THE WALL STREET JOURNAL.

DOW JONES | News Corp

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As of 12 p.m. ET **DJIA** 21007.69 ▲ 1.17% **NIKKEI** 19079.33 ▲ 1.08% **STOXX 600** 386.91 ▲ 0.21% **BRENT** 51.48 ▼ 0.23% **GOLD** 1266.60 ▼ 0.72% **EURO** 1.0941 ▲ 0.67% **DLR** ¥111.01 ▲ 1.14%

What's News

Business & Finance

Yahoo CEO Mayer is set to receive about $186 million as a result of the company's sale of its core business to Verizon. **A1**

◆ **China's** government-bond yields hit their highest levels in 20 months, the latest sign of stress in the country's markets. **A1**

◆ **Japan Post reported** a $3.6 billion write-down for its Toll Holdings unit in Australia. **B1**

◆ **The Nasdaq** Composite jumped past 6000 for the first time as a series of upbeat earnings reports lifted stocks. **B1, B7**

◆ **Bernard Arnault** said his family is proposing to pay $13.04 billion for the stake in Christian Dior it doesn't already own. **B1, B10**

◆ **Wells Fargo** shareholders are expected to re-elect all of the bank's directors, but at low vote totals. **B6**

◆ **Aramco officials** working on an IPO say the state-owned oil firm is likely worth at least $500 billion less than the Saudi government previously suggested. **B10**

◆ **Netflix,** which has struggled to enter the Chinese market, struck a licensing deal with platform iQiyi. **B4**

◆ **Akzo Nobel** rejected Elliott's request to hold an extraordinary shareholder meeting to oust its supervisory board chairman. **B3**

◆ **Tyson Foods** agreed to acquire sandwich-maker AdvancePierre Foods in a $4.2 billion deal. **B3**

World-Wide

◆ **The Trump** administration is moving to impose a 20% tariff on softwood lumber from Canada, an action resulting from a decades-old trade dispute. **A6**

◆ **Trump ordered** aides to draft a tax plan that slashes the corporate tax rate to 15%, even if that means a loss of revenue. **A6**

◆ **China convicted** a long-detained American businesswoman of espionage and ordered her imprisoned and deported. **A3**

◆ **Trump is open** to waiting to secure funding for a border wall, White House officials said, a shift that could clear the way for a deal to avoid a government shutdown. **A6**

◆ **The president's** nominee for U.S. trade representative cleared a Senate committee. **A6**

◆ **France's Macron** is the favorite to win the presidency on May 7, but he will have to secure a parliamentary majority to implement policies. **A4**

◆ **Pro-Kremlin hackers** have tried to access Macron's campaign email accounts, a cybersecurity firm said. **A4**

◆ **Indonesia's Widodo,** in an interview with The Wall Street Journal, said he is considering a bilateral trade deal with the U.S. **A3**

◆ **The rise** in U.S. home prices after the crash from five years ago has economists and real-estate brokers concerned. **A1**

CONTENTS

China: RMB28.00; Hong Kong: HK$23.00; Indonesia: Rp25,000 (incl PPN); Japan: Yen620 (incl JCT); Korea: Won4,000; Malaysia: RM7.50; Singapore: S$5.00 (incl GST)
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A Subdued Celebration in North Korea

KYODO/REUTERS

ARMY DAY: Soldiers in Pyongyang marked the 85th anniversary of the army's founding—an occasion experts say has become less extravagant in recent years in favor of the April 15 Kim Il Sung celebration. In Tokyo, a U.S. official called on countries to enforce U.N. sanctions on Pyongyang. **A3**

China Bonds Show Stress

Yields hit 20-month high as Beijing tries to curb credit growth but keep markets stable

By Rachel Rosenthal

China's government-bond yields hit their highest levels in 20 months, the latest sign of stress in the country's markets as officials crank up their rhetoric about containing credit growth and financial risks.

The yield on the benchmark 10-year bond rose to 3.515% on Tuesday, the highest since August 2015, up from 3.493% late Monday and 3.276% about a month ago. Yields rise as bond prices fall.

The rout follows a selloff in Chinese stocks in recent days: The main benchmark in Shanghai slid 1.4% on Monday, its biggest daily drop since December.

While stocks regained some ground on Tuesday—closing up 0.2%—the swings indicate the near-impossible task officials have set themselves this year: maintaining market stability while curbing financial risks and slowing runaway credit growth. In an editorial published Monday in China's state-run Financial News, the central bank cited asset bubbles and rising leverage as the biggest risks to the financial system.

At the eye of the recent storm lies fresh criticism from regulators of the plethora of investment products sold by banks with the promise of higher returns than standard deposit accounts deliver. A particular focus now are so-called entrusted investments—pools of customer money that Chinese banks hold, some of it off their balance sheets, and channel to outside asset managers to invest. Regulators are concerned these investments have helped stoke markets from corporate bonds to soybeans in recent years.

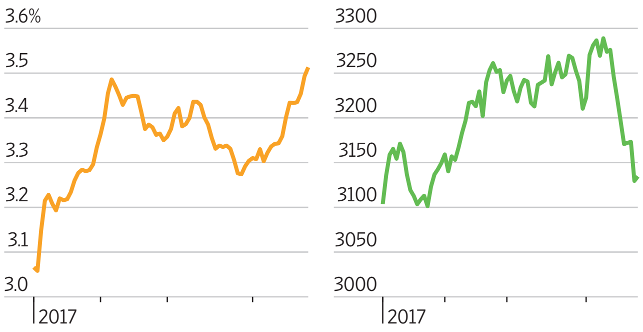
While there are no official data, entrusted investments exploded to between 5 tril-

Please see BONDS page A2

Bears in a China Shop

Regulatory crackdowns have triggered selloffs in China's stock and bond markets this year.

China's 10-year government bond yield | **Shanghai Composite Index**



Source: Thomson Reuters

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Rising U.S. Home Prices Fan Concerns

By Laura Kusisto

The U.S. housing market's red-hot recovery from the depths of the crash five years ago is fueling concerns among economists and real-estate brokers that home prices are overheating.

A dearth of new construction and strong demand from buyers are pushing up prices twice as fast as the rate of income growth, the latest data show, a level economists said is unsustainable.

The S&P CoreLogic Case-Shiller U.S. National Home Price Index released Tuesday showed that in February home prices rose 5.8% from the same month a year earlier. That put prices nearly 40% above their level at the bottom of the housing crash in February 2012.

At the same time, incomes rose 3% in February from the same month a year earlier, and are up 12% since February 2012, according to the Labor Department.

Some local markets have experienced extreme swings. Home prices in San Francisco have vaulted 98% from their low point during the bust and now stand nearly 7% above their earlier record in 2006 at the height of the previous housing boom.

In Dallas, home prices have risen by 52% from their low during the recent bust and are now 35% above their previous high. In Denver, prices are now 59% above their previous lows and 36% above their previous high.

In some markets, bidding wars are breaking out. Agents said some buyers are kicking in extra cash when properties don't appraise for the asking price, and some are waiving their right to home inspections.

"It can't be sustained," said David Berson, chief economist

Please see HOUSING page A7

Yahoo's Mayer to Make $186 Million

By Deepa Seetharaman

Yahoo Inc. Chief Executive Marissa Mayer is set to make some $186 million as a result of the internet company's sale of its core business to Verizon Communications Inc., according to securities filings.

The hefty payout comes despite Ms. Mayer's inability to vitalize what she was hired to do five years ago: revitalize the fading internet icon following its struggles with high employee and executive turnover and declines in ad revenue.

Instead, Yahoo sold its business—not including some assets like its stakes in other internet companies—to Verizon last year for $4.5 billion.

That deal is expected to close in June, after months of delays following Yahoo's disclosure of two massive security breaches.

Yahoo shareholders will vote on the deal during a special meeting on June 8, according to a securities filing published Monday. The measure is expected to pass. As part of their severance package, Ms. Mayer and other top Yahoo executives are eligible for accelerated vesting of all stock options, restricted-stock units, and other equity-based awards outstanding when the deal closes, according to the filing.

For Ms. Mayer, that includes stock options valued at

Please see YAHOO page A2

PARENTS ARE DROWNING IN COLLEGE-LOAN DEBT

Over 330,000 in U.S. program haven't made a payment in at least a year

By Josh Mitchell

Millions of U.S. parents have taken out loans from the government to help their children pay for college. Now a crushing bill is coming due.

Hundreds of thousands have tumbled into delinquency and default. In the process, many have delayed retirement, put off health expenses and lost portions of Social Security checks and tax refunds to their lender, the federal government.

Student loans made through parents come from an Education Department program called Parent Plus, which has loans outstanding to more than three million Americans. The problem is the government asks almost nothing about borrowers' incomes, existing debts, savings, credit scores or ability to repay. Then it extends loans that are nearly impossible to extinguish in bankruptcy if borrowers fall on hard times.

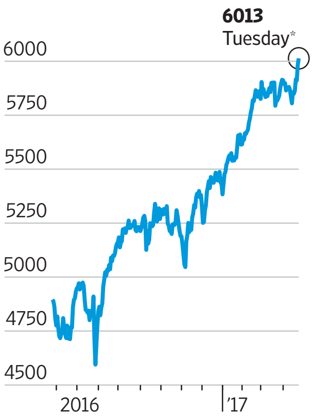
As of September 2015, more than 330,000 people, or 11% of borrowers, had gone at least a year without making a payment on a Parent Plus loan, according to the Government Accountability Office. That exceeds the default rate on U.S. mortgages at the peak of the housing crisis. More recent Education Department data show another 180,000 of the loans were at least a month delinquent as of May 2016.

