back and then really come back with a lot of energy and happiness."

# OPINION

## Trump and the Plutocrat's Hubris

By Joseph Epstein

In the petit-bourgeois, confidently philistine milieu in which I grew up, plutocratic values held a firm purchase. When the men gathered in the living room after dinner, money talked—that is, those who had found the greatest financial success tended to dominate the conversation. Since Lou Riskin had made a killing in the mail-order business, the assumption was that he had penetrating things to say on the subject of urban renewal. Saul Levine had run the most successful Buick agency in the city, therefore definitely worth listening to him hold forth on welfare.

When I hear Donald Trump talk, I think of how much at home he would have felt in those living rooms. The guy's a multibillionaire, cleaned up in real estate, so why shouldn't he know about health care, immigration, life in the inner cities? Or if he doesn't know, no reason why with a bit of quick study he can't find out enough to put everything in order.

My father was a moderately successful businessman—for a kid who never finished high school, an immensely successful one—but too well-mannered to wish to dominate these living-room discussions. Yet he had no argument with the underlying rules of the game. As an

adolescent, I heard several of his business homilies: If you work for a man for a dollar an hour, always give him two dollars worth of effort; you make your money not in selling, but in buying right; you can't argue with success.

That last bit was the only one that, as I grew older, began to get on my nerves. What, I would ask my father,

### It's now obvious that financial success does not easily transfer into other realms.

is better to argue with? How the success was achieved, what went into it, who suffered because of it? By success my father meant financial success. Not that he didn't recognize achievement in science, athletics, entertainment. The money game, though, was the real one, and not the least satisfying thing about it was the tidy means of keeping score: How much, in hard cash, did one come out with in the end?

I am someone who finds it difficult to think about money for more than two minutes at a time. I cannot marshal the concentration even to read the financial statements about my own investments. When they arrive, I scramble

down to the bottom line to learn what I made or lost during the past month. I rather envy those who have earned enough money to sit out forever from the financial wars, but I do not envy them sufficiently to drop the things that interest me more in order to emulate them. Money-making seems a useful skill, but not much more. I've known too many ninnies who seem to have mastered it to be in thrall myself.

A strong argument can be made, contra Trump, success in business is too narrow to transfer to other realms. Orderly thought is needed for success of any kind. So, too, the clarity to get outside oneself to grasp the larger forces involved in any complicated transaction. Confidence helps, to be sure. But making a wad in real estate, mail order or auto sales does not impart any special advantage in understanding the complexities of health care, African-American culture or foreign policy—as Mr. Trump and his billionaire-laden cabinet are discovering.

President Trump's first weeks in office demonstrate the hubris of the plutocrat. The defeats began with his releasing an immigration order neither well thought out nor even quite legal. He obviously did not investigate thoroughly the men he hired for key positions in his campaign (Paul Manafort) or his

That financial success does not easily, or always, transfer into other realms is now obvious. Let us hope that the evidence on display during the early days of his administration will soon humble even so arrogant a man as our new president. Donald Trump and those who support him ought to think about arguing with success, at least as the plutocrats construe it.

Mr. Epstein's books include "Frozen in Time: Twenty Stories" and "Wind Sprints: Shorter Essays."

## No Justice in Argentina



AMERICAS  
By Mary Anastasia O'Grady

The international community is up in arms about last week's attempt by the Venezuelan Supreme Court to take over the National Assembly, as if doing so would mark the end of democracy in the troubled nation. Let's face it: That ship sailed long ago. The onset of authoritarianism in Venezuela dates to at least April 2002, when the military tried and failed to remove then-President Hugo Chávez for his violations of the constitution.

In those days of the glorious "Bolivarian revolution," Chávez's defenders refused to recognize his frontal attack on the rule of law and civil liberties as a problem. Now it's beginning to dawn. Thanks a lot.

It's not the first time reality got by the global elite. For some reason, so-called human-rights defenders always rise in opposition to left-wing tyranny only after it has become entrenched. While there is still a chance to make a difference? Crickets.

Take a country that has rounded up, imprisoned and denied adequate medical care to almost 2,200 citizens since 2005. Only about one-third of those prisoners have been given their day in court. Those who have made it to a tribunal have mostly received

show trials. The rest are languishing in jails. Almost 400 have died behind bars.

Burma, North Korea, Cuba? No, this is "democratic" Argentina. The prisoners are former members of the military. Their problem: They defeated the left-wing guerrillas of the 1970s and early 1980s.

The guerrillas never got over their loss and are now getting revenge via Argentina's courts, which deny the former soldiers their civil liberties. The victims of the guerrilla terrorism have lost their rights as well. The state has never compensated their families, or even recognized their suffering.

The "Dirty War" began in Argentina in the early 1970s, when Castro-inspired youth brought terror to the country, bombing, robbing, kidnapping and murdering politicians, businessmen, diplomats, police and others. The chaos was so overwhelming that in 1975 Isabel Perón ordered the military to "annihilate" the subversives. In 1976, with the civilian government at wit's end, the military took over. It remained in power until 1983. No one doubts that it, along with the guerrillas, committed human-rights violations.

In 1989, in an attempt to reconcile the nation, President Carlos Menem decreed an amnesty for both sides. But when President Néstor Kirchner took office in 2003, he and his wife, Cristina (who was president from 2007 to 2015) decided they would make a

name for themselves as human-rights advocates by jailing the armed forces. The propaganda from the left was already hip-deep, as evidenced by the widespread belief that the dictatorship "disappeared" 30,000 individuals, a claim never substantiated.

With the help of the many militants still dreaming of making Argentina another Cuba, the Kirchners began arresting former soldiers. They

### Former military are denied due process. Former terrorists roam free.

refused to arrest former guerrillas, though many openly admitted that they had been part of the terrorist rampage. Many became Kirchner government officials.

Clearly not everyone who wore a uniform was complicit in crimes committed by the military. Most were not. But the Kirchners wanted headlines. They packed the courts with left-wing judges—some of whom were former guerrillas—who allowed false testimony for the prosecution and mobs in the courtroom to harass witnesses. Many defendants were tried in groups, which is against Argentine law.

Judges did little to hide their biases, sometimes hugging fans of the prosecution in jubilation after issuing a guilty verdict.

Frequently a lack of evidence tying a defendant to a crime was no obstacle to a conviction. He could be pronounced guilty on the ground that, given his rank and posting, he *should* have known about human-rights violations. It's hard to think of a modern republic anywhere in the world that would stand for such a manipulation of justice.

According to the nongovernmental organization La Fuerza de los Dignos—made up of sons and daughters of imprisoned military—717 former members of the armed forces have been convicted, and most have received life sentences. Almost 1,100 are still in the process of being investigated and tried. Most of them are over 70, which means they are entitled to house arrest under Argentine law. But that, too, is politically incorrect in a nation dizzied by leftist spin. So they sit in jail—for years, denied due process. Meanwhile former terrorists roam free.

Argentines want to move on from this painful history. They would rather not confront it. In Mauricio Macri, they have elected a reformer as president. But he faces violent obstruction from Kirchner-era diehards.

If the nation is to avoid Venezuela's fate, it needs to restore the rule of law. That means granting justice to the many victims of the rotten judiciary that served the Kirchners' political ends.

Write to O'Grady@wsj.com.

## The Cubs, Through Four Generations

By Angela Rocco DeCarlo

In 1908 my father asked his parents if he could go to Chicago's West Side Park to watch his beloved Cubs face off against Ty Cobb's Detroit Tigers in the World Series. At age 8, he'd already formed an attachment to the Cubs that he would pass to his children, his grandchildren and, now, his great-grandchildren.

Unfortunately, my grandparents couldn't afford tickets to the '08 series, which the Cubs won on the strength of two stellar outings by their ace, Orval Overall. Like generations of Cubs fans to come, my father was told to "wait till next year"—a seemingly reasonable proposition then, since the team had just won its third straight National League pennant.

"Next year" didn't come until last year. In November 2016, the Cubs finally won their first World Series since 1908. Their game-seven victory was spectacular, like

something out of a movie, complete with a 17-minute rain delay that energized the team to come from behind against the Cleveland Indians, themselves looking to snap a seven-decade losing streak.

### 'Wait till next year,' they kept saying. Last year, 'next year' came.

Of course my dad is gone now. After last fall's win, many newspapers ran photos of fans festooning family graves with Cubs memorabilia. Generations of fans had a deep, emotional loyalty.

Growing up, I couldn't understand the devotion. The Cubs were a perennial topic at family gatherings. No one was ever happy. But no one defected, as far as I know. The Cubs were "our guys" and nothing could alter that.

It's like loving your family and your country. There may

be disappointments along the way, but ultimately you are sticking. And though they weren't the Yankees, the Cubs had something special. Wrigley Field, their beautiful little North Side ballpark, was nestled among homes, restaurants and bars. There was no parking, but it didn't matter. People took the "L" train, or drove and parked on nearby lawns—for a price, of course.

I married a Cubs fan. Our children and their children are Cubs fans. My 13-year-old grandson Sam, who lives in Long Beach, Calif., plays for a Pony League team named after the White Sox. His father, my son Danny, can't bring himself to wear the team's jersey.

In April 1972 Danny and his brothers, Mark and Michael, watched 22-year-old Cubs rookie Burt Hooton pitch a no-hitter at Wrigley. It was a cold, rainy day—typical Chicago spring weather. My husband, Dan, wanted to leave. The boys begged to stay "until someone gets a hit." No one did.

Michael saved his ticket. In 2004 he asked Mr. Hooton to sign it. "You know what's amazing about this?" asked the retired All Star.

"Yes," said Michael. "You pitched a no-hitter."

"No," Mr. Hooton came back. "The price was \$2.75."

Michael is an optometrist. The signed ticket sits in a frame on the wall of his Long Beach office. For years he hung a sign on the door: "Dr. DeCarlo will not be taking appointments during any time the Chicago Cubs are in the World Series." It was sort of a joke, but a prayer, too.

Every living Cubs fan's prayer was answered last November. So were those of all the old souls in heaven. They just had to wait a little longer than they thought they would back in 1908.

Ms. DeCarlo formerly covered culture, travel and entertainment for the Chicago Tribune and the Las Vegas Review-Journal.

BOOKSHELF | By Daniel Akst

## They'll Meet You Halfway

### Faces of Moderation

By Aurelian Craiu

(University of Pennsylvania Press, 295 pages, \$49.95)

### Moderates

By David S. Brown

(University of North Carolina Press, 335 pages, \$34.95)

Being a moderate has always been harder than it looks. Revolutions, before they eat their children, usually snack on any hapless moderates that happen to be at hand. Those who sidestep the guillotine can count on being castigated as conservatives by liberals, liberals by conservatives, and milquetoasts by all.

Populism poses special challenges, for the moderate's cautious appreciation of the world's complexity doesn't

make for rousing rhetoric or scintillating sound bites. So it's hard to imagine a better time for a few kind words on behalf of the moderate worldview—and we are fortunate to have them from two immoderately insightful new books.

In "Moderates," the historian David S. Brown laments that "our conventional political narrative marches to the beat of a mechanical liberal-conservative consensus." In remedy, his book traces a sequence of pragmatic moderates at the "vital center" of American political history, starting with John Adams, culminating with Barack Obama and including even Ronald Reagan.

In "Faces of Moderation," the political scientist Aurelian Craiu atomizes the phenomenon through the ideas and experiences of five 20th-century European intellectuals: Raymond Aron, Isaiah Berlin, Norberto Bobbio, Michael Oakeshott and Adam Michnik.

Both books regard moderation as a coherent but underappreciated political tradition—a "submerged archipelago," in the words of Mr. Craiu—set out to rescue it from misunderstanding and derision. Both authors share the conviction that moderation in politics isn't just a clinging to the center or a timid doctrine of negativity but rather a vigorous, shrewd and even courageous stance. Their judgment has much in common with that of Arthur Schlesinger Jr. in his 1949 book "The Vital Center."

Mr. Craiu acknowledges that a moderate is a thing hard to define but helps us infer the creature's outlines from its markings in the wild. Moderates, in his view, see the world as complex, unpredictable and dangerous but also as hopelessly imperfect. They are skeptical of revolutionary change or the idea that history is guided by progress; their overriding concern is avoiding violence and preserving liberal institutions.

The authors share the belief that moderation in politics isn't a timid doctrine of negativity but a vigorous, shrewd and even courageous stance.

There is a strong strain of conservatism in all this, and some moderates (like Raymond Aron) have the requisite tragic outlook. Michael Oakeshott was wary of the power of the state yet also of capitalism's excesses and what Mr. Craiu calls democracy's "insatiable demand for more autonomy, freedom and equality." But moderates on both sides of the Atlantic have also upheld the role of government in furthering equality as well as stability. Mr. Brown reminds us that Theodore Roosevelt, despite his wealthy origins, defused class antagonism by seeking a "Square Deal" for the middle class "based on conservation, consumer protection and controls over corporations." The author traces much of the moderate governing philosophy of 20th-century America to TR's actions and ideas.

Dialogue and civility are essential elements of the moderate's creed, Mr. Craiu argues. A true moderate, he says, rather than seeking "safe spaces," welcomes opposing views. Moderates know that nobody has a monopoly on the truth and are willing to appear inconsistent in order to follow the facts, moving (deliberately) first to one side and then the other like human ballast in the interests of keeping the ship of state on an even keel.

Moderates embrace irony, which may help them see, sometimes belatedly, that even moderation has its limits. As Mr. Craiu observes of the midcentury civil-rights movement, which some liberals joined reluctantly: "It is now clear that what might have passed at some point as 'moderation' was, in reality, little else than hypocrisy and dissimulation" that delayed needed change.

Mr. Brown makes no attempt at defining "moderate," instead allowing his energetic Americans to do the work for him. Thus he gives us Dwight Eisenhower, who departed from GOP dogma by embracing the welfare state, and Bill Clinton, who infuriated doctrinaire Democrats by "ending welfare as we know it," each of these presidents transcending ideology to cope with the needs of the day. It may be the genius of our political system, we soon surmise, that it has so often elevated moderates to positions of power.

Despite the implacable opposition Mr. Obama somehow inspired, he was emphatically a moderate, in Mr. Brown's view. The author notes that mandatory health insurance and carbon control via cap and trade were respectable conservative ideas before Mr. Obama adopted them. But Reagan a moderate? The author ticks off the evidence: He granted amnesty to millions of illegal immigrants and raised corporate taxes. He also appointed the first woman to the Supreme Court in Sandra Day O'Connor, "who had supported both the Equal Rights Amendment and legalized abortion." Portrayed as an "uncompromising cold warrior," Reagan eagerly negotiated arms control with the Russians.

Both "Faces of Moderation" and "Moderates" are victims of unforeseeable events—in particular, the election of Donald Trump. Mr. Brown argues that the Democrats are our era's moderate party thanks to the pragmatic trinity of Jimmy Carter, Mr. Clinton and Mr. Obama but then writes, in words he must surely regret: "There is good reason to believe that America is in the midst of a moderate era."

As it turns out, moderates seem to be losing their grip in the United States and elsewhere as the postwar order comes unglued. Like so much that is taken for granted, they will probably be missed only once they're gone.

Mr. Akst is the author of "We Have Met the Enemy: Self-Control in an Age of Excess."

## OPINION

### REVIEW & OUTLOOK

## The Truth About the China Trade Shock

When President Trump hosts Chinese President Xi Jinping this week at Mar-a-Lago, trade will be high on the agenda. If Mr. Trump hopes to come away a winner, he'll need the right objectives. That means focusing on China's mercantilist practices without jeopardizing the benefits of mutual trade and investment.

Support for this policy comes from two recent economic studies that debunk the claim that imports from China—particularly after its accession to the World Trade Organization (WTO) in 2001—have hollowed out large areas of the U.S. and made Americans worse off.

The two new papers address the work of MIT economist David Autor and co-authors David Dorn and Gordon Hanson, who have published several papers on Chinese imports. Their much-quoted study, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," looked at 722 geographic areas from 1990-2000 and 2000-2007. It found that "rising imports cause higher unemployment, lower labor force participation, and reduced wages in local labor markets that house import-competing manufacturing industries."

Jonathan Rothwell, senior economist at Gallup and a visiting scholar at George Washington University Institute of Public Policy, studied the effects of China trade on the same areas during the same two time periods. His findings, published in "Cutting the Losses: Reassessing the Costs of Import Competition to Workers and Communities," are different because his methodology is different.

The Autor team compared changes across the two time periods, but Mr. Rothwell analyzed the two time periods separately. He did this to account for macroeconomic trends, which were not the same in both times for all places. For example, the dot.com boom followed by a bust in places like San Jose, California shows a downturn in the second period compared to the first but that had little to do with China.

Mr. Rothwell's results show that foreign competition did not affect workers in manufacturing any more than domestic factors like automation, bad management or right-to-work, low-tax states. The economist finds "the risk of layoff and unemployment to workers in trade-

New evidence shows that imports made firms and workers more competitive.

exposed sectors is comparable—or even lower—than the risk to workers in non-traded sectors and that these risks have not increased during the period of more intense competition with Chinese imports."

A second recent study—"Firm Reorganization, Chinese Imports, and US Manufacturing Employment" by Columbia Ph.D. candidate Ildikó Magyari—looks at the impact of Chinese imports on U.S. companies. It finds that trade with China reduced costs and allowed firms to expand "their total manufacturing employment in industries in which the US has a comparative advantage relative to China, even as specific" parts of the same company got smaller.