"This credit is being extended on terms that specifically, willfully ignore their ability to repay," said Toby Merrill of Harvard Law School's Legal Services Center. "You can't avoid that we're targeting high-cost, high-

Please see LOANS page A8

Nasdaq Reaches A New Milestone

The Nasdaq Composite topped 6000 for the first time, a milestone in its rebound from the dot-com bust. Tech shares have powered the rally. B1



*As of 11 a.m. EDT
Source: FactSet

THE WALL STREET JOURNAL.

Who Loves Failed, Disgraced Banks? Ex-Employees

* * *

WaMu, IndyMac alums hold reunions, share treasured mementos

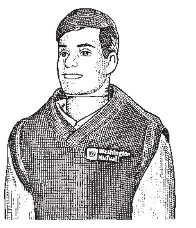
By Kirsten Grind

Thousands of employees lost their jobs when IndyMac Bank collapsed almost nine years ago under the weight of mortgages derided as "liar loans." Some of those ex-employees are still yearning for the good old days.

"The bank may have failed, but its employees were winners," says Bonnie Ensor, 48 years old, who was laid off from IndyMac's underwriting department a few months before regulators seized the Pasadena, Calif., mortgage lender.

Its demise only deepened the fondness she felt for her co-workers. "I have wonderful, lifelong friends because of that," says Ms. Ensor, who now works at another lender.

More than 400 banks and savings institutions in the U.S. failed from 2007 to 2011 as a fall in housing prices and surge in loan defaults mush-



Action Teller doll

Please see BANKS page A8

INSIDE

IT'S TIME TO HAVE A SECOND BREAKFAST

LIFE & ARTS, A9

CHINA CONVICTS U.S. WOMAN OF SPYING

WORLD NEWS, A3

NO SIGN FLYNN FOLLOWED PAYMENTS RULE

U.S. NEWS, A7

German Arms Makers Go on the Offensive

Arms manufacturers get busier as spending on military rises; prods from U.S. and Russia

BY CHRISTOPHER ALESSI AND WILLIAM WILKES

MUNICH—The German arms industry is on an upward trajectory.

Germany's weapons manufacturers, long subject to the sway of the country's pacifist-leaning politicians, had been struggling to find new European orders.

But in the wake of Russia's incursions in Ukraine and its tougher military stance on the North Atlantic Treaty Organization's eastern border, German military spending is rising more than at any time since the Cold War. Most of the orders for upgrades and new equipment are going to the country's biggest arms manufacturers: **Rheinmetall** AG and **Krauss-Maffei Wegmann** GmbH.

One of the largest orders on the table is an expected €800 million ($858 million) deal for both Rheinmetall and KMW to modernize a fleet of roughly 100 Leopard 2 main battle tanks, a pillar of Western defense during the Cold War.

The deal, which has yet to be signed, would bring out tanks that have languished in storage into the 21st century, adding new armor to protect against roadside bombs, high-tech communications equipment and night-vision capabilities. The upgraded tanks, which experts say Germany could use to defend against a Russian ground attack, would be similar to the Leopard 2s that Canada has deployed to fight in Afghanistan.

KMW Chief Executive Frank Haun credits the general uptick in business to a 2014 NATO summit in Wales—just months after Russia annexed the Ukrainian peninsula of Crimea—at which members broadly committed to increase spending to 2% of gross domestic product.

"I think there is a need for refurbishment, as there is a need for new equipment without a doubt," said Mr. Haun.

The German defense budget is set to rise by 8% this year to €37 billion, according to the Defense Ministry, slightly higher proportionally than China's expected increase for 2017. However, that surge still leaves German military spending well below NATO's 2% benchmark, at roughly 1.2% of GDP. "This welcome change in direction is necessary to keep driving the modernization of the Bundeswehr," a spokeswoman for the Defense Ministry said.

Should Berlin heed calls by U.S. President Donald Trump to accelerate spending to reach the target sooner, German arms makers stand to reap a bigger windfall. But Germany, the largest economy in Europe, has so far shown restraint due to limited public appetite for such a large defense budget.

"If [Mr. Trump] puts more pressure, it will help" the industry, Rheinmetall CEO Armin Papperger said of the president's push for NATO allies to take on more defense responsibility.

For Mr. Papperger, the turning point for the German arms industry came in 2015. In December of that year, the German Defense Ministry signed a contract for a €467 million joint order with Rheinmetall and KMW for 131 Boxer armored wheeled vehicles, one of its largest orders in nearly a decade. The Boxer has already been deployed by Germany's armed forces, the Bundeswehr, in Afghanistan.

The "potential of a significant increase in German military spending has created an optimistic attitude among CEOs" of weapons manufacturers in the country, said Georg Wilhelm Adamowitsch, managing director of the Federation of German Security and Defense Industries.

Companies such as Rheinmetall largely have a monopoly on the domestic arms market. For most other Western contractors like BAE Systems PLC, Europe's largest arms maker, and Lockheed Martin Corp., the Pentagon's No. 1 supplier, Germany is effectively a closed market. European firm Airbus SE provides the bulk of the German military's helicopters and planes.

Rheinmetall, the country's largest arms maker by sales, reported a 63% jump in profit for 2016, to €147 million, driven by its ammunition and vehicle-systems units. That compares with a loss of €67 million in 2014.

Mr. Papperger said there is now the potential for "some big programs" with the German government, including plans to provide the Bundeswehr new military trucks, infantry fighting vehicles and ammunition.

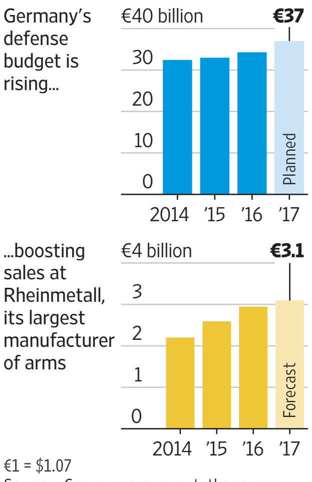
Military spending is also rising in NATO countries neighboring Russia, according to Pieter Wezeman, a senior researcher with the Stockholm International Peace Research Institute's Arms & Military Expenditure division.

Rheinmetall is upgrading Leopard tanks for Poland. Lithuania recently bought the Boxer from KMW and Rheinmetall, while Scandinavian countries have placed orders from both companies for upgrades of main battle tanks and new military trucks. The two companies are also finalizing deals in Romania.

—Robert Wall contributed to this article.

Rearming

The German arms industry is benefiting from higher military spending by Germany and other NATO members amid mounting tension with Russia.



€1 = $1.07
Sources: German government; the company
THE WALL STREET JOURNAL.

ALEXANDER KOERNER/GETTY IMAGES

The German defense budget is set to climb by 8%, which still leaves it well below NATO's 2% benchmark.

Notice to Readers

Andrew Browne's China's World column is on hiatus this week.

Ivanka Trump Defends Father at Women's Conference in Berlin

CARSTEN KOALL/EUROPEAN PRESSPHOTO AGENCY

PANEL DISCUSSION: Ivanka Trump, above left with International Monetary Fund chief Christine Lagarde and German Chancellor Angela Merkel, elicited groans from the audience when she described her father, President Donald Trump, as 'a tremendous champion of supporting families and enabling them to thrive.' The visit was intended to showcase her engagement in women's rights.

BONDS

Continued from Page One

lion yuan and 6 trillion yuan ($726 billion and $871 billion) by the end of 2016, according to research by Sinolink Securities, a brokerage. At least 80% has been funneled into China's bond market, analysts say.

They represent just a small slice of China's shadow-banking system, which regulators are trying to shine more light on, and whose assets as of mid-2016 stood at 58 trillion yuan ($8.42 trillion)—roughly 82% of gross domestic product—ratings firm Moody's Investors Service estimates.

"Shadow banking has been growing very quickly," said Jean-Charles Sambor, deputy head of emerging-market fixed income at BNP Paribas Investment Partners in London. "[Regulators] want to improve transparency. The gray areas are becoming less gray."

Market players fear regulators will limit sales of entrusted investments. That could weaken demand for bonds, which retail investors can't buy directly, said Frances Cheung, head of Asia ex-Japan rates strategy at Société Générale in Hong Kong.

Still, some investors say increased scrutiny of shadow banking is encouraging, even if it causes the market to swoon.

"It's healthy volatility," said BNP's Mr. Sambor. "It's one more tick in a very welcome box."

The ramp-up of credit growth started in 2015, when the People's Bank of China lowered short-term borrowing rates to juice the sluggish economy. Many investors used the cheap funds to buy financial products. Much of the money ended up in bonds, which investors often then used as collateral to buy even more financial assets.

But last summer Chinese officials started making short-term borrowing more expensive. In July, the central bank stopped providing banks with cheap three-month loans and over the following months started offering pricier one-year loans instead. This year it has twice raised the cost for banks to borrow from each other, and analysts expect further increases this year.

Despite the moves in stocks and bonds, China's currency—often viewed as a barometer of risk—has been relatively stable recently. China has spent $1 trillion in reserves over the past 2½ years to keep the yuan from sliding against the dollar and prevent money from flooding out of the country.

3.515%

China 10-year bond yield, the highest since August 2015

Those efforts have paid off: The yuan has risen 1% against the dollar this year, including 0.1% in April. One-month implied volatility for the dollar-yuan exchange rate has dropped to its lowest level since 2015. Implied volatility is based on options prices, and typically rises if investors expect big moves in the next month, as that drives up demand for the protection options provide.

—Yifan Xie and Saumya Vaishampayan contributed to this article.

YAHOO

Continued from Page One

more than $84 million and restricted-stock units worth about $25 million at the current share price of $48.15. She also holds about 1.6 million Yahoo shares, valued at nearly $77 million. Together, those amounts are worth $186 million at the current share price, according to the information in the filing. The figure doesn't include salary, bonus or options she has already exercised.

The total payout figure is far larger than the golden parachute of $23 million Yahoo said last month that Ms. Mayer would receive as part of her planned departure from what's left of the company after the sale to Verizon. Yahoo also said then that Ms. Mayer held nearly 2.9 million stock options valued at $56.8 million as of early March.

Supporters and critics alike say Ms. Mayer took on a steep challenge with Yahoo, but her managerial mistakes, including not cutting costs quickly enough, complicated the already tricky turnaround.

Verizon initially agreed in July to buy Yahoo's business for $4.83 billion. Then Yahoo disclosed two large security breaches, one in 2014 that hit more than 500 million accounts and another in 2013 that affected more than one billion accounts.

The security incidents forced Yahoo back to the negotiating table, and the two companies said in February they had agreed to knock off $350 million off the price.

In March, Yahoo's board said Ms. Mayer wouldn't receive her 2016 cash bonus or 2017 equity awards after a board investigation found that she and other senior executives failed to "properly comprehend or investigate" the 2014 breach.

Last month, U.S. officials indicted four Russians, including two Russian spies, in the 2014 hack.

STEPHEN LAM/GETTY IMAGES

Ms. Mayer's payout is far larger than the $23 million Yahoo said last month that she would receive.

CORRECTIONS & AMPLIFICATIONS

Euromonitor analyst Michelle Grant was misidentified as Michelle Evans, another Euromonitor analyst, in the Keywords column in Monday's Business & Finance section about the internet's lessons for retailers.

Readers can alert The Wall Street Journal to any errors in news articles by emailing **wsjcontact@wsj.com**.

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China Convicts U.S. Woman of Spying

By Chun Han Wong And Charles Hutzler

BEIJING—A Chinese court convicted a long-detained American businesswoman of espionage and ordered her imprisoned and deported in a case seen as a barometer of U.S.-China relations.

After a half-day trial Tuesday, the court in the southern city of Nanning ordered Phan Phan-Gillis imprisoned for 3½ years and deported for espionage, according to one of her lawyers. The judge didn't say if Ms. Phan-Gillis, a 57-year-old business consultant from Houston who has already been detained for two years, would be deported before serving the remainder of her term.

How her punishment is carried out will likely determine whether Ms. Phan-Gillis's case remains an issue in U.S.-China relations as both governments wrestle with North Korea's nuclear ambitions, a trade imbalance and other matters. U.S. officials and others involved in the recent weeks saw swift deportation as the best result after her already lengthy detention, much of it without access to lawyers.

Ms. Phan-Gillis, who goes by the name Sandy, pleaded guilty to the espionage charges and made no other statement in court, said Shang Baojun, her lawyer. She is being held in a police detention center—rather than being sent to prison—during the 10-day window for filing an appeal, Mr. Shang said, and before the trial, she told him she wouldn't appeal if the sentence was light.

The court declined to comment. The U.S. Consulate in Guangzhou said American officials are following Ms. Phan-Gillis's case and have "regularly raised" it with Chinese officials. Her husband, Jeff Gillis, declined to comment other than to say: "I will just be happy if we can bring Sandy home."

Ms. Phan-Gillis's detention simmered through most of the last two years of the Obama administration. Recently improving relations between Beijing and the new Trump administration seemed to offer a chance for progress.

U.S. and Chinese officials discussed her case during preparation for a summit at Mar-a-Lago—President Donald Trump's Florida club—this month, and the positive tone set by Mr. Trump and Chinese President Xi Jinping was seen by U.S. officials as helpful in moving Ms. Phan-Gillis's case toward a resolution.


JEFF GILLIS/ASSOCIATED PRESS
Phan Phan-Gillis

A Canadian man who ran a coffee shop near the North Korean border was detained for two years and charged with stealing state secrets before being deported in September. U.S. officials have pointed to that case as potential blueprint for Ms. Phan-Gillis.

At Tuesday's ruling, the judge in Nanning didn't say that the deportation would be imposed "in addition to" imprisonment, a departure from the phrasing usually used if the prison sentence must first be served, said Mr. Shang, the lawyer.

Depending on how the court assesses her sentence, Ms. Phan-Gillis has likely already served roughly 22 out of 42 months, making her eligible or nearly eligible for early release or medical parole, according to Chinese regulations.

Ms. Phan-Gillis, who was born in Vietnam and is of Chinese descent, ran a business consultancy in Houston and often traveled to China as part of her work promoting cultural and business links.

Chinese prosecutors accused her of conducting espionage while visiting China in 1996 and, while back in America, recruiting Chinese citizens for a foreign spy organization in 1997 and 1998, Mr. Gillis said previously. He has denied those charges on his wife's behalf and said her passport shows she didn't travel to China in 1996.

Ms. Phan-Gillis was taken into custody in March 2015 while traveling through the coastal city of Zhuhai as part of a business delegation from Houston, according to her husband and delegation members.

Korea Sanctions Unevenly Enforced

By Alastair Gale

TOKYO—Multiple countries aren't fully enforcing United Nations sanctions on North Korea, the U.S. point person on the nation said, highlighting a difficulty in orchestrating international pressure on Pyongyang after President Donald Trump called for North Korea to face tougher U.N. penalties.

After a meeting in Tokyo with his counterparts from Japan and South Korea, Joseph Yun, U.S. special representative for North Korea policy, said a recently concluded U.S. policy review called for "enhanced pressure" on Pyongyang to try to force it to give up its nuclear weapons.

On Monday, Mr. Trump told diplomats from the U.N. Security Council that they should add stronger measures to sanctions, and on Friday Secretary of State Rex Tillerson will chair a special Security Council session on North Korea.

The U.S.-Japan-South Korea meeting came as North Korea celebrated the founding of its military by holding a large live-fire exercise, South Korea's military said, a relatively common event during major national anniversaries. The same day, the USS Michigan submarine arrived in the South Korean port of Busan for what the U.S. Navy described as a "routine visit" amid elevated tension on the Korean peninsula.


YONHAP/AGENCE FRANCE-PRESSE/GETTY IMAGES
A U.S. submarine in the Korea Strait. Pyongyang conducted a live-fire artillery exercise on Tuesday.

U.N. diplomats involved in monitoring sanctions on North Korea say enforcement among member states is one of the biggest problems in ensuring their effectiveness.

"There are a number of countries who could be more pro-active in terms of Security Council resolutions. So we expect them to do that," Mr. Yun said.

U.N. members are expected to file a report within a year of new sanctions being imposed by the organization on North Korea about their implementation of the restrictions. In February, a U.N. panel said 116 of 193 U.N. member states had yet to submit a report on their implementation of a set of sanctions introduced a year earlier after North Korea's fourth nuclear test.

Diplomats say North Korea takes advantage of weak sanctions enforcement to obtain resources for its regime and weapons program. In one possible example, the U.N. panel said in its February report that it hadn't received responses from the Malaysian government to its questions about a company operating in the country and suspected of violating sanctions.

China's enforcement of sanctions on North Korea is the most closely scrutinized by diplomats and analysts because China accounts for nearly all of Pyongyang's external trade. Mr. Yun echoed recent comments by Mr. Trump and U.S. officials that have played up Beijing's cooperation in applying pressure on North Korea. China has filed implementation reports on new U.N. sanctions introduced last year after North Korea's two nuclear tests.

"We will continue to work very closely with China," Mr. Yun said.

Those who doubt the utility of sanctions highlight the willingness of the North Korean leadership to allow the nation to go through major hardships, such as a famine in the mid-1990s, without relaxing its authoritarianism and militarism.

Widodo Says Indonesia Open to U.S. Trade Deal

By Ben Otto And Anita Rachman

BOGOR, Indonesia—President Joko Widodo said he is studying options for a bilateral trade deal with the U.S., weeks after the Trump administration said it was scrutinizing trade with Southeast Asia's largest economy for anticompetitive practices.

Mr. Widodo, speaking with The Wall Street Journal at a presidential palace outside the capital of Jakarta on Monday, said he told U.S. Vice President Mike Pence during a visit last week that new trade discussions are due after the collapse of the Trans-Pacific Partnership, a sweeping, 12-nation trade-and-investment pact that had been a cornerstone of the Obama administration's Asia relations. Indonesia wasn't one of the dozen nations, but had expressed interest in joining the partnership at a future date.

Mr. Pence visited the Indonesian capital for two days, part of a tour of Asia that also included stops in South Korea, Japan and Australia. "I agreed with him that because there is no TPP, we must discuss about bilateral" options, Mr. Widodo said. He said he is preparing a trade team to speak with U.S. counterparts.

"I think it's not difficult," he added. "I told the vice president, 'President Donald Trump is a former businessman. I'm also a former businessman. It's very easy to make an agreement.'" Mr. Widodo ran a furniture enterprise before entering politics.

The U.S. Embassy in Jakarta didn't reply to a request to comment on a bilateral trade deal.

During his visit, Mr. Pence urged Indonesia to further open up its $900 billion economy to U.S. businesses, pointing to $10 billion in recent and pending deals by U.S. companies as a sign of potential expanded ties. Mr. Pence said the U.S. was seeking to cut trade and investment barriers to "create a truly level playing field."

Trade between the countries totaled around $25 billion in 2016, the lowest since 2010, according to U.S. figures. The U.S. deficit in that trade stood at more than $13 billion. The Trump administration recently said it would scrutinize Indonesia and 15 other nations for anticompetitive practices.