Although Chinese imports may mean job losses in one part of the company, Mr. Magyari writes, "these losses were more than offset by gains in employment within the same firms. Contrary to conventional wisdom, firms exposed to greater Chinese imports created more manufacturing and nonmanufacturing jobs than non-exposed firms." Somewhere David Ricardo is smiling.

Both studies conclude that competition from China increased the value of U.S. workers. As Ms. Magyari notes, using Census Bureau data, companies that faced competition and reorganized, expanded employment "by 2 percent more per year as they hired more (i) production workers in manufacturing, whom they paid higher wages, and (ii) in services complementary to high-skilled and high-tech manufacturing, such as R&D, design, engineering, and headquarters services."

An import surge does hurt some workers in some industries, and the Chinese surge after its entry into the World Trade Organization was bigger than most. But the evidence suggests that its impact was also a net benefit to many U.S. workers and firms, and that's without taking into account the benefit to consumers from lower prices for clothing and other daily goods. In any event that surge is now over and the U.S. economy has adjusted.

Mr. Trump is right to press Mr. Xi on intellectual property and cyber theft, high tariffs, favoritism to "national champions" and other bad practices. He shouldn't worry about trade in general or the size of the trade deficit.

## North Korean Killers Go Free

Malaysia allowed three North Korean suspects in the Feb. 13 killing of Kim Jong Nam, half-brother of dictator Kim Jong Un, to leave the country on Thursday night. In return Pyongyang released nine Malaysian diplomats and family members it had prevented from going home. The deal means the North Koreans who allegedly planned the killing, including four who fled Malaysia within hours, will never be held accountable in a court of law.

If there's a silver lining in this affair, it's that Pyongyang burned some valuable bridges. Malaysia has been a convenient base for dodging United Nations sanctions.

As the Journal reported last week, in 2014 the U.N. flagged Malaysia Korea Partners, a

Malaysia releases murder suspects in return for its diplomats.

company that sent North Korean workers to construction projects in Africa, as a possible sanctions violator. Malaysian authorities didn't respond to the U.N. and began to investigate MKP only after the Kim assassination.

One reason may be that MKP hired and gave stakes to politically connected Malaysians. Other such companies

are now being probed.

Until recently, Malaysia was one of the few countries that allowed North Koreans to visit without a visa. Yet Pyongyang rewarded Kuala Lumpur by using nerve gas in an international airport and then holding diplomats hostage. Other governments that help Kim Jong Un make money should learn a lesson: There's no honor among killers.

## School Choice Deniers

President Trump has made a cause of public and private school choice, and liberals who oppose evaluating teachers based on student achievement are now hyping a few studies that have found vouchers hurt student performance. A closer look still supports the case for giving parents choice.

More than 400,000 students in 30 states and Washington, D.C., participate in private-school choice programs whose designs and funding sources vary. Over the last two decades dozens of studies have sought to measure these programs' impact on student growth. Those with the most rigorous methodologies have produced positive findings.

A meta-analysis last year by the Friedman Foundation found that 14 of 18 empirical studies analyzing programs in which students were chosen at random by lottery found positive academic outcomes. Two demonstrated no visible effect, while two recent studies of Louisiana's voucher program found negative effects. The Louisiana studies are disconcerting since voucher proponents have hailed the program, and the negative effects were large. Math scores declined in one study by 0.4 standard deviations after one year in private schools, representing a 50% increase in likelihood of failing the state test.

But Louisiana's voucher program is unusual in several respects. Fewer than a third of private schools participated in the first year, and they had already experienced significant enrollment declines. This suggests that voucher students had their pick of the worst private schools. Some higher performing schools may have been deterred by regulations that prohibit them from setting admissions standards and charging families more than the voucher amount—\$5,300 on average in 2012.

Liberals also highlight a Fordham Institute study last year of Ohio's voucher program that found participants performed "worse on state exams compared to their closely matched peers

Critics hype a pair of studies while ignoring other evidence on education vouchers.

remaining in public schools." The study wasn't included in the Friedman meta-analysis because participating students were not chosen at random, and it excluded students attending the lowest-performing schools who might benefit most from vouchers.

The study did find that vouchers "improved the achievement of the public-school students who were eligible for a voucher but did not use it." These students tended to be more economically disadvantaged and lower-achieving than those who used vouchers. It appears vouchers impelled low-performing public schools to improve to avoid losing students.

This conclusion is bolstered by the Friedman meta-analysis, which demonstrated positive effects in 31 of 33 studies evaluating the impact of vouchers on public schools. An analysis of Louisiana's program last year found that student performance increased "in the public schools exposed to the threat of competition, with effect sizes growing in magnitude as the competitive threat looms larger."

These studies rebut the union claim that vouchers harm students left behind in public schools. Notably, one of the outlier studies was of Washington, D.C., which compensates schools for funds they lose from voucher students.

One reason public schools in urban areas are so abysmal is that the predominantly low-income students they serve have no other options, while the affluent can flee to private schools. This reduces the political and economic incentives to shape up. Vouchers level the playing field among income strata—which liberals should support—and create competition for the public-school monopoly.

Progressives who cherry-pick negative data on vouchers are denying the overwhelming social science that shows private-school choice benefits both participants and public school students. These progressives are thwarting educational progress.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

## LETTERS TO THE EDITOR

### A Bad Idea That Deserves to Crash and Burn

Your editorial "Major Trump to Ground Control" (March 23) states that "[p]ilots currently bounce from one radio point to the next, which can result in roundabout routes and wasted fuel." As a result of continuing Federal Aviation Administration work to modernize our air-traffic control system (ATC), the majority of U.S. flights navigate with reference to GPS waypoints and often fly straight-line routes from their origin to destination. You state that "calls for change [to the air-traffic control system] are bipartisan."

No congressional Democrats have called for change, and in fact all Democrats and two Republicans on the House Transportation and Infrastructure Committee opposed a privatization proposal last year. Bipartisan House and Senate Appropriations Committee leaders also opposed it, and House Ways and Means Committee leaders expressed concern too.

You state privatization "would allow FAA to devote its limited re-

sources to overseeing safety and certification." The problem is there's no guarantee adequate funding would be provided. Currently, the FAA is almost 100% financially self-sustaining (via taxes paid mostly by airline passengers). If the FAA were to be split in two, the agency's vital aviation safety oversight and certification functions and personnel would not have a dedicated revenue stream, and thus would be vulnerable to future budget cuts, sequestration and government shutdowns.

The U.S. ATC system is the busiest and most complex in the world; it's also the safest. This is in large part due to the exceptional work of the FAA and its air-traffic controllers. There is no credible evidence that a privately operated system would be better than our current one, and there is plenty of reason to believe it would be worse.

REP. PETER DEFAZIO (D., ORE.)  
REP. RICK LARSEN (D., WASH.)  
Washington

### Thoughts on Our Growing Opioid Problem

Dr. Marc Siegel should spend less time at the podium and more time seeing real people with real pain "Opioids Shouldn't Be a Doctor's First Resort," op-ed, March 29). To describe patients as suffering "from little more than muscle spasms" shows a disconnect. I have no doubt that anyone who has experienced those back spasms that literally bring a person to his or her knees in writhing pain would happily take a cattle prod to Dr. Siegel's lumbar region and toss him a heating pad on the way out the door.

It's also getting a little tiresome that the sensible majority in this country keeps getting their hands slapped because of the cluelessness of a small segment of the population and their enablers.

ALLAN MENTGEN  
Colleyville, Texas

Once addicted to opioids, 27% of addicts continue to satisfy their habits through physician prescriptions, the other 73% go illegal. Why not make access to all habit-forming drugs legal and cut the legs off illegal black marketeers? The quality of addictive drugs and dosages would become precise to users. Accidental overdosing, and accompanying deaths, would fall substantially. The availability of kits to self-administer countermeasures to the effects of the drugs would become known, easily available and used. Funds to educate and treat addicts could be raised through user taxes similar to those now levied on tobacco. Heck, put a skull and crossbones on the packaging! Simple, practical, but unlikely.

JAIMIE L. MANZANO  
Bethesda, Md.

PERRY SOLOMON, M.D.  
[HelloMD.com](http://HelloMD.com)  
San Francisco

Medical insurance-plan policies promote opioid use. I recently prescribed celecoxib (Celebrex) for pain for a patient who was unable to take non-steroidal anti-inflammatory drugs such as ibuprofen. Her insurance company refused to cover celecoxib without a lengthy prior authorization process, including documentation that she had adverse reactions to five NSAIDs, any of which would have been dangerous. Any opioid would have been covered automatically without a prior authorization. Fortunately my patient was able to pay for celecoxib herself. Not everyone has that option.

SUSAN K. SORENSEN, M.D., FACP  
Los Altos, Calif.

### Should We Tax Robots as We Do Workers?

Regarding Andy Kessler's "Bill Gates vs. the Robots" (op-ed, March 27): Bill Gates has suggested that we tax the robots in proportion to the jobs they displace. It is not clear if this is intended to compensate for the lost income taxes no longer paid by the workers who were replaced or to



Three robots awaiting their IRS audits?

discourage the use of robots. Given the consistency of robots' output and their ability to function in dangerous and unpleasant environments, they may still be a better choice in many circumstances. The calculation of a "robot tax" will be complex and will constantly change as the robots take on more and more functions. Likely a whole new Washington, D.C., building will be needed, filled with bureaucrats calculating the robot tax and imposing more regulations on American industry. Some categories of employment will increase. How far will this go? What about washing machines and dishwashers? Those jobs used to be done by humans.

Rather than making American industry more competitive by reducing business and corporate income taxes and regulations, this approach im-

poses more taxes and regulations. This will drive out still more manufacturers and further reduce factory employment. This demonstrates the heavy propensity to use taxation and tax breaks as a solution to too many problems while remaining blind to the damage caused. All too often higher taxes lead to lower tax revenue as business and industry are demotivated.

WALTER S. CICIORA, PH.D.  
Southport, Conn.

Mr. Kessler rallies around the blessing of robotics in the form of computers, the internet and Microsoft. And so it should be. But robotics have a down side in human impact which Mr. Kessler skims over. Robotics has led to much of the unemployment in the Rust Belt. Donald Trump campaigned to restore the Rust Belt and to "bring back the jobs." But the robots have led to the jobs. What does that mean for the people who are no longer useful? They are in need, and our Republican president has come to help those people.

LINDSAY RALPHS  
Oakland, Calif.

### Pepper ... And Salt

THE WALL STREET JOURNAL



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## OPINION

# How to Make Tax Reform Bipartisan

By Jason Furman

The implosion of the Republican health-care bill shows the limits of what one party alone can do in Washington. Tax reform will be even trickier, since it touches a larger fraction of the economy and threatens more powerful vested interests. The only hope for seriously revamping America's inefficient business-tax system to unlock stronger economic growth is a bipartisan approach, but it will require a course correction by President Trump. Here are five important steps to building a sensible tax reform:

**Focus on fixing the badly broken corporate-tax system, and commit to no loss of revenue.**

• *Commit to revenue neutrality and distributional neutrality, as in the 1986 tax reform.* In other words, a bipartisan plan would focus on making the tax system more efficient, without cutting the revenue raised or shifting the burden in any direction. This would not require a change in rhetoric. House Speaker Paul Ryan has already said tax reform should be revenue-neutral, and Treasury Secretary Steven Mnuchin has said that there will be "no absolute tax cut for the upper class."

Any specific legislation should be judged against these benchmarks by the nonpartisan analysts at the Joint Committee on Taxation, a group that

incidentally now uses dynamic scoring in assessing major tax changes. But the frameworks put out last year by the Trump campaign and House Republicans do not pass the test. They would add trillions of dollars to the deficit while providing, respectively, 50.8% and 99.6% of their benefits to the top 1%, according to the Tax Policy Center.

• *Focus on business taxes only.* This is where the largest economic gains from tax reform can be found. In part that's because companies can and do move across borders in search of lower taxes, while individuals are much less likely to do so.

For a reformed system to work, all large companies should have to file under the corporate tax code, as President George W. Bush's tax-reform commission proposed. Small businesses should have their rates left alone but could be helped in other ways—for instance, with more generous tax breaks for research or employer benefits.

• *For overseas business income, adopt something like a "minimum tax."* The current system, which taxes American companies on their repatriated earnings at the regular rate of 35%, is badly broken. It raises little or no revenue while imposing substantial distortions, such as giving firms an incentive to stash money overseas permanently.

A minimum tax instead would apply to all overseas earnings at some intermediate rate—President Obama proposed 19% and Republican Sen. Rob Portman supported a lower rate. Earnings could then be repatriated tax-free. A minimum tax would not apply to investments in countries like Germany or the U.K., which already



DAVID GOTTHARD

tax American companies doing business there at over 19%. But on investments in low-tax countries like Ireland, which has a corporate rate of 12.5%, American firms would pay the difference. Profits reported in tax havens like the Cayman Islands could end up facing nearly the full 19%.

This is a less elegant solution to taxing international income than the House Republican plan of shifting to a territorial system with a border adjustment. But the GOP proposal comes with serious side effects: large movements in the currency, shifts in asset prices, and the potential to start a trade war. A minimum tax would avoid all of those.

• *For domestic business income, adopt something along the lines of the House Republican proposal.* Shift from taxing profits to taxing cash flow. This would allow businesses to expense their investments fully

while disallowing interest deductions—effectively like a consumption tax. At the same time, eliminate as many loopholes as possible and lower the tax rate as far as possible. These reforms would make the tax system neutral toward investing in different types of assets, as well as neutral between financing with debt or with equity.

How low could rates drop? Closing loopholes and moving to an international minimum tax would provide some revenue. If the goal is revenue neutrality, then getting the rate down to 28% might be possible. But the 15% or 20% rate proposed by the Trump campaign and House Republicans, respectively, would be impossible without massively raising the deficit.

• *Incorporate into the bill a real plan for public infrastructure spending.* The goal should be to expand

investment meaningfully in America's roads, bridges, railways and airports. It could be funded with a mandatory one-time tax—say, of 15%—on unrepatriated foreign earnings as part of the transition to the new international tax system. Both tax reform and infrastructure would be good for growth—and pairing them has been a staple of Democratic and Republican proposals alike in recent years.

Following these five steps is the way to enact genuine, durable tax reform. If Republicans work alone, they might be able to pass a temporary tax cut through the reconciliation process, which requires only 51 votes in the Senate. But the rules of reconciliation mean that the tax cut would sunset after a decade. That would only add a new layer of uncertainty on top of America's inefficient tax system, while swelling the budget deficit.

Real tax reform would create winners and losers, making it almost impossible to pass with only one party. Republican majorities are relatively slim, and vested interests trying to sink the legislation would need to pick off only three GOP senators or 22 representatives. An easier path would be to write a bipartisan bill and aim for the support of 30 Democrats in the Senate and 100 in the House. That could be doable, but only if President Trump is open to changing his approach.

*Mr. Furman, a senior fellow at the Peterson Institute for International Economics, was chairman of the White House Council of Economic Advisers, 2013-17.*

## A Lawsuit Accuses Yale of Censoring Even Inoffensive Ideas

By Peter Berkowitz

Yale's president, Peter Salovey, took to these pages last October to affirm that "we adhere to exceptionally strong principles of free expression." He invoked Yale's exemplary 1974 Woodward Report, which states that the university's educational mission is inextricably bound up with "the right to think the unthinkable, discuss the unmentionable, and challenge the unchallengeable."

A February lawsuit tells a different story. Tucked inside the amended complaint, *Doe v. Yale*, is the extraordinary claim that Yale punished the anonymous male plaintiff for writing a class essay in which he condemned rape.

Like dozens of lawsuits now working their way through state and federal courts, *Doe v. Yale* alleges that university officials grossly mishandled sexual-assault allegations. According to the complaint, a university panel found in spring 2014 that Doe had engaged in sexual intercourse with a woman without her consent. He alleges that the woman expressly consented and on that

evening she harassed him. He adds that Yale's disciplinary procedures were stacked against him and administered by biased officials who presumed his guilt.

This case is unusual in several respects. Doe advances one relatively new and one completely novel legal theory. The relatively new one revolves around Title IX, the 1972 federal law that provides that "no person" may be discriminated against based on sex in educational programs that receive federal assistance.

In April 2011, the Education Department's Office for Civil Rights issued a "Dear Colleague" letter declaring that Title IX imposed a duty on colleges and universities receiving federal funding—as virtually all do—to investigate, prosecute and adjudicate sexual-assault allegations and impose punishments where appropriate. The letter also directed schools to reduce due-process protections for the accused, typically men.

Doe insists that Title IX must protect men as well as women. In punishing him for sexual assault on the basis of allegations that were either

unfounded or refuted by facts to which both sides of the dispute agreed, the lawsuit argues, Yale discriminated against him on the basis of his sex in violation of Title IX.

The novel legal theory flows out of a reading of "state action" doctrine developed by Jed Rubenfeld of Yale Law School, who served as Doe's faculty adviser during the university's

**A class essay condemning rape was 'unnecessarily provocative,' the Title IX coordinator allegedly said.**

sexual-assault proceedings. Doe argues that through the "Dear Colleague" letter, the Education Department conscripted Yale to enforce criminal law—thereby transforming the private university into an agent of the government.

That would subject the university to constitutional limitations. Thus Doe alleges Yale violated his 14th Amendment rights to due process and equal protection of the law.