Mr. Widodo said he and Mr. Pence briefly discussed **Freeport-McMoRan**, the U.S. mining giant that for decades has run one of the world's largest copper-and-gold mines in remote eastern Indonesia.

Freeport, one of the largest taxpayers in this sprawling archipelago nation of more than 250 million people, has been facing restrictions on its exports as Indonesia pushes for greater benefits from the mine.

Mr. Pence made no specific request regarding Freeport, Mr. Widodo added.

Syrians Blacklisted For Weapons

By Felicia Schwartz

WASHINGTON—The Trump administration blacklisted 271 employees of the Syrian government agency involved in developing and producing chemical weapons, the Treasury Department said.

Officials on Monday said the move is among the largest sanctions action in history and is in response to a chemical-weapons attack in Idlib province this month that killed at least 85 people.

"The United States is sending a strong message with this action that we will hold the entire Assad regime accountable for these blatant human-rights violations in order to deter the spread of these types of barbaric chemical weapons," Treasury Secretary Steven Mnuchin said in a statement.

He added "We take Syria's disregard for innocent human life very seriously, and will relentlessly pursue and shut down the financial networks of all individuals involved with the production of chemical weapons used to commit these atrocities."

The sanctions on employees of Syria's Scientific Studies and Research Center also follow a U.S. military strike on a Syrian air base a few days after the chemical attack. The Syrian officials sanctioned Monday have chemical expertise or have worked on the chemical-weapons program, an administration official said.

Democracy Plaque's Theft Stirs Thai Debate

Missing memorial touches a nerve in a national discussion over how to manage tropical Buddhist kingdom

By James Hookway

BANGKOK—It is a mystery that is captivating Thailand: Who stole a brass plaque commemorating the revolution that ended royal rule 85 years ago?

As memorials go, it isn't showy. The 12-inch plaque was set in the roadway at Royal Plaza near a statue of King Rama V, a 19th-century monarch. It marked the spot where in 1932 a group of military officers and civil servants declared the country a constitutional monarchy, relegating the king to a figurehead presiding over a series of elected governments and military juntas that endure to this day.

Days passed before anyone noticed the plaque was gone. Then, on April 14, word got out that it was stolen and replaced by a new plaque urging Thais to be loyal to their nation, family and monarch, King Maha Vajiralongkorn, or Rama X.

The swap made headlines, touching a nerve in a national debate over how this tropical Buddhist kingdom should be governed.

With pressure building at home and abroad, Thailand's military rulers plan to hold elections next year after taking power in a coup nearly three years ago. But persistent questions remain over how much power Prime Minister Prayuth Chan-ocha's junta is prepared to yield.


APICHART KHUNNAWATBANDIT/ASSOCIATED PRESS


ATHIT PERAWONGMETHA/REUTERS

A plaque, left, commemorating democracy, was replaced with one urging loyalty to Rama X, right.

The military-appointed Senate will have a say in who succeeds the general. The army will have the right to form a new government during times of crisis. And it is unclear whether the junta will loosen rules that ban political gatherings of more than five people.

Diplomats and academics say the junta is trying to foment a nationalist mood in part to bolster support for Thailand's royalist establishment and to neutralize former Thai leaders Thaksin Shinawatra and his sister, Yingluck Shinawatra, both of whom still enjoy a strong following in rural Thailand for their pro-poor policies.

Mr. Thaksin was ousted in a 2006 coup and lives in exile. A court removed Ms. Yingluck from office in May 2014 and she is now fighting graft charges for which she faces a lengthy potential sentence. She denies any wrongdoing.

"Thailand is entering a new era where the political divides will be sharper and more dangerous," said Chotisak Onsoong, an activist who was once pelted with popcorn in a cinema for refusing to stand for the Thai royal anthem that is played before screenings.

Mr. Chotisak and other pro-democracy activists are trying to find out what happened to the plaque.

Some of them blame royalist-nationalists for the theft as part of a bid to recast Thailand's history as devoid of any democratic tradition. Royalist groups have previously conducted ritual ceremonies by the plaque to pray for its divine disappearance. Vandals gouged its brass face.

One historian sympathetic to this view, Thepmontri Limpaphayorm, said he viewed the plaque as an affront to Thailand's monarchy and late last year issued a threat.

"If you don't come dig it out by December 30, my friends and I will consider that there's no owner," he wrote on his Facebook page. "We will remove or destroy it ourselves. If you want to keep it as a souvenir, come and get it."

Mr. Thepmontri, who once wrote a book criticizing a revolt against military rule titled "Peeling Back the October 14 Scab: A Worm on the Face of Thai History," denies removing the plaque, but applauds its loss.

Police, meanwhile, say they don't know who took it. Bangkok officials say security cameras in the busy area were offline for upgrades on the night the plaque was apparently removed.

Officials say they won't pursue the case unless the owner steps forward to claim it—something the government hasn't done. Gen. Prayuth has dismissed the plaque's disappearance as a distraction.

"Please don't make us solve issues that are not a matter of life and death," he said, later warning demonstrators not to stage protests over it.

Still, when a constitutional expert attempted to present a petition at a government office to look into the theft, the response from armed soldiers suggested that the whodunit was more important than Gen. Prayuth suggested.

Before he could present his papers, troops intercepted Srisuwan Janya at the building entrance and took him off to any army camp, where he was interrogated for 12 hours before being released late at night.

In an interview, Mr. Srisuwan said the soldiers offered him two meals, but that their goal was clear.

"They asked me to go slowly," Mr. Srisuwan said. "The army doesn't want to see any conflicts over this."

WORLD NEWS

Plenty of Challenges Ahead for Macron

Centrist's party also needs to win majority of parliamentary seats in June elections

By David Gauthier-Villars And William Horobin

BENOIT TESSIER/REUTERS

Emmanuel Macron, at left, waved as he left his home in Paris on Monday after his victory in Sunday's first round of the French presidential elections. He is expected to win the May 7 runoff against far-right candidate Marine Le Pen.

PARIS—Political novice Emmanuel Macron is widely expected to win the French presidency on May 7, but he will need a big victory in yet another crucial round of elections to become more than a mere figurehead.

For Mr. Macron to be able to implement his policies if he defeats far-right leader Marine Le Pen in the runoff, his upstart movement will have to secure a parliamentary majority in June.

Turning En Marche, or "On the Move," the party that Mr. Macron founded barely a year ago, into a political machine will be a tall order for the 39-year-old former investment banker, who on Sunday won the first round of the presidential contest with 24% of the vote.

So far, Mr. Macron, who is running for office for the first time, hasn't named anyone who would join his administration, and has announced only a handful of the candidates who will run under his colors for the 577 seats in the two-round legislative vote scheduled for June 11 and 18.

Without a majority, French presidents have historically been smacked by a constitutional punishment known here as "cohabitation"—a form of power-sharing under which a prime minister from the opposition runs the government, effectively squeezing the head of state into a ceremonial role.

The presidential and legislative elections have different dynamics, warned Famke Krumbmüller, analyst at political risk consultancy OpenCitiz. She said having Mr. Macron's stamp of approval may not be enough for En Marche candidates to unseat rivals in constituencies where voters enjoy cultivating a direct bond with their elected officials.

Mr. Macron is expected to win the May 7 runoff against Ms. Le Pen with 61% of the vote, according to a survey conducted by the OpinionWay polling agency during and after Sunday's first round.

If she prevailed in the runoff, Ms. Le Pen would face a different set of obstacles. Unlike Mr. Macron, she can rely on a nationwide and disciplined apparatus, as well as on the National Front's deep-rooted local bases. But her performance in the first round of the presidential election—she garnered 21.3% of the vote, up from 17.9% in 2012—suggests she has yet to broaden the party's mainstream appeal.

That is necessary to succeed in the two-round voting system introduced by Charles de Gaulle upon fathering the Fifth Republic, a new constitution designed to squeeze political majorities out of France's fractured postwar landscape.

In recent years, left and right mainstream parties have often coalesced in second-round votes to block the National Front, saying its history of xenophobia made it unfit to govern.

The party currently holds only two seats out of 577 in the National Assembly, France's lower house of parliament.

The outcome of the legislative election will provide a measure of French voters' repulsion toward the socialist and conservative parties that have alternated to govern France in the past four decades.

On Sunday, both Benoît Hamon of the ruling Socialist Party, and François Fillon of the conservative Les Républicains, were ejected from the presidential race, garnering 6.4% and 20%, respectively.

Despite the humiliating blow, leaders of Les Républicains vowed to quickly regroup, conquer a majority in parliament, and impose a "cohabitation" on Mr. Macron.

"It's wasn't our ideas that were defeated on Sunday, it was our candidate," Daniel Fasquelle, a lawmaker for Les Républicains and mayor of Le Touquet, a resort town, told French television. "Our ideas are shared by a majority across the country and we will demonstrate that in the legislative vote."

Socialist Party officials sought to display similar fighting spirit, saying they would line up candidates in all the constituencies against Mr. Macron's recruits. Michel Rombaut, a volunteer in Mr. Hamon's campaign and a Socialist for nearly 40 years, said Mr. Macron's candidates should expect fierce resistance.

—Nick Kostov contributed to this article.

Hackers Targeted Front-Runner In French Election

PARIS—Hackers matching the profile of a pro-Kremlin group have tried in recent weeks to access campaign email accounts of French presidential candidate Emmanuel Macron, a cybersecurity firm said, raising fears of election interference in the final two weeks of France's presidential campaign.

In a report published Tuesday, security-research firm Trend Micro identified a pro-Kremlin hacking group it calls Pawn Storm as the likely source of a multipronged phishing attack that started in mid-March against Mr. Macron's campaign.

As part of the attack, hackers set up multiple internet addresses that mimicked those of the campaign's own servers in an attempt to lure Mr. Macron's staffers into turning over their network passwords, said Feike Hacquebord, a senior threat researcher for Tokyo-based Trend Micro and the author of the report, a copy of which was reviewed by The Wall Street Journal.

Mounir Mahjoubi, digital director of Mr. Macron's campaign, confirmed the attempted hacking, saying that several staffers had received emails leading to the fake websites.

The phishing emails were quickly identified and blocked, and it was unlikely others went undetected, Mr. Mahjoubi said. "We can't be 100% sure," he said, "but as soon as we saw the intrusion attempts, we took measures to block access."

—Sam Schechner

Swipe Right to Save Africa's Northern White Rhino

SUN RUIBO/XINHUA/ZUMA PRESS

NAIROBI, Kenya—A top Kenyan wildlife conservation group is enlisting the help of an unlikely partner to save the northern white rhino from extinction: Tinder. Yes, the dating app.

At age 43, Sudan, the last surviving male northern white rhino on the planet, is living at Ol Pejeta, a conservancy in Laikipia, and can't naturally breed with the last two remaining females of his species because of the group's relatively advanced age.

The only way to save these rhinos from extinction is an expensive form of artificial insemination that is still at the research phase.

The dating app has created a profile for Sudan, promoting him across social media under the hashtag #mosteligiblebachelor, starting on Tuesday.

In 190 countries and 40 languages, Tinder users will see Sudan's profile near the top of the app as a suggestion for a date. If users swipe right, meaning they "match" with Sudan, they will be taken to a page that raises funds for the cause.

The hope is to raise the $9 million needed to pay for the cumbersome process and with luck build up a new herd of baby northern white rhinos.

"This represents the last option to save the species," said Richard Vigne, the chief executive of Ol Pejeta Conservancy.

If the effort is successful, Sudan's sperm will be used to try to inseminate eggs from the two remaining female northern white rhinos, Najin and Fatu.

If enough eggs are fertilized, extras would probably be implanted in some of the thousands of surviving southern white rhinos. While they are a different species, they are close enough to make an in vitro fertilization attempt worthwhile.

Northern white rhinos are one of five species of rhino and are genetically distinct from southern ones. Scientists stress that their extinction would be a significant blow to biodiversity.

The species is known to rarely mate in captivity.

—Matina Stevis

Ebola Vaccine Questioned

By Thomas M. Burton And Michelle Hackman

CELLOU BINANI/AGENCE FRANCE-PRESSE/GETTY IMAGES

A woman was vaccinated at a health center in Guinea in 2015.

The deadly Ebola outbreak in West Africa two years ago, the worst in recorded history, led to a vaccine that seemingly would stop the next Ebola epidemic in its tracks.

In December, doctors from the World Health Organization, Doctors Without Borders and other groups reported in the British medical journal The Lancet that a vaccine from **Merck** & Co. and **NewLink Genetics** Corp. tested during the outbreak proved to be 100% effective at preventing people from contracting the hemorrhagic fever once the vaccine's protection kicked in.

Now there are questions about that claim. A panel of scientists from the esteemed U.S. National Academy of Medicine has challenged the methodology of that 4,160-patient trial in the African nation of Guinea.

They conclude the vaccine "most likely provides some protection to recipients" but that protection "could in reality be quite low."

"There is greater uncertainty about how effective this vaccine is," said one of the National Academy authors, Kathryn Edwards, chief of pediatrics and a vaccine specialist at Vanderbilt University.

Merck and NewLink didn't immediately comment on the finding.

The finding is of great consequence. In the event of another Ebola epidemic, a vaccine with modest usefulness may still prevent deaths but not provide a total firewall. The last outbreak involved 28,616 Ebola cases, and led to more than 11,300 deaths.

The 287-page National Academy report tells the comprehensive story of vaccines and drugs tried in West Africa. The drugs mostly failed, and the Merck vaccine study remains the most important work so far.

The National Academy is a private nonprofit organization that serves as an advisory group to the U.S. government. The Ebola study was sponsored by the National Institutes of Health, the Food and Drug Administration and the U.S. Department of Health and Human Services.

Estimating that a vaccine would take 10 days to be effective, researchers counted Ebola cases that erupted 10 days or more after the first case. In this analysis, there were no new Ebola cases in the immediate-vaccination clusters, and 16 in delayed clusters; hence, the 100% statement.

One of the Guinea vaccine-study researchers, Ira Longini of the University of Florida, said in an interview, "Not a single vaccinated person became ill after being vaccinated."

However, people did get ill in the first nine days after vaccination. During that period, 20 of 3,232 participants got Ebola in nine of 51 immediate-vaccination rings, versus 21 of 3,096 in seven of 47 clusters randomized to receive delayed vaccination.

So there is agreement the vaccine works. But the National Academy team concluded that varying ways of analyzing the data lead to differing estimates of how effective the vaccine is.

WORLD WATCH

JAPAN

Abe Is Prompted To Replace Minister

Prime Minister Shinzo Abe's government was preparing to replace the minister for disaster reconstruction, Masahiro Imamura, hours after Mr. Imamura suggested he was glad a devastating 2011 earthquake happened in northeastern Japan because it is less densely populated than Tokyo.

The minister told a group of ruling-party supporters, "It was better at least that it happened over there in Tohoku," or northeastern Japan, saying the 9.0 magnitude quake would have caused "horrendous" damage if it had happened near Tokyo.

The March 11, 2011, earthquake and tsunami caused more than 20,000 deaths including those in subsequent years that the government said were related to the quake.

Mr. Imamura apologized shortly after his speech. Toshihiro Nikai, a top official in the ruling Liberal Democratic Party, said Mr. Imamura would resign.

—Peter Landers

SPAIN

Nine Arrested Over Alleged Terror Links

Nine men were arrested in and around Barcelona, some of whom allegedly have ties to terrorist cells that carried out the 2016 attacks in Brussels that killed 32 people.

Police in Spain's northeastern region of Catalonia said they had arrested nine men between the ages of 30 and 40 years old for allegedly belonging to a terrorist organization and for other offenses related to organized crime activity.

Some of the nine men are alleged to have links with people detained in Belgium for alleged involvement in the 2016 attacks.

A spokesman for Catalonia's regional police, the Mossos d'Esquadra, said officials don't currently have evidence directly linking the men to orchestrating or carrying out the Belgian terror attacks. He said authorities will now turn to analyzing documents, electronic devices and firearms police seized during raids in Barcelona and five other surrounding towns.

—Jeannette Neumann

GREECE

Turkey's Extradition Request Is Rejected

A Greek appeals court rejected Turkey's new request to extradite three of the eight military officers who fled to Greece in July after a coup attempt.

The decision is expected to set a precedent for the cases of the other five officers next week. Turkey's government had no comment.

The eight officers, who hold ranks up to the level of major, flew by helicopter to the northern Greek city of Alexandroupolis the day after the July 15 coup attempt in Turkey. The Turkish government requested the rapid extradition of the "traitors" to face charges.

In January, Greece's Supreme Court ruled that the servicemen couldn't be sent back to Turkey because they wouldn't get a fair trial and their lives would be at risk. The decision angered Turkey, which then issued a second extradition request.

The Greek court said Tuesday there was no significant new evidence that could overturn the earlier decision.

—Nektaria Stamouli

AFGHANISTAN

U.S. Says Russia Is Arming the Taliban

U.S. military officials said they have seen an increasing number of small arms provided by the Russian government, including machine guns and antiaircraft weapons, in the hands of Taliban fighters in Afghanistan over the past 18 months.

Russia has acknowledged sharing information with Taliban groups in an effort to combat Islamic State, but has denied sending weaponry. Russian officials didn't respond on Monday to a request to comment on the U.S. charges.

—Gordon Lubold

Special Advertising Feature

JOURNEY TO THE CLOUD

APPS MAY OFFER OPENINGS FOR HACKERS

By Catherine Bolgar

Applications, especially for mobile phones, are all the rage. Companies use them to interact with customers or vendors, or to get work done. Individuals use them for work and pleasure.

The numbers are huge: there are 2.27 billion smart phone users around the world, with 90% of the time they spend on mobile phones devoted to apps; more than 5.7 million applications are available in the top app stores; the number of global downloads is expected to hit 268.69 billion this year, compared with 2.5 billion in 2009.

"The scale at which we're adding apps for mobile phones is incredible," says Daniele Catteddu, chief technology officer at the global nonprofit organization Cloud Security Alliance (CSA).

No wonder apps are a target for hackers.

Last year, researchers published studies about vulnerabilities in the OAUTH 2.0 single sign-on protocol, which is used in many mobile apps. The flaw allowed "signing into one billion mobile app accounts effortlessly," as one study's title summarizes. About 2.5 billion apps were considered vulnerable.

The example shows how one weakness can have vast ramifications. "There's a problem with the way we go about programming," Mr Catteddu says. "The other problem is the pure technical vulnerability. There are bugs that have been embedded in code a long time ago."

Such vulnerabilities hit companies on two levels: As companies adopt Bring Your Own Device (BYOD) policies in which employees use their personal devices like smart phones, tablets and laptops for business, they have less ability to control which tainted apps might run alongside sensitive business communications. Meanwhile, companies are using third-party apps as well as developing their own apps, particularly for the front end when facing customers.

"BYOD is a security nightmare," says Perry Alexander, professor of electrical and computer science at the University of Kansas in Lawrence. "It's very difficult because you can't trust the devices people bring into the system. All software and hardware has vulnerabilities, but you can address them if you know them. With BYOD, you don't know what you're dealing with."