This case also involves free expression because it began, Doe alleges, with Yale's draconian regulation of his speech. According to his lawsuit, in late 2013 a female philosophy teaching assistant filed a complaint with the university's Title IX office about a short paper Doe had written. In the context of Socrates' account in Plato's "Republic" of the tripartite soul, the paper argued that rape was an *irrational* act in which the soul's appetitive and spirited parts overwhelm reason, which by right rules.

According to the lawsuit, Pamela Schirmeister, Title IX coordinator and an associate dean in the Graduate School of Arts and Sciences, summoned Doe to her office and told him his rape example was "unnecessarily provocative."

She ordered him to have no contact with the teaching assistant and directed him to attend sensitivity training at the university's mental-health center.

She also informed him that he had become a "person of interest" to Yale, which meant that the university had to intervene to ensure he "was not a perpetrator himself," in the lawsuit's words.

A few months later, the same

Title IX office initiated the sexual-assault investigation against him.

Through a spokeswoman, Yale described the lawsuit as "legally baseless and factually inaccurate" but declined on confidentiality grounds to address any specific factual allegations.

If the lawsuit's account is accurate, Yale has reached a new low in the annals of campus policing of speech. Surely no female student would incur criticism, much less censorship or punishment, for providing weighty philosophical authority in support of the proposition that rape is wrong.

If Doe's story is true, Yale is no longer satisfied in enforcing correct opinions. To utter the correct opinion, Yale also demands that you be the correct sex. Far from protecting the right to "discuss the unmentionable" in accordance with the Woodward Report, Yale is stretching the boundaries of censorship by abridging the right to discuss even the uncontroversial.

*Mr. Berkowitz is a senior fellow at the Hoover Institution, Stanford University.*

## A Corporate-Welfare Bonanza for Tax-Compliance Firms

By Nigel Green

Recently I launched the Campaign to Repeal Fatca—the Foreign Account Tax Compliance Act. The 2010 law, which purports to track down tax cheats hiding money abroad, forces foreign banks and other financial institutions to disclose Americans' accounts to the Internal Revenue Service.

Threatened with U.S. sanctions if they don't comply, banks around the world have rushed to submit to Fatca. Foreign governments have hastened to abrogate their domestic privacy laws. Fatca, it seems, has been a big success. But who really benefits?

Not the U.S. budget. The IRS claimed last October that Fatca has helped it to collect \$10 billion since 2009 from "taxpayers coming back into compliance." But that figure

lumps in penalties for filing deficiencies and money from all offshore enforcement programs. William H. Byrnes, a law professor at Texas A&M, believes the actual net recovery attributable to Fatca (subtracting IRS enforcement costs) may be closer to \$200 million a year and possibly as low as \$100 million.

That isn't enough to fund the federal government for more than half an hour. It is far less than was expected at Fatca's enactment, since the law was scored as bringing in \$800 million a year. Excepting penalties, writes Mr. Byrnes, Fatca could "soon cost more money than it brings in."

That meager gain must be weighed against the law's costs.

Fatca adds one more onerous and expensive reporting obligation for American taxpayers who hold any asset abroad. It largely duplicates

existing mandates, notably the Report of Foreign Banks and Foreign Accounts, and the penalties for error are draconian. The Tax Foundation estimated in 2016 that complying with Fatca each year takes almost 4.5 million hours and costs \$166 million.

But the really big boondole goes to the accounting, law and software firms that help foreign financial institutions sift through millions of client accounts looking for American "indicia." Although there is no official figure for the cumulative world-wide cost, the magnitude can be extrapolated from piecemeal disclosures by banks and the companies selling them services. These expenses, as Mr. Byrnes writes, are "staggering."

In 2014 Thomson Reuters surveyed some 300 financial institutions, 27% of which expected their annual Fatca compliance costs of between \$100,000 and \$1 million. The same year, The Wall Street Journal reported that Canada's five biggest banks collectively had spent about 750 million Canadian dollars (US\$693.5 million) on initial Fatca compliance expenses. That included some C\$100 million spent by Bank of Nova Scotia alone as of 2013.

Mr. Byrnes cites KPMG and Deloitte estimates that more than 250,000 foreign financial institutions are affected by Fatca, with costs for some of the larger ones reaching more than \$200 million. The representative of Banco Bilbao Vizcaya Argentaria, a large Spanish bank, said in a paper released in 2014 that compliance costs could

**Soon the Foreign Account Tax Compliance Act will cost more to enforce than it recovers in taxes.**

range from \$8.5 million for a local entity to \$850 million for a global one.

The British government estimated the aggregate initial costs to U.K. financial institutions at \$1.1 billion to \$1.9 billion, with a continuing cost of \$60 million to \$100 million a year.

Thus there are plausible projections that the law's aggregate global cost is anywhere from \$60 billion to \$170 billion. That money comes out of the pockets of consumers, depositors and perhaps shareholders.

There's no question where this money goes—not to the U.S. government but to the bottom line of the vendors. Fatca had barely passed when massive compliance practices sprang up, offering their services and advising that repeal of the law wasn't in the cards. "Fatca is here to stay," experts from KPMG, Deloitte, Ernst & Young and PricewaterhouseCoopers robustly pontificate.

As a businessman, I have no objection to anyone offering professional expertise. But non-Americans accountants who pooh-pooh the notion that Fatca could be repealed often have little insight into American politics. What lies behind the smug posture of inevitability other than making sure vulnerable clients maintain a proper Stockholm syndrome docility?

Fatca was not subjected to a cost-benefit analysis before it was enacted, but the results are now in. As a revenue tool for the public purse, the law is a failure. Instead it offers a windfall of corporate welfare for the compliance industries. That's no reason to keep it.

*Mr. Green is founder and CEO of deVere Group, a world-wide financial consultancy.*

## Notable & Quotable: Russia and the West

*Open Russia coordinator Vladimir Kara-Murza in "Answering the Kremlin's Challenge," an essay from an upcoming World Affairs book:*

There is a growing appreciation in capitals around the globe . . . that nothing will change until Mr. Putin's regime is replaced by a democratic government.

That task, of course, must be undertaken by Russian citizens alone.

Yet, while outsiders should not attempt to shape political events inside Russia, neither should they enable Mr. Putin and his kleptocrats by providing safe harbor for their illicit gains. For the many striking parallels between the Soviet system and the current regime in Russia—from political prisoners to media censorship—there is also a crucial difference: while they were persecuting dissenters and engaging in anti-Western

propaganda, members of the Soviet Politburo did not store their money in Western banks, send their children to Western schools, or invest in luxurious real estate in Western countries. Those who rule Russia today treat their citizens in ways expected of third-world dictatorships, but choose the freedoms and protections of the West when it comes to their own families and their ill-gotten money.



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## Markets Brush Off U.S. Trade Fears

### Peso Bounces Back

The Mexican peso is one of the best-performing currencies this year

#### How many pesos \$1 buys



By RIVA GOLD  
AND GEORGI KANTCHEV

Investors are dialing back expectations for a major shift in U.S. trade policy, fueling a sharp rebound in the prices of some early targets of President Donald Trump's rhetoric.

The shares of U.S. multinational companies, the Mexican peso and emerging-market stocks and currencies rank among the best-performing assets in the just-completed first quarter, reversing the trends that seized

financial markets in the two months after Mr. Trump's election.

Heavy selling in the peso, underperformance of multinational firms and heavy outflows from emerging markets, particularly in Asia, had in part reflected investor expectations that the new presidential administration would radically alter major trade agreements, potentially dealing a blow to the economies of U.S. trade partners and further slowing the flow of goods and services around the globe.

Now, investors aren't so sure. U.S. multinationals, particularly companies in the trade-sensitive technology sector, have outperformed the market. The Mexican peso strengthened more than any other major currency this year, and emerging-market stocks have fared better than those in the U.S.

The terms of trade were at the heart of a campaign in which Mr. Trump pledged to introduce higher tariffs on imports from China and Mexico that he said put U.S. workers at a disadvantage.

Following his election, he quickly appointed economist Peter Navarro, an ardent skeptic of trade with China, to head the White House National Trade Council and pulled the U.S. out of negotiations to form the Trans-Pacific Partnership, a 12-nation trade deal.

There are already signs the White House is backtracking on some of the antitrade rhetoric on which Mr. Trump campaigned. The administration, for instance, recently signaled it would seek mostly

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## Active Managers Stage a Comeback

BY JUSTIN BAER  
AND SARAH KROUSE

Bill Miller is on a winning streak again.

His \$1.4 billion Miller Opportunity Trust is up 7.5% so far this year and

MARKETS REVIEW has climbed 21% in the past 12 months, according to Morningstar.

Its performance this past year has been helped in part by its holdings of bank stocks including Bank of America Corp. and J.P. Morgan Chase & Co.

Mr. Miller isn't alone: Some 45% of all U.S.-based actively managed stock, bond and other mutual funds were beating their benchmark indexes as of Feb. 28, Morningstar said.

Helping these managers is a market rally that has rewarded bets on companies expected to benefit the most from a strengthening economy. The Trump administration's promises of lower taxes and fewer regulations have helped lift business confidence and pushed stocks higher.

Some investors are optimistic that conditions are right for active managers' resurgence to continue, eventually slowing the flow of money out of actively managed funds into lower-cost index-tracking funds, a trend that has hounded many of them in recent years.

"Active managers are getting a little more confidence, and maybe reaching out a bit more," said Mr. Miller, a former star manager at Legg Mason who posted an unparalleled 15-year winning streak against the market that ended in 2006.

To be sure, the rally does little to make up a lengthy stretch of underperformance for these money managers. The last year when even half of all active funds beat their benchmarks was 2009, according to Morningstar. In 2016, 31% of actively managed funds beat their benchmarks.

But the recent rebound has helped. Actively managed mutual funds in February posted their first month of positive net inflows since April 2015, according to Morningstar. Those were helped by money flowing into bond funds as well as international stock funds.

♦ For more coverage of the first quarter, see Markets Review & Outlook..... B5-B8

## Oil Industry Struggles to Break Even

Despite spending cuts and a modest rebound, top companies fight to keep up with expenses

By SARAH KENT

The world's biggest oil companies are struggling just to break even.

Despite billions of dollars in spending cuts and a modest oil-price rebound, Exxon Mobil Corp., Royal Dutch Shell PLC, Chevron Corp. and BP PLC didn't make enough money in 2016 to cover their costs, according to a Wall Street Journal analysis.

To calculate each companies' free cash flow—the excess cash remaining after costs—the Journal deducted the firm's dividends and capital expenditures from its cash from operations. All four firms fell short of cash flow for the year, although Exxon said it broke even by its own metrics, which exclude dividends. The analysis also showed that the four companies ended last year with more debt than they began it.

The firms are showing signs of improvement. For example, Shell and Exxon notched stronger quarters late last year. However, analysts point to challenges ahead as oil prices hover around \$50 a barrel. BP says it will need oil at \$60 a barrel to balance cash generation against capital expenditures and dividends, while Chevron is targeting \$50 a barrel with the help of asset sales. Investment bank Jefferies estimates neither Shell nor Exxon require more than \$50 a barrel, though those companies don't disclose break-even prices.

For companies once known

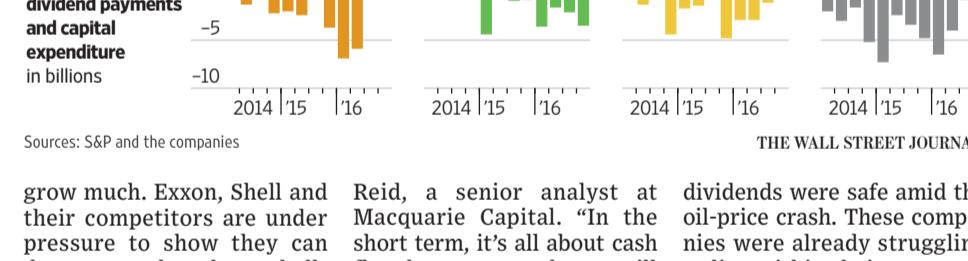


A Shell oil rig near Mentone, Texas. While Shell and Exxon notched stronger quarters late last year, analysts point to challenges ahead.

as profit machines—whose executives were hauled before Congress in 2005 to explain their enormous earnings—their cash problems demonstrate just how unprepared they were for a historic crash and tepid recovery in oil prices. They have maintained the same large dividends they had when oil prices were over \$100 a barrel, piling on debt and selling off assets to prioritize shareholders above all else.

The result is that spending on dividends and capital investments has ballooned above cash generated from their businesses. The issue has worried investors who expect those steady dividends because oil giants don't have the capacity to

### Running Low



Sources: S&P and the companies

grow much. Exxon, Shell and their competitors are under pressure to show they can drum up cash to keep shelling out dividends.

"Since the oil price collapsed, it's been all about who's fastest down the road to breaking even," said Iain

Reid, a senior analyst at Macquarie Capital. "In the short term, it's all about cash flow because people are still worried about the dividend."

Exxon, Shell and their peers spent much of the past three years scrambling to reassure investors that their

dividends were safe amid the oil-price crash. These companies were already struggling to live within their means at elevated oil prices.

In response to the tumble in prices, the companies laid off thousands of workers,

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## Want That Apartment? You May Have to Bid

If you think the rent is too damn high, there are a couple of startups that want you to prove it, by forcing you to bid for a place to live. You may find out you're right. Or you may discover

you aren't offering enough.

San Francisco-based Rentberry allows tenants to bid, eBay-style, on the rent, security deposit and other negotia-

tions of any rental property.

Vancouver-based Biddwell allows tenants to negotiate, through multiple rounds of offers, similar terms. For both sites, these auctions represent a way to profit from tenants offering more than the posted rent in hot markets and landlords trying to fill vacancies in cooler ones.

Landlord tech is hot right now for one simple reason: America is becoming a nation of renters. More than half of the 100 largest U.S. cities were majority-renter as of 2015; it was less than a third

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\*Source: NYSE Arcavision as of 12/31/2016; a spread is the difference between the bid and the ask price of a security or asset.

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## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

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## OIL

Continued from the prior page  
slashed billions in spending and piled on debt to protect the payouts. Despite disappointing profits last year, they say that medicine is now working.

Both Exxon and Shell managed to break even in the final quarter last year. In the fourth quarter, Exxon generated \$400 million more than it spent and Shell made \$1.2 billion over its outlays, according to the Journal's anal-

ysis. However, for the full year, Exxon spent nearly \$7 billion more on developing new projects and dividends in 2016 than it generated in cash. Shell's costs last year were around \$11 billion above its cash generation, the Journal's analysis shows.

"We are right in the middle of transforming the company," Shell Chief Executive Ben van Beurden told the CERAWeek conference in Houston in March. "We are going to be able to produce a free cash flow that is going to be more than twice as high as it was in the '90 era,

but this time in a \$60 world."

In a sign that investors remain fixated on companies' cash flow position, BP's share price tumbled around 4% when the company upgraded its break-even oil price to \$60 a barrel in February.

International benchmark Brent crude hasn't hit that level since the middle of 2015.

"The ultimate goal of the company is to generate excess free cash flow," BP Chief Executive Bob Dudley said in a March interview in Houston. The company has seven

new projects starting up this year and nine more under way that will add 800,000 barrels a day of new production by the end of the decade, pushing up returns.

BP expects to drive its break-even price back down toward \$55 a barrel by the end of the year from about \$60 now.

"The message going forward is good," Chevron Chief Executive John Watson told analysts in January. "Four years ago, I wouldn't have thought that would be the case at moderate prices."

But all of the companies'

ability to break even rely on forces outside their control, especially oil prices.

In February, investment banks predicted oil prices would average about \$57 a barrel this year, according to a Wall Street Journal poll.

Analysts said prices could fall short of that mark depending on how quickly U.S. shale producers ramp back up and whether the Organization of the Petroleum Exporting Countries can maintain its agreement with other major oil producers to reduce output.

Chevron's \$50-a-barrel

break-even threshold relies in part on support from asset sales. Shell also is leaning heavily on plans to divest

\$30 billion of assets by next year to help it bring down its elevated debt levels. At the end of last year, the four companies' combined net debt amounted to \$186.3 billion.

"This is the year when their credibility will be tested," said Jefferies analyst Jason Gammel, referring to big oil companies. "Some are more capable than others."

—Bradley Olson contributed to this article.

## TRADE

Continued from the prior page modest changes to the North American Free Trade Agreement in coming negotiations with Mexico and Canada, a deal Mr. Trump called a "disaster" during the campaign.

"The fact that there hasn't been much saber rattling there has been greeted favorably by the market," said David Donabedian, chief investment officer at CIBC Atlantic Trust.

The recent failure of Mr. Trump's health-care bill has also, for many investors, highlighted divisions in Congress that make some of the administration's more controversial policies appear less likely.

"I think we had some nightmares of a sort of big bang trade agenda including labeling China a currency manipulator and talk of a rapid imposition of tariffs, and we have now realized it's going to be much more nuanced," said Guy Monson, chief investment officer at asset manager Sarasin & Partners.

In February, 34% of fund managers surveyed by Bank America Merrill Lynch saw protectionist policies as the most likely catalyst to end the eight-year equity bull market. And in March, just 21% cited protectionism as their big fear, ranking below worries over higher interest

rates or weaker earnings.

Few investors now see protectionist measures becoming policy soon, and many believe that those enacted will be more moderate than first thought. The administration is likely to take the concerns of the corporate sector seriously before major dramatic shifts in trade policy, they say.

"Protectionism is not a straightforward win for the U.S., so investors don't see it as the big threat it once was," said Kevin Daly, a fund manager at Aberdeen Asset Management.