To mitigate the risk, most companies have policies about which BYOD devices can be used, because some devices are better than others at maintaining a separation between company and personal apps, says David Lie, professor and Canada Research Chair in Secure and Reliable Computer Systems at the University of Toronto.

Some older devices no longer update software, so any vulnerabilities they have can't be closed, he says. Companies can avoid that risk by ensuring that employees use devices that are relatively new and updated.

It isn't just devices owned by employees. "Corporate-owned devices have the same issues," says Mr. Catteddu of the CSA. As a society, "We haven't been very good in creating the right sandboxes around our toys. Very often organizations do not have a list of what is allowed and what is not. Often the vetting process doesn't scale to cope with the number of new services requested, it's lengthy and demands resources."

Companies can improve security by vetting the technology brought into the company. "They can have a whitelist of apps that can be used in the working perimeter. "We cannot leave to the sole judgment of the users to decide on which apps are appropriate. Often we are in a situation that there is no policy whatsoever," he says.

Beyond that, companies need to educate employees about the permissions they are granting to apps they download for personal use. "People will allow access to their contact list or to GPS information," Mr. Catteddu says. "People don't realize the permission they've been asked for is not necessary and provides additional ruses for attacks."

All these risks will be multiplied many times as the Internet of Things expands, gathering information about individuals and sharing it among devices, he says. "The number of things on the network will go up by a factor of 20 in the next decade," Dr. Alexander concurs. "All those things introduce security risk."

Sign-ons and passwords are another weakness. Despite the OAUTH 2.0 example, the big platforms that offer single sign-ons often have spent more time and effort on security than smaller apps can manage. "Rather than every app having to recreate authentication from scratch, you can just use a single sign-on that has received more vetting. It also means you don't have to remember different passwords," Dr. Lie says.

The average user has dramatically increased the number of applications in use. With each application come separate passwords and login procedures. On top of the load of personal applications and logins, come the employer's SaaS [software as a service], IaaS [infrastructure as a service], and on-premises applications. As a result, "users have an unmanageable number of login credentials. This large number of user identities across applications makes it easier for phishers to 'hack the human,'" says Lee Salughter, Security Solutions Marketing Manager, F5 Networks Inc., a Seattle-based company that specializes in application delivery networking technology for Web applications and security. "Without a consistent login experience, users are more likely to fall for phony login pages presented by phishers."

One way individuals manage identity sprawl is by re-using passwords across applications rather than creating unique passwords for each. "When one set of login credentials is compromised, other applications are at also at risk," Mr. Slaughter says. "Today's phishing attacks have become less complex and the reward is greater."

FIREWALLS ARE FINE, BUT SECURITY DEPENDS ON PEOPLE

By Catherine Bolgar

The days of company information safe under lock and key, ringed by firewalls and secure gates, aren't over, but nobody thinks they're anywhere near enough to ensure cybersecurity today.

Instead, cybersecurity and cloud security are focusing on people.

"The threats to the cloud are no different from general threats," says David Lie, professor and Canada research chair in secure and reliable computer systems at the University of Toronto. "The top method of attack is social engineering. The attacker doesn't necessarily use something purely technical but tricks the human victim into making a mistake."

The culture of sharing personal information on social media makes it easy for attackers to get personal information about people that can help in crafting messages that look legitimate and persuade people to reveal credentials or to install software, he says.

"The people who do phishing are getting more and more sophisticated. Really smart people fall for these things," says Perry Alexander, professor of electrical and computer science at the University of Kansas in Lawrence. "You're dealing with very sophisticated attackers who know how to hide their links very well."

Companies need to promote a security culture, he says, while at the same time limiting the friction employees encounter in trying to get their work done. If security makes a system too cumbersome, employees might seek a workaround, not realizing they're exposing the company to even more risk.

"The solution is education and technological tools to make it more clear to people what is going on," Dr. Lie says. For example, email can be set up to show the real sender's entire address rather than just first name and last name, and links in messages would appear in their entirety rather than hyperlinks that hide the real destination.

Encryption is another tool, but it's "a hammer," Dr. Alexander says. "You can use it incorrectly or badly. In some cases, you might as well not have used it at all. It depends on how you use cryptography and protocols. Weaknesses in the protocols is how you get attacked."

Security tools may be blind to encrypted traffic, creating a new risk. Companies encrypt their data traffic, including the increased traffic that goes to the cloud. While this sounds like a smart move, an attacker who has entered a system via phishing suddenly can send information in and out of the system without being noticed because that traffic will be encrypted.

"Over the years encryption has been used to protect data at rest stored in various data stores," says Kunaciilan Nallappan, Senior Director, Asia Pacific & Japan, F5 Networks Inc., a Seattle-based company that specializes in application security. "This has provided protection within the enterprise. However as the need for data sharing increased, we saw the increasing use of encryption to protect data in transit."

Various solutions exist but the most common and well-known method is Secure Socket Layer (SSL) encryption, which has become the de facto standard for encryption for transactions across the Internet.

"While SSL provides a credible protection against data theft while in transit, it also makes the job difficult for traditional firewalls to inspect such traffic, thereby allowing for easy transmission of malware via the encrypted data," Mr. Nallappan says.

"This is a major blind spot for security teams. There is an increasing need for organizations to understand what's in the encrypted data to identify any malware that could pass through security systems disguised as good traffic. Visibility into encrypted traffic is becoming a important factor for cyber security teams."

He also adds that encryption needs to be combined with inspection tools as well as other application protection solutions to ensure that while the data in transit is protected, it is also not providing shelter to malware to pass through to the applications.

Another method is a combination of technological tools and human resources.

Privileges are "the foundation of information security, but they're often overlooked and poorly implemented," says Daniele Catteddu, chief technology officer at the nonprofit Cloud Security Alliance. "Within organizations, you often have individuals who have access to resources that are far beyond their responsibilities."

The use of DevOps, especially for cloud computing, can quickly create applications or microservices, allowing companies to respond to markets and demand in an agile way. However, microservices represent "an atomization of resources," Mr. Catteddu says. "They mean it's important that each person in the organization has access to appropriate resources, based on their need to know and least privileged."

Attackers might exploit one microservice and then move laterally across the organization through others. Restricting employees' permissions and verifying their identity creates distributed perimeters around resources, rather than an all-in vs. all-out overall perimeter.

A software-defined perimeter creates distributed, rather than centralized, systems architecture, Mr. Catteddu says. The overall network isn't visible from the outside except to authenticated users, and each preauthorized user has access only to specific machines and specific resources.

"It scales wonderfully in the case of a mobile work force," he says. "Up until a few years ago, if you were outside your building or perimeter, you had VPN [Virtual Private Network] access to your network. At that point, you were in the organization, so you potentially had access to resources you don't need access to. To limit that, organizations had to compose access lists, which might quickly become complex and don't scale well."

A software-defined perimeter, by contrast, focuses on verifying the user's identity and limiting which resources each user may access.

While technology can allow role-based access as well as contextual access based on the attributes of the access conditions, most enterprises lack the in-house expertise or the operational resources or budget to implement a sophisticated data access policy, much less keep up with continuing to maintain changing access needs.

"It's mostly an operational rather than a technical problem," says Mr. Nallappan. "The good news is that the technology is also evolving to automate some of these operational tasks and allow for self-service mechanisms with checks and balances."

With so many tools at their disposal, companies have no excuses for not improving their security. Security isn't a battle won and done, but a culture.

Catherine Bolgar is a freelance writer and editor based in Hong Kong.

President Pushes a Corporate Tax Cut

Trump tells staff he is willing to add significantly to the federal budget deficit

BILL INGALLS/NASA/GETTY IMAGES

Mr. Trump, with Ivanka Trump, talked with NASA astronauts aboard the International Space Station on Monday.

WASHINGTON—President Donald Trump has ordered White House aides to draft a tax plan that slashes the corporate tax rate to 15%, even if that means a loss of revenue, according to people familiar with the directive.

By Michael C. Bender, Richard Rubin and Nick Timiraos

During a meeting in the Oval Office last week, Mr. Trump told staff he wants a massive tax cut to sell to the American public, these people said. He told aides it was less important to him that such a plan could add to the federal budget deficit, though that might make it difficult to sell to GOP lawmakers who are wary of such a large tax cut. Mr. Trump told his team to "get it done" in time to release a plan by Wednesday, the people said.

Mr. Trump's willingness to let deficits run higher also could hinder the passage of tax cuts that are permanent. Congressional Republicans plan on using a procedural tool known as reconciliation that would allow the tax legislation to pass with a 51-vote majority in the Senate, instead of the usual 60 votes. Under those rules, changes can't add to deficits beyond a decade.

"It's the same discussion they had about the Bush tax cuts in the previous administration: Are you better off having a smaller cut that is permanent, or a larger cut that is temporary?" said Mick Mulvaney, the president's budget director, last week.

Treasury Secretary Steven Mnuchin and National Economic Council Director Gary Cohn were scheduled to meet Tuesday to discuss Mr. Trump's tax proposals with Senate Majority Leader Mitch McConnell (R., Ky.), House Speaker Paul Ryan (R., Wis.), Senate Finance Chairman Orrin Hatch (R., Utah) and House Ways and Means Chairman Kevin Brady (R., Texas). The meeting comes in advance of a Wednesday announcement by Mr. Trump about his principles for tax policy.

During the campaign, Mr. Trump proposed to cut corporate rates to 15% from 35%. There likely aren't enough business tax breaks that could be repealed to offset the fiscal cost, meaning such a move would increase budget deficits. Roughly, each percentage-point cut in the tax rate lowers federal revenue by $100 billion over a decade, so a 20-point cut would cost the government $2 trillion over a decade, according to the congressional Joint Committee on Taxation.