While some of this year's market moves can be attributed to a weaker dollar, shifting earnings prospects and higher global growth, waning trade fears have been

an important factor, analysts say.

The Trump administration's pursuit of a broad "America First" agenda could still ignite global trade conflicts, hurting export economies and global companies as they struggle to reconfigure complex supply chains.

In March, U.S. Treasury Secretary Steven Mnuchin rebuffed a concerted push by finance ministers and central bankers from the Group of 20 largest economies to disavow protectionism.

Mr. Trump recently warned on Twitter that a coming meeting with China "will be a very difficult one."

"Protectionism could spark at any point, but for now the rhetoric out of Washington is quite subdued and that is

suppressing volatility," said Richard Benson, co-head of portfolio investments at \$15 billion fund Millennium Global Investments.

Among investors in key U.S. trading partners, concerns over a global trade clampdown have eased. The Mexican peso is up nearly 11% against the dollar this year, nearly back to pre-election levels, and the iShares MSCI Mexico Capped exchange-traded fund, which tracks publicly traded companies, has climbed roughly 16%.

Shares of U.S. multinationals have also started to pick up pace. Shortly after the November election, small-capitalization stocks outperformed larger ones, in part as investors bet that domestically focused companies would do better than multinationals in the event of trade friction.

The Russell 2000 index of small-company shares jumped nearly 14% between the November election and the end of last year, compared with a 4.6% climb for the S&P 500.

But the Russell 2000 is up just 2.1% on the year, compared with a 5.5% gain for the S&P 500.

The technology sector, among the largest exporters and importers in the U.S., was perceived as a potential loser from changes to trade and immigration policies. It is now the best performer in the S&P 500, up around 12% this year.

THE WALL STREET JOURNAL.

Source: FactSet

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## BUSINESS NEWS

# Tesla Sales Rise 69% in Best-Ever Quarter

By TIM HIGGINS

Tesla Inc. on Sunday said its global sales rose 69% in the first quarter, its best quarter of sales yet, putting the auto maker on a path to meet its goal of 50,000 deliveries in the first half of the year.

The Silicon Valley electric-car maker said it delivered roughly 25,000 vehicles—about 13,450 Model S sedans and about 11,550 Model X sport-utility vehicles—in the quarter, compared with a total of 14,820 a year earlier.

It was Tesla's best quarter of sales on record, topping the third quarter of 2016, when it delivered 24,500 vehicles, which helped the company post its second-ever profitable quarter.

The results should help fuel further investor confidence in Chief Executive Elon Musk as he works to bring out later this year a \$35,000 sedan called the Model 3. Tesla shares have risen about 30% this year, pushing the company's market value to almost as much as 113-year-old **Ford Motor Co.**, the second-largest U.S. auto maker by market capitalization.

Tesla aims to sell about as many vehicles in the first half of 2017 as it delivered during the final six months of last year.

Much of the first-quarter gain came from the continued rollout of the Model X, which had 2,400 sales a year earlier.

Other auto makers are expected to release U.S. results Monday. **General Motors Co.** could report deliveries rose 9.6% in March from a year ago, while Ford could show an 8.2% decline, according to Edmunds, which tracks auto sales. The industry is expected to show a 2.1% increase, according to Edmunds.

BY JULIE JARGON

Kevin Johnson, the tech-industry executive who takes over Monday as chief executive of **Starbucks Corp.**, inherits a company facing its most prolonged slowdown in the U.S. since the recession.

For more than six years, Starbucks had been posting quarterly same-store sales growth of 5% or greater in its biggest market. But that changed last year when it began missing analysts' sales targets. The company last year blamed everything from uncertainty about the outcome of the presidential election and weak consumer confidence to disruption brought on by changes in its loyalty program.

As Howard Schultz, the CEO who built Starbucks into a global coffee chain, steps down to focus on developing luxury coffee shops within the company, Mr. Johnson has to make good on Starbucks's promise to restore the U.S. business to its historic growth levels of at least 5% increases in same-store sales.

Some Wall Street analysts have expressed reservations about whether Mr. Johnson has the right background to steer a large, global retail business, but others have said his time running daily operations at Starbucks has prepared him well.

The 56-year-old former Microsoft executive and Juniper Networks Inc. CEO has been on the Starbucks board since 2009 and has served as the coffee chain's operating chief for the past two years, before being tapped to take the top job late last year.

The Wall Street Journal sat down with Mr. Johnson to talk about the CEO hand-off, the slowdown in U.S. sales and why he doesn't plan to back away from taking a stand on social issues, despite recent back-

# Starbucks CEO Faces U.S. Challenge

New captain Kevin Johnson is tasked with turning around the coffee giant's fortunes at home



## PROFILE Kevin Johnson

**Age:** 56

**Hometown:** Born in Gig Harbor, Wash., but grew up in Los Alamos, N.M.

**Education:** B.A. in Business Administration, New Mexico State University

**Total compensation:** \$11 million (in fiscal 2016)

**Early influence:** He says he developed an interest in math and science from his father, a theoretical physicist, and empathy from his mother, a pediatric nurse

helps the company. Many of our veterans had worked with interpreters in Iraq and Afghanistan that are now refugees and so we saw that as very much aligned to the work we did hiring veterans. It helps us attract great talent, but it also shows that we care about helping create opportunities for people.

**WSJ:** Do you think you'll be as public as Howard when it comes to speaking out on issues?

**Mr. Johnson:** I expect him to continue to be a spokesperson for us but that doesn't mean that I won't be playing a role in that.

**WSJ:** Why not just sell coffee?

**Mr. Johnson:** One of the reasons people come to work at Starbucks is because we stand for something. It's about human connection and having a sense of humanity. We think that's part of what makes Starbucks a special place that both partners and customers want to be associated with.

lash from a refugee-hiring announcement.

Edited excerpts of the interview:

**WSJ:** How much autonomy will you have as CEO?

**Mr. Johnson:** Howard has been clear that I'll be the CEO, so that means the buck stops with me, but I am also smart enough to know that you collaborate with people to get their input on things. So will I talk to Howard about things that I am noodling on? Of course.

**WSJ:** Transactions were down in the last quarter due to congestion caused by customers picking up their mobile orders. What are you doing to fix that?

**Mr. Johnson:** In some of those stores we've added a dedicated barista who's greeting those customers and handing them their food and beverage as they come in the door. That's alleviating some of the congestion.

We've also launched some new technology that gives a customer who orders on their mobile app a notification when their food and beverage is ready.

**WSJ:** How much more room is there to expand in the U.S.?

**Mr. Johnson:** A lot of growth opportunities might be in less urban places, more suburban areas, the Midwest. Over the next five years we've projected building

12,000 additional stores globally, taking us to 37,000 stores. More than half of those stores will be in the U.S. and China.

**WSJ:** When do you think China will overtake the U.S. as your largest market?

**Mr. Johnson:** Not in the next five years, but you could do the math and say in the next 10, 15 years.

**WSJ:** Howard has never been shy about voicing his opinion on social issues, and his recent pledge to hire refugees was met with backlash. Do you think taking a stand on certain social issues could hurt the company?

**Mr. Johnson:** If it's driven by our principles, I think it

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## TECHNOLOGY

# Apple iPads: Old Ones Are Fine

Apple just delivered a brand new iPad that it says features "a brighter 9.7-inch Retina® display and best-in-class performance at its most affordable price ever."

Here's my Honest Press Release®: There's a new iPad that's a teensy bit faster and brighter than the last one, and they're pretty much otherwise indistinguishable. Oh, and it starts \$70 cheaper.

The iPad has descended from one of Apple's most-hyped products to one of its slowest to evolve. Even last year's 9.7-inch "Pro" model looks like a fraternal twin of the 2013 iPad Air. That doesn't mean they aren't worth owning: iPads, which outsell Macs, serve many of us well from vacation spots to children's playrooms.

For most of us, here's my simple advice: If you bought one of the new iPads in November 2013 or after, you're golden. Those, including the first iPad Air and iPad Mini 2, can run iOS 10, Apple's latest and most secure software.

If you enjoy a stroll down memory lane—or seek a tad more specific upgrade advice—I present seven years of iPads and what they're still good for today.

### 2010: iPad

In the beginning, Steve Jobs said, "Let there be iPad."

Nowadays, however, mine sometimes doesn't even turn on. It can still stream Netflix, display e-books and double as a digital photo frame, but not much else. If you're done with it, recycle it responsibly at a Best Buy or Apple Store.

### 2011: iPad 2

This is what the first iPad should have looked like: It was about half as thick and had two cameras—very exciting at the time.



iPads, which outsell Macs, serve many of us well from vacation spots to children's playrooms.

But by today's standards, that front-facing camera isn't great for FaceTiming with the grandparents. The low-resolution screen might hurt our precious eyes. It's also slower than molasses. Verdict: Give it to a 5-year-old.

### 2012: iPad with Retina display, iPad Mini and iPad 4

This iPad came with the high-resolution screen we now take for granted. But the Retina iPad was heavier than the iPad 2, and I've bonked my nose a few times while reading in bed. The 7.9-inch Mini didn't have the nicer screen (and wouldn't hurt your nose).

Today, both can run iOS 9, which still supports many apps. But those apps may run painfully slow, so you're best limiting activity to streaming video—and perhaps strength training.

For the trivia buffs out there: Yes, there was another iPad released in 2012. The fourth-generation iPad was nearly identical to its predecessor, but had a faster chip plus a Lightning port to match the iPhone 5.

### 2013: iPad Air and iPad Mini with Retina display

In this banner year, the

iPad shed a third of its weight, and the Mini got the screen we love.

Today, both are still fine. They run the current iOS 10 and can handle the tasks most of us use iPads for. If you keep them, you're stuck with two mild frustrations: The screens are hard to see in

*If you bought one of the new iPads in November 2013 or after, you're golden.*

direct sunlight, and there's no Touch ID fingerprint reader to speed up unlocking, banking and shopping.

If your only problem is battery drain, consider getting a replacement battery for \$100 from Apple. (Replacing it yourself costs \$30 using instructions on iFixit, but beware, this isn't easy.)

### 2014: iPad Air 2 and iPad Mini 3

Hey, you can use your fingerprint now! Otherwise, nothing to write home about.

These are still great iPads.

### 2015: iPad Pro 12.9 and iPad Mini 4

This is the year we welcomed the linebacker of the iPad family, the 12.9-inch iPad Pro. About the size of a box of Cheerios, it also works with the Apple Pencil and keyboard case, sold separately. It's a potential laptop replacement: Its battery lasts longer than many of Apple's newest MacBooks.

### 2016: iPad Pro 9.7

The fancy processor, screen, speakers and accessories of the big boy come to a familiar form. The smaller Pro is only a hair thicker than the iPad Air 2.

This is the fastest standard-sized iPad you can buy today. But unless you're an artist or trying to replace a laptop, you don't need all the bells and whistles.

### 2017: iPad

Apple didn't even give its latest—the seventh-generation standard iPad—a new name. With the same processor as an iPhone 6s, it's a bit slower than an iPad Pro, but that's noticeable only if you play games or run intensive apps like Adobe Lightroom.

## MIMS

*Continued from page B1*

Home buying is often done with a blind bidding process—Rentberry's is slightly different, since bidders can see what their competitors are offering.

At first, it seems terrifying. If rents in U.S. coastal cities are already trending upward at a steep angle, wouldn't bidding just drive prices up faster?

Rentberry's critics, including fair-housing advocates, say the company stands to profit from what many coastal U.S. cities say is a crisis in affordable housing. Mr. Lubinsky didn't do much to help this impression, declaring soon after Rentberry's early-2016 launch that it would raise rents by 5% on average.

Mr. Lubinsky has since changed his pitch, in part because he was wrong. Tenants on Rentberry have actually saved 5.1% on rent compared with what landlords asked, Mr. Lubinsky now says, based on calculations across all transactions on Rentberry's site, in the 10 cities where Rentberry has been active to date.

These savings were possible because Rentberry allows tenants to make offers that are lower or higher than the posted rent. It probably helps that, nationwide, there's an oversupply of apartments, says Toby Bozzuto, chief executive of the Bozzuto Group, which manages 60,000 apartments in the U.S.

Rentberry plans eventually to charge, every month, 25% of the difference between the posted and negotiated rent. Whoever got the better deal—landlord or tenant—pays the fee. It currently charges a one-time \$25 fee for every completed rental transaction.

Biddwell works almost the same way, although it uses a blind auction instead of an open one. It's a much smaller startup, with just 50 apartments, condos and homes across four Canadian cities so far. It expects to launch in the U.S. by early summer, according to co-founder and chief

executive Jordan Lewis.

There's no economic reason why sites that allow people to bid on rentals would necessarily drive up prices. Bidding, says Sara Ellison, an economist at MIT, is actually good for markets where there isn't much information about the price of an item.

But in big cities, thanks to existing property listing sites, bidding might not matter. There's already plenty of data landlords and tenants can use to determine fair-market rent, says Matthew Backus, a Columbia University economist.

Giving landlords the ability to auction off rental properties is solving the wrong problem, argues Anthemos Georgiades, chief executive of Zumper.

His company tried rental auctions but found landlords cared more about getting good tenants and filling vacancies quickly than about extracting the most rent.

Zumper currently offers an Instant Apply feature, which allows tenants to be pre-screened so that landlords don't have to duplicate one another's efforts in running background checks.

The real revolution here is potentially that Zumper, Rentberry and Biddwell—along with property-management startups such as Cozy—automate much of the rental process, from credit checks to booking meetings between tenant and landlord.

This was the part of the service that mattered most for Shaunte Cruse, who used Rentberry to find a tenant for her sole rental property in Salem, Ore.

While four out of the 15 applicants who went through Rentberry offered her more rent than she was asking for, in the end she settled on one willing to pay her initial price. "They happened to be the people with the best credit," she says.

As for skyrocketing rents in America's hottest markets, there appears to be no technology yet built that can affect what are, after all, the results of supply, demand and perhaps a dash of irrational exuberance.

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Vice Chairman, American Express Company

A certificate of nomination of these candidates has been duly filed with the Superintendent of the New York State Department of Financial Services.

The Annual Election of Directors of The Guardian Life Insurance Company of America will be held at 7 Hanover Square, New York, New York 10004 on December 13, 2017. The polls will open at 10:00 a.m. and remain open until 4:00 p.m. on that day. Policyholders whose policies or contracts are in force on the date of election and have been in force at least one year prior thereto are entitled to vote in person, by proxy or by mail. Additional information about this election may also be obtained through the Company's website at [www.GuardianLife.com](http://www.GuardianLife.com).

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Floating Rate Global Notes due 2017

- WKN A169LD -

ISIN US500769GW89 - CUSIP 500769GW8

We would like to announce that the interest rate for the period of March 29, 2017 to June 29, 2017 has been fixed by the Calculation Agent at 1.311890 per cent. p.a.

The total interest amount will be USD 6,705,215.56. The interest payment date will be June 29, 2017.

FRANKFURT AM MAIN, MARCH 2017

KFW

riously."

"Notwithstanding the fact that no current or former Fox News employee ever took advantage of the 21st Century Fox hotline to raise a concern about Bill O'Reilly, even anonymously, we have looked into these matters over the last few months and discussed them with Mr. O'Reilly," 21st Century Fox said.

"While he denies the merits of these claims, Mr. O'Reilly has resolved those he regarded as his personal responsibility. Mr. O'Reilly is fully committed to supporting our efforts to improve the environment for all our employees at Fox News."

Mr. O'Reilly's contract was recently renewed, according to people close to the parties involved. The recent review of the harassment allegations was taken into consideration when the network negotiated a new contract with the anchor, a person familiar with the matter said.

A 21st Century Fox spokesman declined to comment on Mr. O'Reilly's contract status and on whether he has previously been or will be disciplined in connection with the allegations. Fox News also declined to comment.

Mr. O'Reilly issued a statement saying, "Just like other prominent and controversial people, I'm vulnerable to lawsuits from individuals who want me to pay them to avoid negative publicity." Regarding settlements he made, he said, "I have put to rest any controversies to spare my children."

According to a person familiar with the settlements, Mr. O'Reilly paid \$10 million and the company paid \$3 million.

Two of the five settlements cited were previously known. One involved Andrea Mackris, a former staffer on Mr. O'Reilly's show that was settled in 2004. The other settlement involved more recent claims made Juliet Huddy, a former on-air personality. Fox has said those claims contained falsehoods that Mr. O'Reilly denied.

21st

# MARKETS REVIEW & OUTLOOK

First Quarter

## Yield Curve Shows Growth Is Still Worry

Many investors think flattening reflects unwinding of bets on higher inflation

By SAM GOLDFARB

A flattening of the Treasury yield curve in 2017 is a worrying sign for investors banking on resurgent U.S. inflation and growth.

Long-term Treasury yields, which are largely driven by the U.S. economic and inflation outlook, have declined modestly this year, following a sharp rise after the November election of Donald Trump as president. The 10-year U.S. Treasury yield has fallen to 2.396% from 2.446% at the end of 2016.

At the same time, short-term yields, which are more influenced by monetary policy, have risen in 2017 as Federal Reserve officials have made clear that they expect to continue raising the fed-funds rate through the rest of the year. As a result, the yield pre-

mium on the 10-year note relative to the two-year note slipped Wednesday to 1.107 percentage points, its lowest level since the election, though it ticked up to 1.138 percentage points Friday. A smaller premium translates to a flatter yield curve, which displays relative yields.

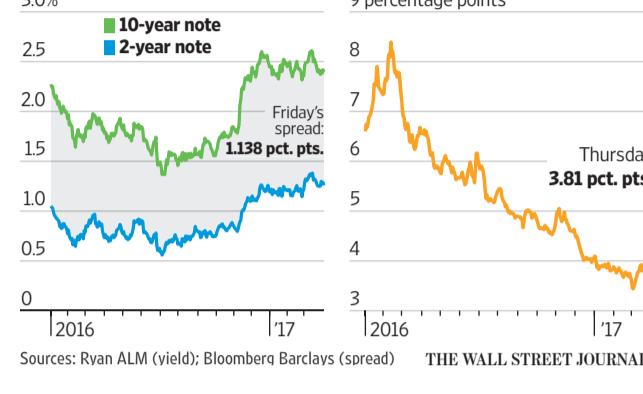
While the yield curve, like all market indicators, is subject to the ebb and flow of investor sentiment, economic data and political developments, a flattening yield curve gets special attention from investors worldwide because it can serve as an early signal of both economic slowing and overpricing in riskier asset classes.

Those concerned that U.S. share prices were getting ahead of themselves took note in the first quarter when they "started to see the flattening of the yield curve," said David Albrecht, president and chief investment officer of Newfleet Asset Management, the fixed-income affiliate of Virtus Investment Partners. The Dow industrials have fallen 2%

### Wrongfooted

Long-term bond yields rose earlier this year on hopes of economic growth, but they since have declined. Meanwhile, junk-bond investors are demanding more yield for their risk.

#### Yield on the 10-year and two-year Treasury note



Sources: Ryan ALM (yield); Bloomberg Barclays (spread)

#### Spread between junk bond yields and Treasury yields



THE WALL STREET JOURNAL

Expectations for higher long-term yields and a steeper curve rested on two pillars: first, that the economy on its own was showing signs of improvement, and second, that it would get an extra lift from promised tax cuts, infrastructure spending and regulatory relief.

At the outset of the second quarter, both of those pillars are still standing, yet neither is looking as sturdy as before.

Market measures reflect the uncertainty: The average yield premium on junk-rated corporate bonds relative to Treasurys was 3.81 percentage points Thursday, having climbed from 3.44 percentage points on March 2 in a sign that investors are viewing the debt as riskier.

Even investment-grade corporate bonds, which are typically hard to budge, have shown signs of weakness, with their yield differential, or spread, to Treasurys edging up 0.06 percentage point since March 6 to 1.17 percentage points.

Across the bond market, in-

vestors had "priced in a fair amount of positive resolution on some of the fiscal policies that are being anticipated," said Brian Kennedy, vice president and portfolio manager at Loomis Sayles & Co. Now those prices are in more doubt, he said.

At the same time, many analysts believe it is too early to be alarmed. The economy has gotten off to a slow start a number of times in recent years before picking up, and some of the first quarter's weakness could have been due to a mild winter that weighed on consumption by utilities, said Brian Daingerfield, macro strategist at NatWest Markets.

Meanwhile, GOP leaders have vowed to press on with their agenda.

Throughout the first quarter, one near constant was a deluge of new bonds for investors to purchase. Overall, investment-grade and junk-rated companies sold more than \$490 billion of bonds in the quarter, the most of any quarter on record, according to Dealogic.

THE WALL STREET JOURNAL

## Facing Outflow Curbs, China Firms Sell Bonds Abroad

By RACHEL ROSENTHAL

Chinese companies struggling to get their money out of the country have come up with an alternative: raise money overseas.

Chinese firms have issued some \$52.6 billion worth of U.S. dollar bonds in the first quarter, up 72% from the previous three months, according to Dealogic, and nearly five times the amount from the first quarter of 2016.

The surge has come as Beijing has tightened curbs on capital outflows, making it harder for Chinese companies to use their yuan earned do-

mestically overseas. Those companies looking to make acquisitions abroad, or even just pay back existing dollar debt, are increasingly turning to the U.S. dollar markets to raise funds.

"If a company is considering an overseas acquisition and looking for financing, even if it is sitting on billions of [yuan] onshore, it may struggle to transfer [that money] offshore to pay for it," said David Yim, head of debt capital markets for Greater China at Standard Chartered in Hong Kong.

Some bankers say much of the demand for Chinese dollar

bonds is coming from Chinese investors who have stowed money overseas. The pent-up demand for those bonds is raising concerns that some riskier Chinese firms are able to issue offshore debt too cheaply, at yields that aren't far enough above those for safer, blue-chip companies.

"Spreads [for Chinese high-yield debt] are very narrow relative to investment grade, so the compensation isn't a good one," said Andy Seaman, London-based chief investment officer at Stratton Street Capital, which manages \$1.3 billion of assets.

Some Chinese companies

are tapping the dollar debt market because Beijing officials are curbing fundraising at home in certain overheated sectors such as real estate—a reversal from the past couple of years, when regulators made it cheap and easy for such borrowers to get funding. Domestic bond issuance in the first quarter fell 64% from a year ago to \$91 billion, according to Dealogic.

In mid-March, one of China's largest and most indebted property developers, **China Evergrande Group**, priced three dollar bonds in Hong Kong within a week for a total of \$2.5 billion, which

the company says it will use to refinance existing debt.

Evergrande's latest issues include a \$500 million, three-year bond with a 7% coupon; a \$1 billion, five-year bond with an 8.25% coupon; and a \$1 billion, seven-year bond with a 9.5% coupon.

While those yields look "punchy," they are still too low considering Evergrande's junk rating, said Rick Mattila, international head of market strategy at MUFG Securities Asia Ltd. in Hong Kong. An Evergrande spokeswoman declined to comment.

In the near term, the yuan's rise against the dollar will make it easier to pay back

dollar debt: The yuan is up 0.9% this year versus the greenback after sliding 6.6% in 2016. Longer term, however, the outlook is less certain, bankers say.

More than half of the first quarter's dollar issuance by Chinese companies has come from financial institutions. Many bankers say this could herald a rise in deal activity.

NEXT MONDAY



The Investing in Funds & ETFs quarterly report will appear on April 10.

\$4.95

Online U.S. Equity Trades

|   | FIDELITY      | TD AMERITRADE | SCHWAB | E*TRADE |
|---|---------------|---------------|--------|---------|
| Online U.S. equity <sup>†</sup> and option trades       | <b>\$4.95</b> | \$6.95        | \$4.95 | \$6.95  |
| Online options (per contract rate)                      | <b>\$0.65</b> | \$0.75        | \$0.65 | \$0.75  |
| Lowest margin rates <sup>††</sup>                       | <b>4.00%</b>  | 6.50%         | 6.00%  | 5.75%   |
| Leader in displaying price improvement on trades        | <b>Yes</b>    | No            | No     | No      |
| Barron's Best Online Broker in 2016 & 2017 <sup>‡</sup> | <b>Yes</b>    | No            | No     | No      |

Table compares pricing for retail investors.

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There is an Options Regulatory Fee from \$0.04 to \$0.06 per contract, which applies to both option buy and sell transactions. The fee is subject to change.

<sup>‡</sup>\$4.00% rate available for debt balances over \$500,000. Fidelity's current Base Margin Rate, effective since 12/15/2016, is 6.825%.

Among listed competitors, Fidelity is the only broker to display price improvement. Price improvement details provided for certain domestic stock and single-leg option orders entered during market hours after the primary opening, provided there is a National Best Bid and Offer (NBBO) at the time the order is placed. Price improvement details are provided for informational purposes only and are not used for regulatory reporting purposes. See [Fidelity.com](http://Fidelity.com) for more details.

Commission comparison is based on published website commission schedules for retail accounts, as of 03/13/2017, for E\*Trade, Schwab, and TD Ameritrade for online U.S. equity trades. For E\*Trade: \$6.95 per market or limit order trade for an unlimited amount of shares. For Schwab: \$4.95 for up to 999,999 shares per trade, though orders of 10,000 or more shares or greater than \$500,000 may be eligible for special pricing. Employee equity compensation transactions and accounts managed by advisors or intermediaries through Fidelity Clearing & Custody Solutions<sup>SM</sup> are subject to different commission schedules.

Commissions are subject to change without notice. See each provider's website for any additional information and restrictions.

<sup>††</sup>Barron's, March 20, 2017 and March 19, 2016 Online Broker Surveys. 2017: Fidelity was evaluated against 15 others and earned the top overall score of 35.6 out of a possible 40. The firm was also named best online broker for Long-Term Investing (shared with 2 others), Best for Novices (shared with 1 other), and Best for Investor Education (shared with 2 others). Fidelity was also ranked 1st in the following categories: Trading Experience & Technology (shared with 2 others), Mobile (shared with 1 other), Research Amenities, and Portfolio Analysis and Reports (shared with 2 others). 2016: Fidelity was evaluated against 15 others and earned the top overall score of 34.9 out of a possible 40.0. Fidelity was also named Best Online Broker for Long-Term Investing (shared with one other), Best for Novices (shared with one other), and Best for In-Person Service (shared with four others), and was ranked first in the following categories: trading technology; range of offerings (tied with one other firm); and customer service, education, and security. Overall ranking for both years based on unweighted ratings in the following categories: trading experience & technology; usability; mobile; range of offerings; research amenities; portfolio analysis and reports; customer service, education, and security; and costs.

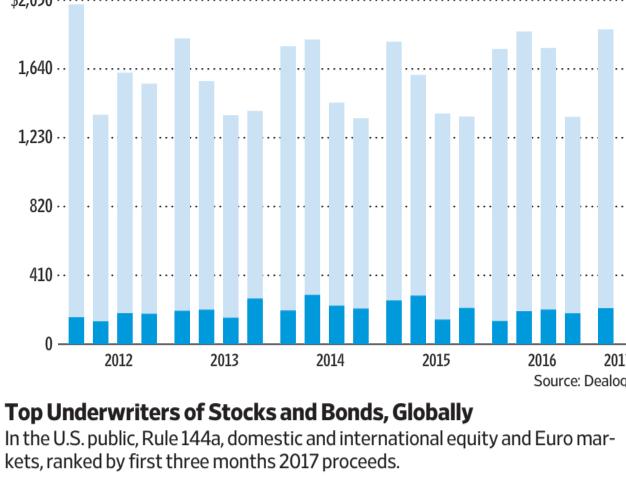
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## MARKETS REVIEW & OUTLOOK | FIRST QUARTER MARKETS DIGEST

### Scoreboard of Wall Street Underwriting:

#### First Three Months

Quarterly Volume of New Global Stocks and Bonds, in billions



### Top Underwriters of Stocks and Bonds, Globally

In the U.S. public, Rule 144a, domestic and international equity and Euro markets, ranked by first three months 2017 proceeds.

|                        | First 3 Months 2017   |                  |               | First 3 Months 2016   |                  |      |
|------------------------|-----------------------|------------------|---------------|-----------------------|------------------|------|
|                        | Proceeds (\$billions) | Market share (%) | No. of Issues | Proceeds (\$billions) | Market share (%) | Rank |
| J.P. Morgan            | 143.9                 | 6.9              | 669           | 124.0                 | 6.5              | 1    |
| Citi                   | 141.3                 | 6.8              | 687           | 109.3                 | 5.8              | 2    |
| BofA-Merrill Lynch     | 129.5                 | 6.2              | 574           | 107.4                 | 5.7              | 3    |
| Goldman Sachs          | 112.9                 | 5.4              | 457           | 92.4                  | 4.9              | 5    |
| Barclays               | 106.0                 | 5.1              | 447           | 98.1                  | 5.2              | 4    |
| Morgan Stanley         | 98.4                  | 4.7              | 525           | 71.4                  | 3.8              | 8    |
| Deutsche Bank          | 91.0                  | 4.4              | 424           | 74.9                  | 4.0              | 6    |
| HSBC                   | 79.2                  | 3.8              | 375           | 72.5                  | 3.8              | 7    |
| BNP Paribas            | 67.4                  | 3.2              | 251           | 57.9                  | 3.1              | 9    |
| Wells Fargo Sec        | 61.9                  | 3.0              | 426           | 56.0                  | 3.0              | 10   |
| <b>Total 10 Totals</b> | <b>1,031.5</b>        | <b>49.3</b>      | <b>2,743</b>  | <b>863.9</b>          | <b>45.5</b>      |      |
| <b>Industry Total</b>  | <b>2,090.5</b>        | <b>100.0</b>     | <b>6,777</b>  | <b>1,897.3</b>        | <b>100.0</b>     |      |

### Global Initial Public Offerings

Underwriters of global IPOs by global issuers, first three months.

| Manager                     | Amount Mkt Share (%) |             | (\$Millions) |                 | Manager        | (\$Millions)           |                 |                |
|-----------------------------|----------------------|-------------|--------------|-----------------|----------------|------------------------|-----------------|----------------|
|                             | (\$billions)         | 2017        | 2016         | 2017            | 2016           | 2017                   | 2016            |                |
| J.P. Morgan                 | 2,570.3              | 7.2         | 4.1          | 830.2           | 542.7          | J.P. Morgan            | 830.2           | 542.7          |
| Goldman Sachs               | 2,174.0              | 6.1         | 5.1          | 653.5           | 484.1          | BofA-Merrill Lynch     | 653.5           | 484.1          |
| Deutsche Bank               | 2,076.7              | 5.8         | 3.4          | 649.7           | 363.9          | Goldman Sachs          | 615.8           | 405.2          |
| Credit Suisse               | 1,991.3              | 5.6         | 0.6          | 576.2           | 378.5          | Morgan Stanley         | 576.2           | 378.5          |
| Morgan Stanley              | 1,986.6              | 5.5         | 5.4          | 456.3           | 269.0          | Citibank               | 456.3           | 269.0          |
| Citi                        | 1,642.0              | 4.6         | 2.1          | 444.9           | 196.3          | Barclays               | 444.9           | 196.3          |
| Barclays                    | 1,217.4              | 3.4         | 1.2          | 437.7           | 287.2          | Credit Suisse          | 437.7           | 287.2          |
| GF Securities Co Ltd        | 930.6                | 2.6         | 2.0          | 290.8           | 213.7          | Wells Fargo Sec        | 290.8           | 213.7          |
| Haitong Securities Ltd      | 859.8                | 2.4         | 4.5          | 266.8           | 176.5          | HSBC                   | 266.8           | 176.5          |
| China International Capital | 817.6                | 2.3         | 1.6          | 5,221.9         | 3,316.9        | <b>Total 10 Totals</b> | <b>5,221.9</b>  | <b>3,316.9</b> |
| <b>Top 10 Totals</b>        | <b>16,266.1</b>      | <b>45.3</b> | <b>30.0</b>  | <b>10,695.8</b> | <b>7,892.5</b> | <b>Industry Total</b>  | <b>35,895.8</b> | <b>100.0</b>   |

### Syndicated Loans

Largest lead arrangers of syndicated loans in the U.S., first three months.

| Manager                | Amount Mkt Share (%) |             | (\$billions) |               | Manager     | Amount Mkt Share (%) |                       |               |              |
|------------------------|----------------------|-------------|--------------|---------------|-------------|----------------------|-----------------------|---------------|--------------|
|                        | (\$billions)         | 2017        | 2016         | 2017          | 2016        | 2017                 | 2016                  |               |              |
| BofA-Merrill Lynch     | 84.00                | 14.7        | 17.9         | 44.06         | 10.7        | 12.5                 | J.P. Morgan           | 830.2         | 542.7        |
| J.P. Morgan            | 75.01                | 13.1        | 15.9         | 40.57         | 9.8         | 11.1                 | BofA-Merrill Lynch    | 653.5         | 484.1        |
| Wells Fargo Sec        | 42.42                | 7.4         | 10.0         | 38.92         | 9.4         | 7.4                  | Goldman Sachs         | 615.8         | 405.2        |
| Citi                   | 37.93                | 6.6         | 8.2          | 38.46         | 9.3         | 10.4                 | Morgan Stanley        | 576.2         | 378.5        |
| Barclays               | 36.19                | 6.3         | 4.5          | 36.39         | 8.8         | 10.1                 | Citibank              | 456.3         | 269.0        |
| Goldman Sachs          | 32.32                | 5.6         | 2.8          | 24.31         | 5.9         | 7.6                  | Barclays              | 23.60         | 5.7          |
| Deutsche Bank          | 27.75                | 4.8         | 5.0          | 23.60         | 5.7         | 6.1                  | Credit Suisse         | 23.60         | 4.2          |
| Credit Suisse          | 26.25                | 4.6         | 2.1          | 17.36         | 4.2         | 5.1                  | Wells Fargo Sec       | 16.80         | 4.1          |
| Morgan Stanley         | 20.73                | 3.6         | 1.9          | 15.03         | 3.6         | 1.4                  | HSBC                  | 16.80         | 4.2          |
| RBC Capital Markets    | 19.95                | 3.5         | 2.2          | 15.03         | 3.6         | 1.4                  | Credit Suisse         | 15.03         | 3.6          |
| <b>Total 10 Totals</b> | <b>402.55</b>        | <b>70.2</b> | <b>70.3</b>  | <b>295.52</b> | <b>71.5</b> | <b>71.8</b>          | <b>Industry Total</b> | <b>573.48</b> | <b>100.0</b> |

### High-Yield Bonds

Top underwriters of corporate high-yield debt in U.S. markets, first three months.