If such a deficit-financed tax cut passed under reconciliation, the provisions would expire after 10 years, because bills passed that way can't increase deficits beyond the typical 10-year time frame against which tax and spending policies are projected.

Some White House advisers have warned that changes that aren't permanent would undercut the rationale for a corporate-tax cut, which is to boost business investment. Businesses are "making long-term capital decisions. People are deciding to move this to the United States, and...they need some permanence of the tax code," Mr. Cohn said at a conference last week.

Democrats are against large tax cuts for corporations, especially when Mr. Trump is already proposing cuts to spending programs that Democrats prioritize, such as housing, arts and the environment.

"They will lose a boatload of revenue that we can't afford to lose and far more than this team will offset by closing loopholes," said Jared Bernstein, who was an economic adviser to former Vice President Joe Biden. Cutting marginal tax rates for businesses could generate some economic growth, Mr. Bernstein said, but not nearly enough to pay for itself with increased revenue.

"These promises about all kinds of growth and investment that are going to be triggered by these tax cuts never appear," Mr. Bernstein said.

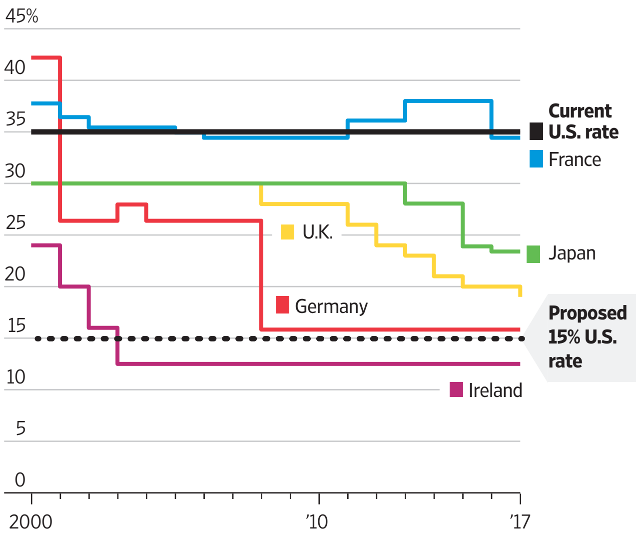
Mr. Trump's call for a 15% corporate tax rate puts him below the low end of recent proposals. Former President Barack Obama sought a 28% rate for most companies. A 2014 Republican plan had a 25% corporate rate. And House Republicans want a 20% rate, with the cost covered by including a border-adjustment feature that taxes imports and exempts exports.

Asked Monday if the president's tax plan would be revenue-neutral, meaning it wouldn't add to the debt, Mr. Mnuchin told reporters that it would "pay for itself with economic growth." By that, he meant that the administration expects to be able to project faster growth due to tax cuts, which would in turn increase revenue and avert the risk of bigger budget deficits. Many economists say that without a big pickup in productivity and labor-force growth, though, it is uncertain whether the tax-policy changes could drive an economic expansion on a sustained basis.

Big Break for Business

President Donald Trump has requested a plan to drop the corporate income-tax rate to 15%. Republican plans also provide reduced tax rates on an estimated $2.6 trillion that corporations have stockpiled abroad.

Corporate income-tax rates for select advanced economies



Note: Observations are updated before May of each year and exclude state and local taxes.
Sources: Organization for Economic Cooperation and Development (rates); Joint Committee on Taxation (amount overseas)
THE WALL STREET JOURNAL.

U.S. Readies 20% Import Tariff on Canada Lumber

DARRYL DYCK/ASSOCIATED PRESS

The U.S. plans to impose tariff on softwood lumber from Canada. Above, stacked lumber in British Columbia.

By Peter Nicholas And Paul Vieira

The Trump administration is taking retaliatory action against Canada over a decades-old trade dispute, moving to impose a 20% tariff on softwood lumber that is typically used to build single-family homes, Commerce Secretary Wilbur Ross said in an interview.

Mr. Ross said the tariff would be applied retroactively and imposed on Canadian exports to the U.S. of about $5 billion a year. He said the dispute centers on Canadian provinces that have been allegedly allowing loggers to cut trees down at improperly subsidized costs and sell them at lower prices.

The decision is preliminary and the Commerce Department will need to make a final determination. After that, the U.S. International Trade Commission will also need to find that the U.S. industry has suffered injury before any tariff is levied. But even a preliminary decision has immediate real-world consequences, by discouraging importers from buying lumber from Canada.

"We tried to negotiate a settlement but we were unable," Mr. Ross said Monday, adding that the Trump administration had notified Canada of its decision.

The Canadian government said it "disagrees strongly" with the Commerce Department's decision, arguing the reasoning was based on "baseless and unfounded" allegations from the U.S. lumber industry.

In a joint statement from Canadian Foreign Minister Chrystia Freeland and Resources Minister Jim Carr, the Liberal government said it would defend the country's lumber interests, including through litigation, and press the Trump administration to "rescind this unfair and unwarranted trade action."

President Donald Trump's heightened rhetoric over Canadian treatment of U.S. lumber and dairy producers in recent days marked a sharp pivot for the president on America's northern neighbor and second-largest two-way trading partner, after China.

In the lead-up to the decision on lumber duties, U.S.-Canada trade watchers said the Trump administration's move on timber could serve as an opening gambit in laying out what he wants Canada to put on the table as part of the North American Free Trade Agreement renegotiations, which have yet to begin.

The trade row between the U.S. and Canada over lumber dates back decades, although the countries reached a standstill through a bilateral deal struck in 2006 that stopped the U.S. from imposing additional duties. Under that arrangement, which expired in late 2015, Canadian forest producers agreed to accept either a quota on U.S.-bound exports or pay a tax on goods shipped to the U.S. in exchange for no tariffs.

The U.S. lumber industry filed a complaint last fall to the Commerce Department, alleging that Canadian lumber is unfairly dumped—or sold at less than market value—into the U.S. market and that Canada heavily subsidizes its timber industry by offering Pacific Coast producers access to wood from government-owned land at below-market prices.

"We appreciate today's actions by the Department of Commerce," said Cameron Krauss, senior vice president of legal affairs at the U.S. Lumber Coalition.

The preliminary duties over alleged subsidies vary depending on the Canadian firm, according to a release from the U.S. Commerce Department late Monday. The tariffs range from 3% to 24% for companies named in the documents.

Senate Panel Approves President's Trade Pick

By William Mauldin

TASOS KATOPODIS/AFP/GETTY IMAGES

Robert Lighthizer

President Donald Trump's nominee for U.S. trade representative cleared a Senate committee on Tuesday, bringing the administration a step closer toward its plan to overhaul international trade policy.

The Senate Finance Committee voted 26-0 to advance Washington trade lawyer Robert Lighthizer. It also unanimously approved a waiver that Democrats said is needed to allow him to serve in the position, which spearheads trade policy, coordinates with Congress and leads overseas negotiations.

Mr. Lighthizer has frequently represented steel firms and other U.S. companies seeking protection from alleged dumping from foreign competitors and foreign subsidies. He has said he would work with Congress on new tools to rein in what he sees as unfairly traded Chinese imports. He has signaled he would use tough tools against trading partners even if they run afoul of the World Trade Organization.

Mr. Lighthizer's nomination had been held up for months over the waiver, needed because he represented foreign governments decades ago, before a law that prevents nominees from becoming trade representative after representing a foreign government in a trade dispute with the U.S.

Mr. Trump has complained repeatedly about congressional delays to his trade policy.

Mr. Lighthizer, who was once a senior staffer on the Finance Committee, enjoys broad bipartisan support in the Senate. Still, some defenders of free trade worry his career in trade cases will lead Mr. Trump's administration to pursue enforcement actions that end in tariffs on U.S. imports and potential retaliation from trading partners.

Trump Now Open to Delay in Wall Funding

By Kristina Peterson And Rebecca Ballhaus

WASHINGTON—President Donald Trump is open to waiting until later this year to secure funding for a wall along the border with Mexico, White House officials said, in a shift that could clear the way for lawmakers to strike a deal to avoid a government shutdown on Saturday.

Mr. Trump and top administration officials previously indicated the president wanted to include money to begin building a wall along the southern border in the bill to keep the government running after its current funding expires at 12:01 a.m. Saturday, which is also the president's 100th day in office.

The president addressed the issue at a reception with conservative media at the White House on Monday night. His new flexibility over whether the wall is funded in this spending bill or one that will be needed in late September could remove one of the last remaining hurdles facing congressional Democrats and Republicans hammering out the five-month bill they must pass this week to avoid a partial government shutdown.

The House GOP debate over a health-care bill, meanwhile, is likely to be pushed to the back burner for now to help avert a shutdown, Republican lawmakers and aides said.

Without the debate over the border wall, lawmakers may be able to come to an agreement on the spending bill relatively quickly. Both Democrats and Republicans had signaled they were willing to increase money for the military and for broader border security before administration officials last week indicated that Mr. Trump would press for money to begin building the wall.

There had been little appetite among Republicans on Capitol Hill to demand funding now for the border wall specifically, rather than offer a general boost for tighter border security. Democrats, whose votes will be needed to pass the spending legislation in the Senate, had said they would oppose a spending bill that included money to start building the border wall.

"It's good for the country that President Trump is taking the wall off the table in these negotiations," Senate Minority Leader Chuck Schumer said in a statement Monday night. Earlier Monday, Mr. Schumer had said the wall was a "non-starter" for Democrats.

JIM WATSON/AGENCE FRANCE-PRESSE/GETTY IMAGES

A man on the Mexican side of a fence along the California border.