| Manager                | Amount Mkt Share (%) |             | (\$billions) |             | Manager     | Amount Mkt Share (%) |                       |              |              |
|------------------------|----------------------|-------------|--------------|-------------|-------------|----------------------|-----------------------|--------------|--------------|
|                        | (\$billions)         | 2017        | 2016         | 2017        | 2016        | 2017                 | 2016                  |              |              |
| J.P. Morgan            | 9.27                 | 11.9        | 10.1         | 1.65        | 8.5         | 7.9                  | J.P. Morgan           | 830.2        | 542.7        |
| BofA-Merrill Lynch     | 8.68                 | 11.2        | 9.5          | 1.33        | 6.8         | 6.3                  | BofA-Merrill Lynch    | 653.5        | 484.1        |
| Goldman Sachs          | 6.83                 | 8.8         | 12.1         | 1.32        | 6.8         | 6.4                  | Goldman Sachs         | 615.8        | 405.2        |
| Citi                   | 6.36                 | 8.2         | 7.6          | 1.10        | 5.7         | 5.9                  | Morgan Stanley        | 576.2        | 378.5        |
| Credit Suisse          | 5.77                 | 7.4         | 5.6          | 1.04        | 5.3         | 4.4                  | Citibank              | 456.3        | 269.0        |
| Barclays               | 4.96                 | 6.4         | 7.9          | 0.94        | 4.8         | 3.4                  | Barclays              | 23.60        | 5.7          |
| Deutsche Bank          | 4.88                 | 6.3         | 5.5          | 0.93        | 4.8         | 3.8                  | Credit Suisse         | 23.60        | 4.2          |
| Wells Fargo Sec        | 4.79                 | 6.2         | 6.5          | 0.69        | 3.6         | 3.6                  | Wells Fargo Sec       | 16.80        | 4.1          |
| RBC Capital Markets    | 3.97                 | 5.1         | 3.3          | 0.48        | 2.5         | 2.0                  | RBC Capital Markets   | 16.80        | 4.2          |
| Jefferies LLC          | 2.98                 | 3.8         | 2.1          | 0.42        | 2.2         | 2.5                  | Wells Fargo Sec       | 16.80        | 4.2          |
| <b>Total 10 Totals</b> | <b>58.50</b>         | <b>75.2</b> | <b>70.3</b>  | <b>9.89</b> | <b>51.0</b> | <b>46.3</b>          | <b>Industry Total</b> | <b>77.81</b> | <b>100.0</b> |

### Ranking by Revenue

Includes fees from stock, bond and loan underwriting, merger-and-acquisition advice, first three months.

| Manager | Amount Mkt Share (%) |      | (\$billions) |          | Manager | Amount Mkt Share (%) |  |
|---------|----------------------|------|--------------|----------|---------|----------------------|--|
|         | (\$billions)         | 2017 | 2016         | 2017</th |         |                      |  |

## MARKETS REVIEW & OUTLOOK | FIRST QUARTER

# Bank Stocks Pause After Postvote Surge

Hopes of pro-business policies fade for now; a tepid recovery and weak lending also hurt

BY AARON LUCCHETTI  
AND RACHEL LOUISE ENSIGN

Bank investors finished 2016 with high hopes. But so far, 2017 hasn't delivered.

The KBW Nasdaq Bank Index has risen just 0.3% in the year to date, short of the 5.5% gain in the S&P 500, as investor euphoria over the potential for tax cuts, regulatory rollbacks and stronger economic growth has faded.

Shares of **Goldman Sachs Group** Inc., for example, fell 4.1% in the first quarter, after posting a sizzling 32% gain between Election Day and the end of 2016. **Fifth Third Ban-**

**corp** declined 5.8% after rising 25% between Election Day and year-end.

The pullback reflects a host of factors, ranging from the Trump administration's struggle to win support in Congress to the lackluster U.S. recovery that helped keep Treasury bond yields in check. A slowdown in business-lending growth also surprised many analysts.

"There's no doubt that fundamentals this quarter are softer" than many anticipated, said Brian Kleinhanzl, a bank analyst at KBW.

For now, many investors remain hopeful the first quarter's malaise will prove temporary.

Where bank stocks go next may rest on two factors: how quickly short-term interest rates rise and how rapidly business-loan growth slows.

Rising rates help banks in part by boosting prices on lending products including credit cards and home-equity lines.

After a long period of keeping short-term interest rates near zero, the Federal Reserve is signaling it might raise them twice more in 2017 after raising them once in March. Goldman analysts estimate that each rate increase could add 3% to banks' earnings per share. But slowing loan growth raises concerns about the durability of the eight-year-old economic recovery.

Bank loans outstanding across all categories as of March 22 rose 3.9% from a year earlier. That was the slowest pace of growth since early 2014 and down from a 7.3% rate near the election.

Business-loan growth has been particularly languid; in

**Loaned Out**  
Commercial and industrial loans at U.S. banks, percentage change from a year earlier



Source: Federal Reserve  
THE WALL STREET JOURNAL.

March it slipped below a 3% annual rate for the first time since 2011, Fed data show.

Commercial and industrial loans have been a prime area of lending growth, notching

double-digit gains as recently as a year ago.

"Our customers are clearly more optimistic. They believe they're going to get regulatory relief," John Turner, head of corporate banking at **Regions Financial Corp.**, said in March. "But they're looking for some confirmation of that" before they start borrowing more.

A big wild card will be the progress the Trump administration makes in advancing its legislative agenda.

Tax overhaul could still help banks significantly, and new financial overseers expected to be appointed in coming months will likely implement more bank-friendly views, regardless of what happens on Capitol Hill.

But the White House's failure to revise health care prompted some investors to temper their expectations for

business-friendly changes in other areas, a shift that has played a large role in cooling the bank rally.

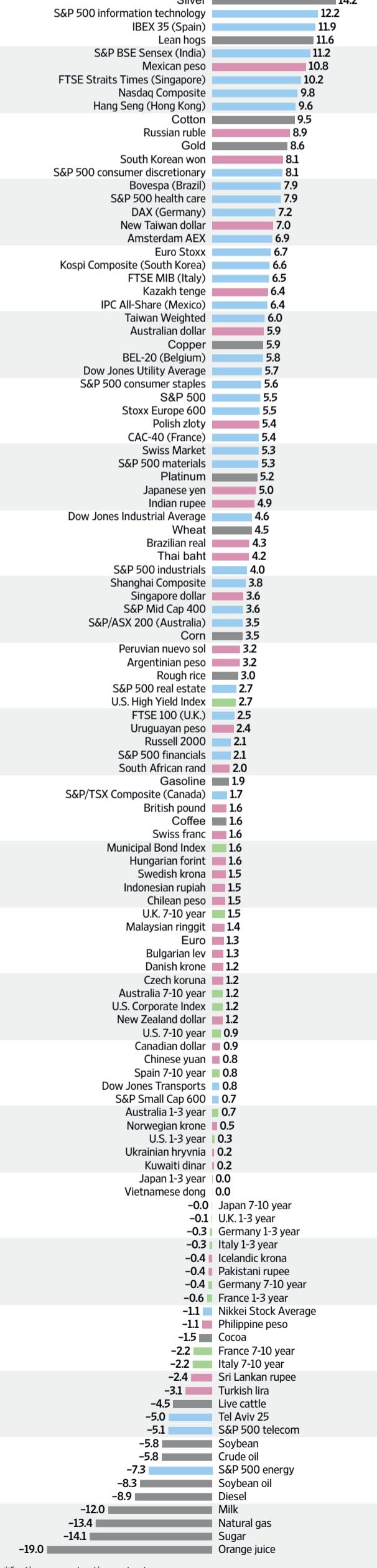
Since the beginning of March, the six biggest U.S. banks' average price-to-book ratio, which measures the share value relative to reported net worth, fell to 1.19 from 1.27.

Price to book at **Bank of America**, whose shares had traded at a discount to book value for most of the postcrisis era before finally moving to a premium in recent months, slipped back to 0.98, according to FactSet.

"We've corrected a lot," said John McDonald, an analyst with Bernstein. "Bank stocks initially overshot the fundamental benefits from a change in administration. They're now more properly reflecting the environment."

## Markets' First-Quarter Winners & Losers

Stocks around the world soared in the first three months of the year, while energy markets lagged behind after a strong finish in 2016



\*Continuous most-active contract  
Sources: FactSet (indexes, commodities); Tullett Prebon (currencies); Bloomberg Barclays (bonds)



ALWAYS  
YEAR AFTER YEAR  
ORGANIC GROWTH.

NEVER  
TAKEN OVER.  
BOUGHT.  
OR SOLD.

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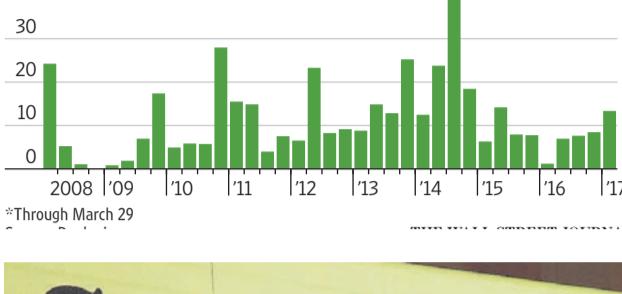
## MARKETS REVIEW &amp; OUTLOOK | FIRST QUARTER

# Marquee Deals Reinvigorate IPO Market

## Inching Up

U.S. IPO listings in the first three months of the year raised the most money since the second quarter of 2015.

### Deal value, quarterly



Successful offerings of Snap and Canada Goose bring a jolt of confidence to sector

By CORRIE DRIEBUSCH

The IPO market is finally showing signs of a sustained revival.

The number and dollar value of U.S. initial public offerings ballooned in the first quarter, while investor demand for the new shares was robust. That bodes well for a market that has languished in recent years as technology startups and others opted for private funding.

There were 29 IPOs in the quarter, raising about \$13.3 billion through Wednesday, according to Dealogic, as the rising stock market emboldened companies contemplating offerings. While that is broadly in line with the typical quarter in the past decade, it is up dramatically from the year-earlier period, when there were just nine offerings raising \$1.2 billion amid a global stock-market rout. It is also the most money raised since the second quarter of 2015.

Most companies making

their debuts in the first quarter priced their shares at or above their targets and then enjoyed a post-IPO bump. The group rose an average of 12% through Wednesday, more than the 5.5% gain for the S&P 500 in the period.

The biggest U.S. IPO in the quarter—and the biggest tech debut since 2014—was that of **Snap Inc.**, owner of the disappearing-message app Snapchat. Snap sold shares at \$17 apiece, above the range of \$14 to \$16 it had targeted. The stock surged when it began trading, and though it has retreated from its high, still closed at 22.53 Friday—giving the five-year-old company a market value of about \$26 billion, according to FactSet.

**Canada Goose Holdings Inc.**, maker of its namesake parkas, staged a successful public-market entrance. Like Snap, Canada Goose priced its offering above the high end of its targeted range, and the shares jumped more than 20% on their first day of trading. The shares now trade slightly above their first-day close.

The success of marquee IPOs injects confidence and enthusiasm into a market that lacked both at this time last year and encourages others to

proceed with offerings, investors say.

The IPO market's rebound was broad-based, too: There were tech companies, such as Snap and enterprise-software provider **MuleSoft Inc.**; energy concerns including Keane Group Inc.; and real-estate investment trusts like Blackstone Group LP's **Invitation Homes Inc.**

There is no guarantee that the momentum will continue; a sharp drop in the markets, which many investors expect after the postelection run-up, could bring the IPO rally to a halt, for example.

Few bankers say they expect a major surge from current levels in IPOs in the rest of the year as there is still significant capital available to companies that want to remain private.

While the Snap IPO captivated investors, bankers say it isn't representative of the deals to come in the next several months. Instead, they point to MuleSoft, which is valued in the single-digit billions of dollars. Among the tech companies expected to test the IPO market later this year are software makers **Appian Corp.** and **Cloudera Inc.** and cybersecurity provider Fo-

reScout Technologies Inc.

For now, the IPO-market revival is a welcome change for participants after more than a year of lethargy.

The volume of U.S.-listed IPOs in 2015 declined sharply as volatility in stocks escalated in the second half of the year. In early 2016, conditions worsened; there were no U.S. IPOs at all that January, the first month-long drought since 2011. As the year went on, more companies launched, but despite a spike in the second half, 2016's IPOs raised the least money in 13 years. It was the slowest year for U.S. tech offerings since 2009.

Still, the deals that did get done in 2016 outperformed the market by a wide margin in many cases, helping lay the groundwork for this year's rebound.

At the end of 2016, the year's IPO stocks were up 25% on average, far outpacing the S&P 500's 9.5% full-year rise.

"There's more confidence you can come in and take a more fair and reasonable approach to pricing," said Frank Maturo, vice chairman of equity capital markets for the Americas at UBS Group AG.

—Maureen Farrell contributed to this article.



Snap Inc.'s IPO represents the biggest tech debut since 2014.

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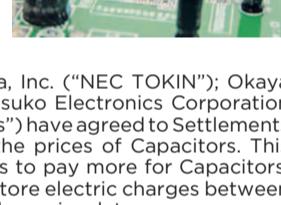
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NEC TOKIN Corp. and NEC TOKIN America, Inc. ("NEC TOKIN"); Okaya Electric Industries Co., Ltd. ("OEI"); and Nitsuko Electronics Corporation ("Nitsuko") (collectively "Settling Defendants") have agreed to Settlements resolving claims that they allegedly fixed the prices of Capacitors. This may have caused individuals and businesses to pay more for Capacitors. Capacitors are electronic components that store electric charges between one or more pairs of conductors separated by an insulator.

**AM I INCLUDED?** You may be included if, from January 1, 2002, through July 15, 2016, you purchased one or more Capacitors from a distributor (or from an entity other than a Defendant) that a Defendant or alleged co-conspirator manufactured. "Indirect," as that term is used below, means that you bought the product from someone other than the manufacturer, for example, from a distributor. A more detailed notice, including the exact Class definitions and exceptions to Class membership, is available at [www.capacitorsindirectcase.com](http://www.capacitorsindirectcase.com).

**WHAT DO THE SETTLEMENTS PROVIDE?** The Settlements provide for the combined payment of \$14,950,000 in cash to the Classes. The Settling Defendants have also agreed to cooperate in the pursuit of claims against other Defendants.

**HOW CAN I GET A PAYMENT?** Money will not be distributed to the Classes at this time. The lawyers for the Classes will pursue the lawsuit against the other Defendants to see if any future settlements or judgments can be obtained in the case and then be distributed together to reduce expenses. The lawyers anticipate that when the settlement proceeds are disbursed to the Classes, it will be done on a *pro rata* basis based on the value of your Capacitor purchases.

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**WHAT ARE MY RIGHTS?** Even if you do nothing, you will be bound by the Court's decisions concerning these Settlements. If you want to keep your right to sue one or more of the Settling Defendants regarding Capacitor purchases, you must exclude yourself in writing from the Classes by May 31, 2017. If you stay in the Classes, you may object in writing to the Settlements by May 31, 2017. The Settlement Agreements, along with details on how to exclude yourself or object, are available at [www.capacitorsindirectcase.com](http://www.capacitorsindirectcase.com). The U.S. District Court for the Northern District of California will hold a hearing on July 6, 2017, at 10:00 a.m., at 450 Golden Gate Avenue, 19th Floor, Courtroom 11, San Francisco, CA 94102 to consider whether to approve the Settlements. Class Counsel may also request at the hearing, or at a later date, attorneys' fees of up to 25% of the Settlement Funds, plus reimbursement of costs and expenses, for investigating the facts, litigating the case, negotiating the Settlements, providing notice to the Classes, and/or claims administration. The total amount of these costs shall be no more than \$2,558,454.00. You or your own lawyer may appear and speak at the hearing at your own expense, but you don't have to. The hearing may be moved to a different date or time without additional notice, so it is a good idea to check the above-noted website for additional information. Please do not contact the Court about this case.

If the case against the other Defendants is not dismissed or settled, Class Counsel will have to prove their claims against the other Defendants at trial. Dates for the trial have not yet been set. The Court has appointed the law firm of Cotchett, Pitre & McCarthy, LLP to represent Indirect Purchaser Class members.

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**NOTICE IS HEREBY GIVEN** that on **May 3, 2017** at **10:00 A.M. Eastern Standard Time**, in the offices of Vedder Price P.C., 1633 Broadway, 31st Floor, New York, New York, pursuant to that certain Aircraft Security Agreement (MSN 37306), dated as of September 18, 2015 (as supplemented, amended and in effect as of the date hereof, the "Security Agreement"), between Bank of Utah, not in its individual capacity, but solely as owner trustee (together with its successors and permitted assigns, the "Owner Trustee"), and Bank of Utah, as security trustee (together with its successors and permitted assigns, and in its capacities as the secured party and foreclosing lender, the "Security Trustee"), and other related documents, and pursuant to Section 9-610 of the Uniform Commercial Code as adopted under applicable law, and by direction of the lender (the "Lender") holding all of the loans under the related loan agreement, the Security Trustee will hold a public foreclosure auction to offer for sale the Owner Trustee's estate, rights, title and interest in and to the Collateral, provided, however, that the security interest in the Collateral held by the Owner Trustee to the Security Trustee under the Security Agreement, including, without limitation, all of Owner Trustee's right, title and interest in and to the following collateral (collectively, the "Collateral"): (i) one (1) Boeing model 787-8 airplane bearing manufacturer's serial number 37306 and FAA Registration No. N887BA, along with two (2) Rolls-Royce Trent 1000-A2 aircraft engines bearing manufacturer's serial numbers 10312 and 10293, along with all related equipment, parts and accessories in respect of the aircraft and related equipment (collectively, the "Aircraft"), (ii) all flight records, logs, manuals, maintenance data and inspection, modification and overhaul records and other documents relating to any portion of the Aircraft, (iii) related warranty rights, (iv) related insurance rights and (v) the remainder of the "Collateral" (as defined in the Security Agreement).

**Terms and Conditions of Sale.**

1. The Collateral shall be sold as a whole lot or in multiple partial lots (for example, the Aircraft and the other Collateral may be sold either together or separately), as determined in the sole discretion of Seller, on an "AS IS, WHERE IS" basis, with all faults, and without recourse to the Security Trustee or the Lender. The Security Trustee and the Lender make no representations or warranties, express or implied, as to the value or condition of the Collateral, and the Security Trustee disclaims any other representation or warranty with respect to the Collateral whatsoever. The Security Trustee and the Lender do not claim title to the Collateral being sold hereunder and each disclaims any warranty of title, possession, quiet enjoyment, value or quality of the Collateral and the like in any case.

2. The Collateral (or portion thereof) will be sold at public auction to the bidder with the highest or otherwise best bid (as determined by the Security Trustee and the Lender), for cash, except as otherwise provided herein, and on such other commercially reasonable terms as the Security Trustee and the Lender may determine in accordance with the Security Trustee's bid procedures (the "Bid Procedures"), a copy of which is available upon request from the representatives listed below.

3. The public auction sale will take place at the time listed above.

4. The Security Trustee and/or the Lender reserve the right to bid at the sale and to credit bid all or any part of the total amount of their secured claims in satisfaction (or partial satisfaction) of the purchase price as set forth in the Bid Procedures. The Security Trustee further reserves the right, on or prior to the date of sale, to modify, waive or amend any terms or conditions of any sale or impose any other condition or restriction on the sale, if the Security Trustee deems appropriate, to reject any bids and/or to adjourn, delay or terminate any sale.

5. For a copy of the Security Trustee's Bid Procedures, the above-referenced documents or additional information regarding the terms of the sale or the Collateral, or inquiries regarding legal issues or technical specifications regarding the Collateral, please contact (a) counsel for the Lender, Vedder Price P.C., Michael J. Edelman, Esq. (Tel: 212-407-6970) or Cameron A. Gee, Esq. (Tel: 212-407-6929), 1633 Broadway, 31st Floor, New York, NY 10019, Fax: 212-407-7799 or e-mail: MJEdelman@VedderPrice.com or CGee@VedderPrice.com or (b) for technical specifications, James Raff (Tel: 312-508-5505). All bidders and others requesting confidential information relating to the Collateral will be required to sign a confidentiality agreement. No information provided in response to such request shall constitute a representation or warranty.

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## Bouncing Back

An emerging-market rally stalled after the U.S. elections, but in the first quarter these markets pushed higher again.

### MSCI Emerging Markets Currency Index

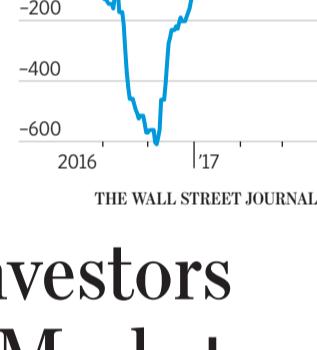


Sources: MSCI (indexes); Institute of International Finance (moving average)

### MSCI Emerging Markets stock index



Flows into emerging markets, 28-day moving average



THE WALL STREET JOURNAL.

## Bargain-Hunting Investors Pile Into Emerging Markets

By IRA JOSEBASHVILI

Investors are once again piling into emerging markets, drawn by an improving global economic outlook and favorable stock valuations.

The MSCI Emerging Markets stock index rose to a nearly two-year high in March, led by rallies in China, South Korea and India. The Mexican peso is within striking distance of its biggest monthly gain in more than two decades, while the South African rand, Russian ruble and Brazilian real are up 30% or more against the dollar from their lows of 2016. Some \$30 billion flowed into emerging-market assets in March, the biggest inflows since January 2015, according to the Institute of International Finance.

Even following those gains, many investors believe developing markets promise potentially better returns than the U.S., where a postelection rally has driven the Dow industrials and other major indexes to new highs and pushed price/earnings ratios further above their long-run averages.

Emerging-market stocks are trading at a 26% discount to those in developed markets, based on estimated earnings over the next 12 months, analysts at UBS Wealth Management said. The average discount over the past 10 years has been 17%.

Bond yields have fallen in emerging markets during a yearlong rally but remain well above the ultralow levels prevailing in the U.S., Japan and Europe.

## CLOSED-END FUNDS

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their shares back from investors who want to cash out. Instead, fund managers can issue new shares.

a-The NAV and market price are ex dividend. b-The NAV is fully diluted; c-NAV is as of Thursday's close. d-NAV is as of Wednesday's close. e-NAV assumes rights offering is fully subscribed. f-Rights offering in process. g-Rights offering announced. h-Lipper data has been adjusted for rights offering. i-Rights offerings have expired, but Lipper data not yet adjusted. j-NAV as of previous day. o-Tender offer in process. v-NAV is converted at the commercial rate. w-Convertible Note-NAV (notional value). x-NAV assumes that dividends are reinvested in Canadian dollars. y-NAV assumes that the information is not available or not applicable. NS signifies fund not in existence of entire period.

12-month yield is computed by dividing income dividends paid (during the previous twelve months) for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

**Friday, March 31, 2017**

**52 wk**

**Prem Ttl**

**Fund (SYM)**

**NAV Close/Disc**

**Ret**

| <b>52 wk</b>                           |            |             |            |
|--|------------|-------------|------------|
| <b>Fund (SYM)</b>                      | <b>NAV</b> | <b>Prem</b> | <b>Ttl</b> |
| Source Capital <b>SOR</b>              | 37.56      | NA          | 9.7        |
| Tri-Continental <b>TY</b>              | 27.00      | 23.12       | -14.4      |
| <b>Specialized Equity Funds</b>        |            |             |            |
| Adams Natural Res Fd <b>PEO</b>        | 23.09      | 19.42       | -15.9      |
| AllInzGI NFj DivYest <b>NFJ</b>        | 14.59      | 12.89       | -11.7      |
| FstTrErhEqInv Fd <b>FFA</b>            | 15.89      | 14.44       | -9.1       |
| First Tr Engy Infra Fd <b>FIV</b>      | 20.15      | 19.30       | -4.2       |
| First Tr MLP & Engy Incm Fd <b>FEI</b> | 15.93      | 16.35       | +2.6       |
| Gabelli Utility Tr <b>GUT</b>          | 5.53       | 6.74        | +2.9       |
| GAMCO GblNvRscsLinc <b>GNN</b>         | 5.71       | 5.60        | -2.0       |
| Goldman Sachs MLP Energy <b>GEN</b>    | 10.67      | NA          | 53.0       |
| John Hancock Fin Ops Fd <b>BTO</b>     | 34.36      | 34.00       | -1.0       |
| Lipper Fund <b>GEI</b>                 | 8.10       | NA          | 64.3       |
| BlackRock Global Trust <b>BOE</b>      | 14.06      | 12.40       | -11.8      |
| BirkRk Erh Cap Inco <b>CII</b>         | 15.68      | 14.32       | -8.7       |
| BirkRk Erh Eq Div Tr <b>BDJ</b>        | 9.35       | 8.55        | -8.6       |
| BlackRock Global Trust <b>BOE</b>      | 13.76      | 12.06       | -12.4      |
| BirkRk Erh Cap Inco <b>CII</b>         | 15.33      | 13.75       | -10.3      |
| BirkRk Engy Res Tr <b>BGR</b>          | 15.33      | 12.86       | -9.0       |
| BlackRock Global Trust <b>BOE</b>      | 13.76      | 12.06       | -11.8      |
| BirkRk Erh Cap Inco <b>CII</b>         | 15.68      | 14.32       | -8.7       |
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| BirkRk Erh Eq Div Tr <b>BDJ</b>        | 9.35       | 8.55        | -8.6       |
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| BirkRk Erh Cap Inco <b>CII</b>         | 15.68</    |             |            |

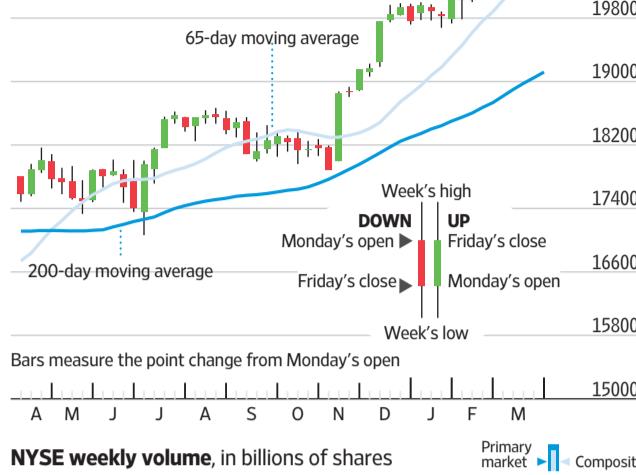
## MARKETS DIGEST

### Dow Jones Industrial Average

**20663.22** ▲ 66.50, or 0.32% last week  
 High, low, open and close for each of the past 52 weeks

Last Year ago  
 Trailing P/E ratio\* 21.08 18.18  
 P/E estimate\* 17.72 16.69  
 Dividend yield 2.36 2.53  
 All-time high 21115.55, 03/01/17

Current divisor 0.14602128057775



Bars measure the point change from Monday's open

A M J J A S O N D J F M  
15000

NYSE weekly volume, in billions of shares Primary market Composite

A M J J A S O N D J F M  
30  
20  
10  
0

\*P/E data based on as-reported earnings from Birinyi Associates Inc.

### S&P 500 Index

**2362.72** ▲ 18.74, or 0.80% last week  
 High, low, open and close for each of the past 52 weeks

Last Year ago  
 Trailing P/E ratio\* 24.75 23.82  
 P/E estimate\* 18.28 17.49  
 Dividend yield 1.97 2.20  
 All-time high 2395.96, 03/01/17

65-day moving average



A M J J A S O N D J F M  
1850

### New to the Market Public Offerings of Stock

#### IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

| Expected pricing date | Filed         | Issuer/business   | Symbol/primary exchange | Shares (mil.) | Pricing Range(\$)<br>Low/High   | Bookrunner(s) |
|-----------------------|---------------|---|-------------------------|---------------|---|---------------|
| 4/4                   | 9/24<br>2014  | Hess Midstream Partners LP Owns gathering/processing assets in the Bakken.  | HESN                    | 12.5<br>N     | 19.00/<br>21.00 GS, Citi, JPM,<br>MUFJ Fin, WFS   |               |
| 4/5                   | 11/9<br>2015  | Elevate Credit Inc Provider of online credit solutions to consumers.        | ELVT                    | 7.7<br>N      | 12.00/<br>14.00 UBS, CS, Jefferies,<br>Stifel, W. Blair & Co.                             |               |
| 4/5                   | 12/22<br>2016 | Schneider National Inc A transportation and logistic company.               | SNDR                    | 29.0<br>N     | 18.00/<br>20.00 MS, UBS, BofA ML, Citi,<br>CS, JPM, WFS                                   |               |
| 4/6                   | 2/6           | Azul SA Airline.  | AZUL                    | 72.0<br>Int'l | 19.00/<br>23.00 Citi, Itau BBA, DB,<br>Banco do Brasil, JPM,<br>RJ Santander, Grupo Safra |               |
| 4/6                   | 3/13          | Okta Inc Provides on-demand identity and access management for enterprises. | OKTA                    | 11.0<br>Nq    | 13.00/<br>15.00 GS, JPM,<br>Allen & Co  |               |

#### Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

| Lockup expiration | Issue date   | Issuer                     | Offer symbol | Offer price(\$) | Offer amt (\$ mil.) | Through Friday (%) | Lockup provision |
|-------------------|--------------|----------------------------|--------------|-----------------|---------------------|--------------------|------------------|
| April 3           | Oct. 5, '16  | Advanced Disposal Services | ADSW         | 18.00           | 398.5               | 25.6               | 180 days         |
|                   | Oct. 5, '16  | Coupa Software             | COPU         | 18.00           | 153.2               | 41.1               | 180 days         |
|                   | Oct. 5, '16  | Obalon Therapeutics        | OBLN         | 15.00           | 75.0                | -28.7              | 180 days         |
| April 4           | Oct. 6, '16  | AquaVenture Holdings       | WAAS         | 18.00           | 134.6               | -5.2               | 180 days         |
|                   | Oct. 6, '16  | Camping World Holdings     | CWH          | 22.00           | 261.2               | 46.6               | 180 days         |
| April 5           | Oct. 7, '16  | EverSpin Technologies      | MRAM         | 8.00            | 40.0                | 7.5                | 180 days         |
| April 9           | Oct. 11, '16 | Azure Power Global         | AZRE         | 18.00           | 61.4                | 3.7                | 180 days         |
|                   | Oct. 11, '16 | AzurRx BioPharma           | AZRX         | 5.50            | 5.3                 | -29.8              | 180 days         |
|                   | Oct. 11, '16 | Extraction Oil Gas         | XOG          | 19.00           | 728.3               | -2.4               | 180 days         |

#### IPO Scorecard

Performance of IPOs, most-recent listed first

| Company            | SYMBOL | IPO Date/Offer price | Friday's close (\$) | Offer price (\$) | % Chg From Offer | 1st-day close | Company       | SYMBOL | IPO Date/Offer price | Friday's close (\$) | Offer price (\$) | % Chg From Offer | 1st-day close |
|--------------------|--------|----------------------|---------------------|------------------|------------------|---------------|---------------|--------|----------------------|---------------------|------------------|------------------|---------------|
| Alteryx            | AYX    | March 24/\$14.00     | 15.63               | 11.6             | 0.8              | 15.6          | Ardagh Grp    | ARD    | March 15/\$19.00     | 21.96               | 15.6             | -4.1             |               |
| Valeritas          | VLRX   | March 23/\$10.00     | 7.15                | -28.5            | 0.4              |               | Presidio      | PSDO   | March 10/\$14.00     | 15.49               | 10.6             | 8.7              |               |
| MuleSoft           | MULE   | March 17/\$17.00     | 24.33               | 43.1             | -1.7             |               | Jill          | JILL   | March 9/\$13.00      | 14.10               | 8.5              | 11.5             |               |
| ProPetro Holding   | PUMP   | March 17/\$14.00     | 12.89               | -7.9             | -11.1            |               | Snap          | SNAP   | March 2/\$17.00      | 22.53               | 32.5             | -8.0             |               |
| Canada Goose Hldgs | GOOS   | March 16/\$12.63     | 15.96               | 26.4             | -0.7             |               | Hamilton Lane | HLNE   | March 1/\$16.00      | 18.67               | 16.7             | 3.6              |               |

Sources: Dealogic; WSJ Market Data Group

#### Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

| Symbol/<br>Primary<br>exchange | Expected<br>Issuer/Business         | Amount<br>(\$ mil.) | Friday's<br>price (\$) | Bookrunner(s)                     |
|--------------------------------|-------------------------------------|---------------------|------------------------|-----------------------------------|
| BSBR                           | Banco Santander (Brasil) SA Finance | 781.6               | 8.82                   | BofA ML, Credit Suisse, Santander |

Sources: WSJ Market Data Group; FactSet Research Systems

#### Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

| Issuer/Industry   | Takedown date/<br>Registration date | Deal value (\$ mil.) | Registration (mil.) | Bookrunner(s)         |
|-------------------|-------------------------------------|----------------------|---------------------|-----------------------|
| Cara Therapeutics | March 30                            | \$80.1               | \$250.0             | Piper Jaffray, Stifel |
| OFSC Capital      | March 30 Nov. 19/14                 | \$51.0               | \$200.0             | MS, UBS, Citi, JPM    |

Tonix Pharmaceuticals Holding

Aveo Pharmaceuticals

CryoPort

Alliqua BioMedical

STORE Capital

Evolent Health

U.S. Dollar Index

WSJ Dollar Index

Euro, per dollar

Yen, per dollar

U.K. pound, in dollars

Gold, \$ per troy oz.

U.S. Dollar Index

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Euro, per dollar

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U.K. pound, in dollars

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Euro, per dollar

Yen, per dollar

U.K. pound, in dollars

# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

## New Retail Fashion: Consistency

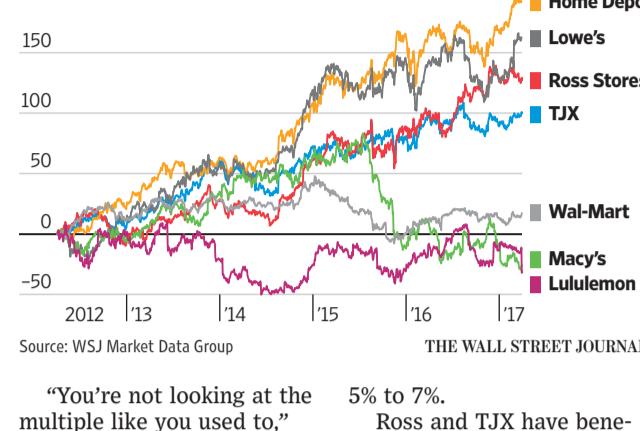
Most investors will pay a premium for growth. In the volatile world of retail stocks, many are increasingly willing to pay up for consistency too.

Before their 23% tumble last Thursday on downbeat guidance, shares of **Lululemon Athletica** fetched 26 times forward earnings estimates. That reflected expectations that sales would climb an impressive 16% this fiscal year. Now the athletic-wear maker's sales are only expected to grow 9%, yet its multiple still stands at 22 times.

For a similar multiple of 21 times, investors could have owned shares of off-price retailer **Ross Stores**. Its sales are only expected to climb 7%, but there is little risk to it achieving that. In an already turbulent industry now being transformed by the internet, investors increasingly covet retailers that can produce consistent results and are willing to pay a premium for them. They are also less likely to abandon these bastions of relative safety than other retailers' shares.

### Leaders of the Pack

Share-price performance



Source: WSJ Market Data Group

THE WALL STREET JOURNAL

"You're not looking at the multiple like you used to," said Instinet analyst Simeon Siegel. "You are looking for the peace of mind that comes with not having to worry about a double-digit decline."

Among those that Mr. Siegel puts in that camp are Ross and its off-price rival TJX Cos., as well as home-improvement stores **Home Depot** and Lowe's. Apart from Lowe's, all trade at 20 times or higher, despite expected sales growth of only

5% to 7%. Ross and TJX have benefited from the weakness at department stores, which has given them access to higher-quality merchandise. The retailers' constantly changing assortment, which shoppers dig through to find gems, also helps them avoid margin eroding e-commerce sales.

While both companies' shares have underperformed the S&P 500 over the past year, they have more than doubled over the past five. Neither has reported a quar-

terly same-store sales decline since the end of fiscal 2009.

The story is similar for Home Depot and Lowe's which sell goods that often require a trip to a store, making them more immune than most retailers to competition from Amazon.com. Home Depot's shares have nearly tripled over the past five years, while Lowe's shares have more than doubled. Home Depot hasn't had a same-store sales decline in more than six years and Lowe's hasn't for over three.

Investors are growing fonder of consistency. Forward multiples for Ross, TJX and Home Depot are well above their five-year averages and have been so for much of the past two years. Lowe's, where performance has lagged behind a bit, trades just below its five-year average.

This premium versus the rest of retail could widen as the movement of sales online continues to take its course.

For jittery retail investors, these steady stocks may be a panacea.

—Miriam Gottfried

### OVERHEARD

The computer systems at the Internal Revenue Service made headlines for all the wrong reasons in recent years.

Whatever one's political interpretation of lost emails and crashed hard drives might have been, there is also an economic angle that should enrage liberals and conservatives alike: The IRS spends a tremendous amount of money on information technology.

The Tax Prof Blog points out that \$37,051 is spent on IT for the average Treasury Department employee, of which the IRS is a big part, compared with less than \$5,000 per employee in the private sector.

The International Association of IT Asset Managers estimates that the IRS could save a whopping \$31,000 per employee annually. Translated into the typical \$9,118 that most Americans send each year to the IRS, that is 281,000 taxpayers' contributions to the federal budget eaten up by waste in the agency tasked with collecting their taxes.

## China Can't Carry Global Economy

Suddenly it is a world upside down: Investors are deserting U.S. growth plays as skepticism about Donald Trump's agenda rises, while overcapacity-ridden China and aging Japan are looking unexpectedly strong.

Better growth in the world's second- and third-largest economies, which both posted surprisingly good manufacturing numbers Friday, is great news for Asia and commodity exporters. But it won't do much to help major developed economies if growth in the U.S. and Europe falters with Mr. Trump's pro-business agenda.

Better growth in China boosts global inflation through higher commodity prices. Unfortunately that is the wrong sort of inflation: Rising commodity prices in consumer countries such as the U.S. and nations in Europe erode purchasing power and ultimately mean lower growth. Strong growth in Chinese construction, meanwhile, is an enormous help for Australian iron-ore exporters and copper miners in Chile, but it doesn't do much for the U.S. or Europe.

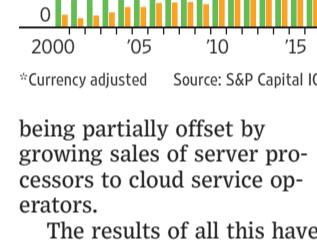
Faster growth in China and Japan will doubtless help certain firms and sectors on the margins—but these are still highly protected economies, unlike the U.S. and European powerhouses such as Germany and the U.K.

The primary effect of better growth in China's "old" economy is still higher commodity-price-driven inflation—reflation indeed, but not of the happy variety. With Mr. Trump's agenda under assault and political uncertainty in Europe still rising, The West needs to look to itself to keep growth ratcheting higher.—Nathaniel Taplin

## Semiconductor Giant Intel Must Chip Away at Fab Rivals

### Semi-Sweet

Annual revenue for fiscal years ended December



\*Currency adjusted  
Source: S&P Capital IQ

been hard on Intel. Its revenue is projected to rise by only 1% this year, but the costs for keeping its chip production facilities up to date keeps going up at a much faster pace. Capital expenditures are expected to hit a record \$12 billion this year after having averaged \$9 billion annually over the past three years.

Intel naturally wants to eke out a better return on this very large investment, hence the company's latest program to offer production services to other chip designers who can make use of its state-of-the-art capabilities.

The results of all this have

Intel estimates this market to be worth about \$23 billion a year now, but it will likely take some time to build up. And it is worth noting that serving large customers such as **Apple**, which outsources production of the chips it designs for products like the iPhone, would require a significant expansion of Intel's production footprint. Intel itself notes that the cost of building a modern chip fab is now around \$10 billion.

What is more, Intel's competitors in chip fabrication are hardly sitting still. Taiwan Semiconductor Manufacturing Co. and Samsung

Electronics, which serve the bulk of the mobile chip market, also are investing heavily to keep their own fabs on the leading edge. Combined capital expenditures for the two are expected to reach \$22.9 billion this year, up 6% from last year, estimates analyst Wes Twigg of Pacific Crest Securities.

It helps that Intel is still considered unrivaled in its ability to squeeze more performance out of shrinking pieces of silicon. However, fully cashing in on that advantage requires Intel to get a little bit of help from its friends.

—Dan Gallagher

## EQUITIES

AHEAD OF THE TAPE | Steven Russolillo

## A Mixed Blessing in Manufacturing

The president's pledge to revitalize American manufacturing is already bearing fruit in recent factory data. Stock-market investors like that. They may be less pleased if it emboldens a faster rate-tightening cycle.

More evidence of manufacturing's latest rebound is expected Monday when the Institute for Supply Management releases its monthly report. Factory activity has expanded significantly in recent months, giving hope that the U.S. economy could also be poised for faster growth as well.

Economists polled by The Wall Street Journal estimate that the ISM's manufacturing index hit 57.5 in March, comparable to the 57.7 reading in the prior month. That would mark the seventh consecu-

tive month the index has been above 50, matching the longest streak in six years. Readings above 50 imply customers' orders and factory production are expanding.

ISM said last month that its index at current levels tends to correspond with an economy growing at 4.5% annually. That would be more than twice the economy's average annual growth in the current expansion.

Diffusion surveys such as ISM's garner attention because they usually come before government data and ask respondents about whether conditions are improving, not their absolute level. It is no coincidence then that they have surged under President Donald Trump, who has focused on reviving manufacturing employment.

But evidence of a rebound in activity was mounting be-

fore the election. Rising oil prices and stabilizing growth around the world also have contributed to the improved manufacturing conditions. Over the past 30 years, the ISM indicator has been at or above 57 only 15% of the time. Just like now, almost all of those instances occurred as the Federal Reserve was raising interest

rates. Before the financial crisis, the ISM index jumped above 57 in late 2003 and stayed above it for about a year. That coincided with the start of the Fed's tightening cycle which spanned from 2004 through 2006. The ISM index was also above 57 in late 1999, most of 1994, and a majority of 1987. Not coincidentally, all three periods came during Fed tightening cycles.

The Fed only has raised interest rates three times since the financial crisis, including once last month. Now the debate centers on whether the central bank will increase rates either two or three more times over the course of the year.

Stock investors cheering the bounce in manufacturing sentiment need to recognize that every action has a reaction. Higher rates usually aren't a reason to celebrate.

## The Quietest Quarter For Dow Since 1965

By GUNJAN BANERJI

The Dow Jones Industrial Average enjoyed its calmest quarter in more than half a century.

The average daily move by the 30-stock gauge in the first quarter was 0.3185%, according to The Wall Street Journal's Market Data Group. That is the smallest average since the fourth quarter of 1965, when Lyndon B. Johnson was president.

And it isn't just the blue-chip companies the Dow tracks. The S&P 500, a broader measure of U.S. equities, posted an average swing of 0.3172% in the first three months of 2017, making the quarter the quietest since the third of 1967, the data show.

The muted moves suggest there is "pent-up energy" in investors that could shake up markets if and when there is greater clarity on policy and earnings, said Sameer Samana, global quantitative and technical strategist at Wells Fargo Investment Institute.

The uncertainty indeed seems to have thrown investors into limbo. The number of days the market did basically nothing—when the Dow swung less than 0.1% either up or down—was 15 in the first quarter, The Wall Street Journal's data show.

Since 1944, there have been

The muted moves suggest there is 'pent-up energy' in investors.

only 22 other quarters when the benchmark had that many days or more of such little action.

Amid the stock market's sleepy state, investors' expectations for future turbulence has also been at historic lows. The CBOE Volatility Index, or VIX, posted its second lowest quarterly average ever, The Wall Street Journal's data show.

## Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency Fri in US\$ per US\$ YTD chg (%)

Americas

Argentina peso .0650 15.3805 -3.1

Brazil real .3203 3.1220 -4.1

Canada dollar .7508 1.3319 -0.9

Chile peso .001515 65.90 -1.5

Colombia peso .0003480 287.92 -4.3

Ecuador US dollar 1 1 unch

Mexico peso .0534 18.7202 -9.7

Peru new sol .3078 3.249 -3.1

Uruguay peso .03490 28.6500 -2.4

Venezuela b. fuerte .100100 9.9901 -0.1

Asia-Pacific

Australian dollar .7629 1.3108 -5.6

China yuan .1452 6.8866 -0.8

Hong Kong dollar .1287 7.7711 0.2

India rupee .01543 64.812 -4.6

Indonesia rupiah .0000750 13.328 -1.5

Japan yen .008977 111.39 -4.8

Kazakhstan tenge .003188 313.70 -6.0

Macau patata .1243 8.0447 1.6

Malaysia ringgit .2260 4.4255 -1.3

New Zealand dollar .7008 1.4269 -1.2

Pakistan rupee .00954 104.810 0.4

Philippines peso .0199 50.174 1.1

Singapore dollar .7157 1.3973 -3.5

South Korea won .0008947 111.76 -7.5

Sri Lanka rupee .0065729 152.14 2.5

Taiwan dollar .03297 30.330 -6.5

Thailand baht .02910 34.360 -4.0

## THE TICKER | Market events coming this week

### Monday

#### Total vehicle sales

Domestically produced, at an annual rate

Feb., previous

17.6 million

March, expected

# MARKETS

THE DAILY SHOT

## House Divided

The U.S. housing rebound has helped drive the economic recovery that began in 2009, yet indicators of its health are mixed. Home builders are catching up with the S&P 500 after a long lag, and supply is in line with long-run averages.

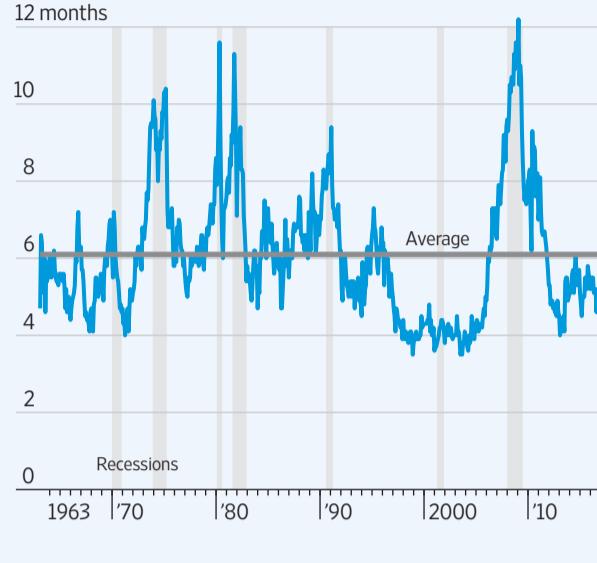
But home prices are running well ahead of wage growth, a function of soft housing starts and the limited number of new houses coming to market, while mortgage rates have risen the most in four years. What will come months bring?

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on markets and economics —  
sent to their email  
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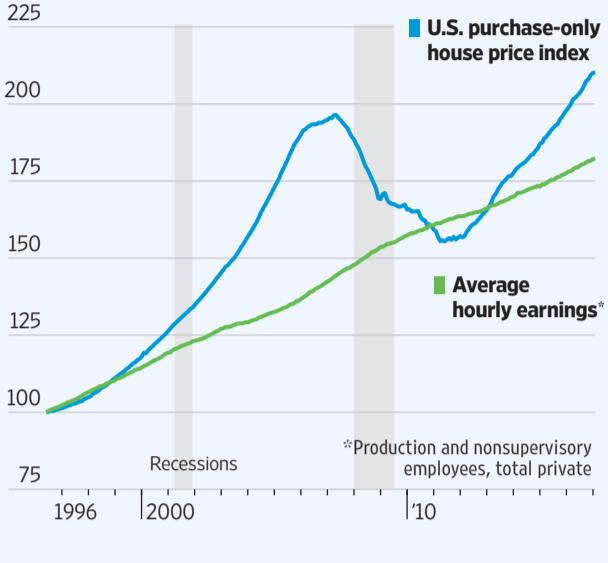
### Percentage change since 2015



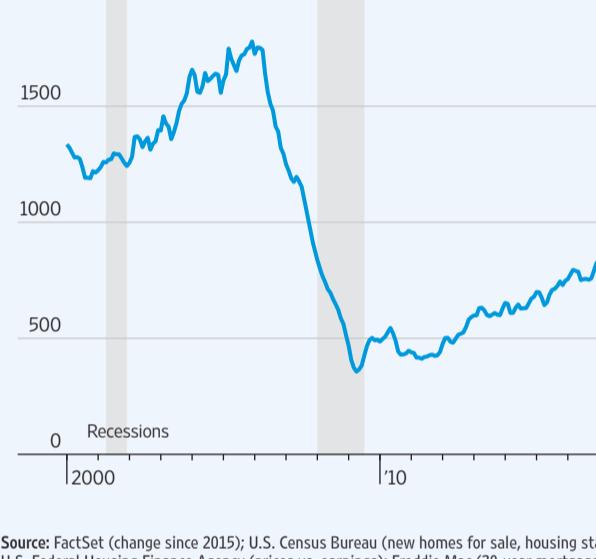
### U.S. monthly supply of houses, seasonally adjusted



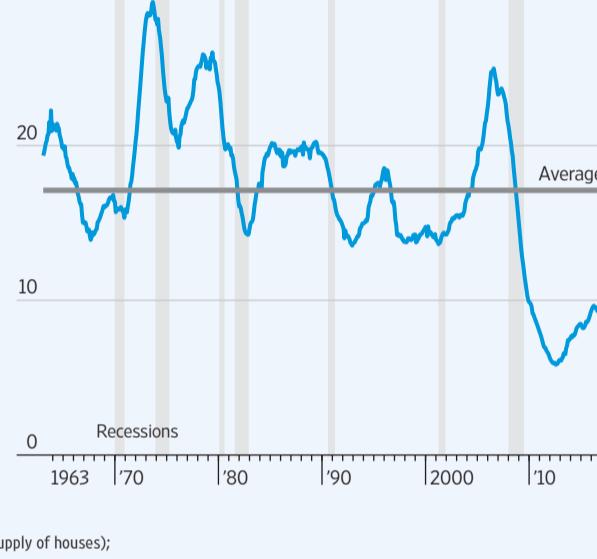
### House prices vs. earnings (May 1996=100)



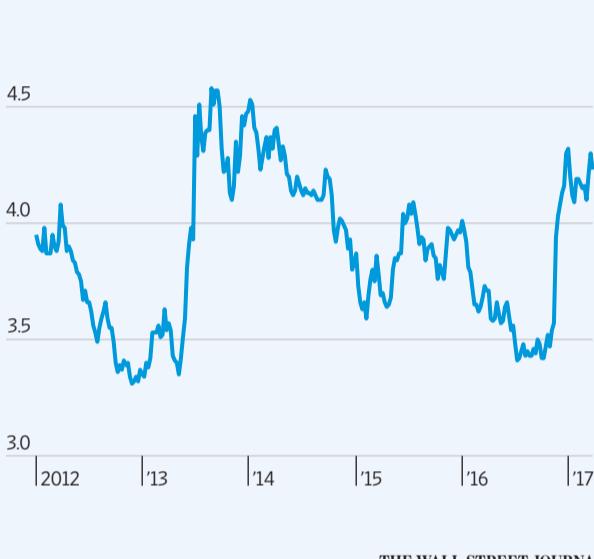
### New privately owned housing units started, three-month moving average



### New one-family homes for sale per 10,000 U.S. civilians



### 30-year mortgage rate



Source: FactSet (change since 2015); U.S. Census Bureau (new homes for sale, housing starts, supply of houses); U.S. Federal Housing Finance Agency (prices vs. earnings); Freddie Mac (30-year mortgage rate)

THE WALL STREET JOURNAL.



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