Democratic votes will be needed because Republicans hold just 52 seats in the Senate, where spending bills need 60 votes to clear procedural hurdles. House GOP leaders will also likely have to rely on some Democratic help, since some conservative Republicans are expected to oppose it.

"Border security's the main issue—whether that includes a wall or technology, drones or repairing what we have," Sen. Shelley Moore Capito (R., W.Va.) said Monday. Ms. Capito said she wasn't interested in risking a shutdown over the border wall.

Other Republicans echoed that their top priority was making sure they crafted a spending bill that could clear both chambers before the government runs out of money. "I wouldn't mind funding the wall, but it's a question of what we can do up here, what's doable," said Sen. Richard Shelby (R., Ala.), a senior member of the Senate Appropriations Committee.

In March, the administration asked Congress for $1.4 billion in spending for the current fiscal year for the wall, with an additional $2.6 billion for the next fiscal year, beginning Oct. 1.

Sally Yates To Testify to Senate Panel

PETE MAROVICH/GETTY IMAGES

The former acting attorney general is expected to throw light on alleged Russian meddling in the U.S. presidential election.

By Aruna Viswanatha and Byron Tau

Former acting Attorney General Sally Yates is set to testify before a Senate panel in early May, a long-anticipated appearance expected to delve into Russian meddling in the 2016 election, potential links between the Trump campaign and Russia and the ouster of former national security adviser Michael Flynn.

The hearing is being held by the Senate Judiciary Committee's subcommittee on crime and terrorism, chaired by Sen. Lindsey Graham (R., S.C.). Mr. Graham last year signed a letter as part of a bipartisan group of four senators asking congressional leaders to create a special committee to investigate alleged Russian interference in the 2016 election. The leaders declined to do so.

The House and Senate Intelligence Committees are conducting high-profile investigations of the Russian interference, but those probes have struggled to move ahead quickly. Mr. Graham has perhaps been the most outspoken Republican pushing for a far-reaching inquiry on the Russian meddling.

James Comey, director of the Federal Bureau of Investigation, confirmed last month before the House Intelligence panel that his agency is investigating whether members of then-candidate Donald Trump's campaign collaborated with the Russian government to influence the election.

The May 8 hearing, which will also include James Clapper, the former director of national intelligence, is the first time Ms. Yates is expected to speak publicly since being fired as acting attorney general in the early days of the Trump administration.

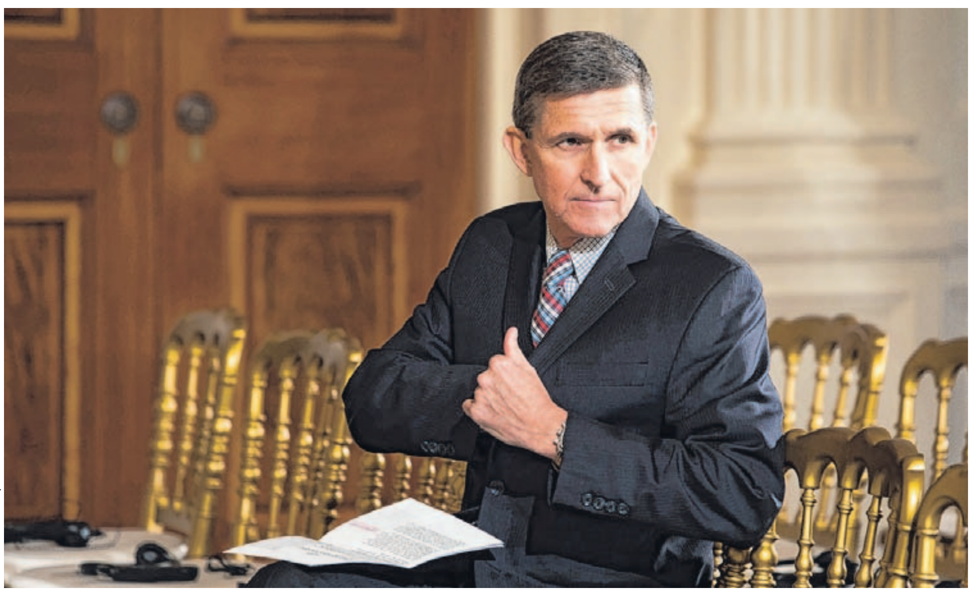
The White House forced out Ms. Yates, a holdover from the Obama administration, after she told Justice Department lawyers not to defend Mr. Trump's initial executive order on visas and refugees. Federal courts later blocked the order, and the White House has since redrafted it; that new version has also run into legal trouble.

Ms. Yates also warned the White House about potential discrepancies in Mr. Flynn's statements about his contact with a Russian official before the inauguration. Those discrepancies led to Mr. Flynn's resignation after less than one month on the job.

Ms. Yates and Mr. Clapper, along with John Brennan, who headed the Central Intelligence Agency in the Obama administration, had been scheduled to appear before the House Intelligence Committee last month. But that hearing was canceled amid infighting between Republicans and Democrats on the panel.

The House Intelligence Committee has been beset by questions about its leadership. Chairman Devin Nunes (R., Calif.) stepped aside from the Russia investigation this month, citing the need to clear his name in an ethics investigation. Rep. Michael Conaway (R., Texas) is now heading the committee's probe. Meanwhile, Democrats on the Senate Intelligence Committee are increasingly raising concerns about the pace and staffing level of that panel's Russia investigation.

Earlier letters from the Trump Justice Department show the department had raised questions about Ms. Yates's ability to testify before Congress, saying that her contacts with the White House were likely covered by the presidential communications privilege. The White House later said it had given its consent for Ms. Yates to testify.



JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY

Mike Flynn accepted money for engagements hosted by entities linked to foreign governments.

No Sign Flynn Followed Foreign-Payments Rule

By Byron Tau And Natalie Andrews

WASHINGTON—Former White House national security adviser Mike Flynn apparently didn't seek permission from the military before taking payments from entities linked to Russia and Turkey, as required under Pentagon guidelines, the leaders of the House Oversight and Government Reform Committee said Tuesday.

The panel's Republican chairman, Rep. Jason Chaffetz of Utah, and Democratic ranking member, Rep. Elijah Cummings of Maryland, said they were asking the Defense Department to determine whether Mr. Flynn, a former three-star general and head of the military's Defense Intelligence Agency, must return payments he received after leaving the military for lobbying and speaking work that was linked to foreign governments.

"I see no information or no data to support the notion that Gen. Flynn complied with the law," said Mr. Chaffetz in a joint news conference with his Democratic counterpart at the U.S. Capitol on Tuesday morning, after viewing classified documents provided by the Defense Department. The documents were given to the committee as part of its investigation into the circumstances around Mr. Flynn's departure from President Donald Trump's administration.

Panel leaders say former national security adviser may not have complied.

"Gen. Flynn had a duty and an obligation to seek and obtain permission to receive money from foreign governments prior to any engagement with them," Mr. Chaffetz said.

"It does not appear to us that that was ever sought nor did he ever get that permission."

Robert Kelner, an attorney for Mr. Flynn, disputed the committee's characterization of the controversy over payments, saying his client was in contact with the Defense Intelligence Agency about foreign payments from the state-owned Russian television network RT.

"General Flynn briefed the Defense Intelligence Agency, a component agency of DoD, extensively regarding the RT speaking event trip both before and after the trip, and he answered any questions that were posed by DIA concerning the trip during those briefings," said Mr. Kelner, an attorney for Mr. Flynn.

Mr. Flynn, who briefly served as President Donald Trump's national security adviser before resigning under pressure, has been under investigation by the committee for receiving payments from entities linked to Russia and Turkey.

In one case, Mr. Flynn was paid more than $30,000 by state-sponsored RT for a Moscow speech.

HOUSING

Continued from page A1

at Nationwide Insurance and a former chief economist at mortgage giant Fannie Mae, referring to the frenzied buying. "It can't go on forever."

During a bubble fueled by low-interest rates and easy access to credit, home prices soared to highs in 2006 before tumbling 27% over the following six years.

One of the main drivers of the current price gains is the lack of home construction. Labor shortages, zoning regulations, a lack of available land and caution among builders have kept a lid on construction activity in recent years. The supply of homes for sale in March was down 6.6% from a year earlier, the National Association of Realtors reported last week.

Now, even as the nine-year anniversary of the current economic expansion approaches, the level of home construction relative to the number of U.S. households is at its lowest level since the U.S. Census Bureau began tracking such data in 1957, according to an analysis by the Federal Reserve Bank of Kansas City from earlier this month.

To be sure, there are few signs of an imminent housing bust that would lead to steep national declines in home prices, economists said. Unlike the last boom, lending standards are stricter, and many buyers have pristine credit scores and are putting down large down payments, agents said.

What's more, while prices have risen rapidly over the past several years, that is partly because they were making up ground lost during the bust.

With little risk of a supply glut in the near future, economists generally expect prices to continue rising quickly in most markets for a couple more years, if the economy keeps expanding.

They said it is more likely that overheated markets are headed for a long period of flat or slightly declining home prices, especially if mortgage rates rise or job growth slows, but not an outright crash.

The market "is not going to burst, it's going to contract" with falling sales volume, said Nela Richardson, chief economist at Redfin, a real-estate firm. "You might still see what looks to be a robust market because prices are really strong, but that doesn't mean it's a broad market."

Nonetheless, home prices are starting to look frothy for the first time in years. Nationally, homes are about 4% overvalued, meaning prices are slightly above the long-term trend line between household incomes and mortgage costs, according to Mark Boud, chief economist at Metrostudy, a housing research firm.

Some markets are in more complicated territory. The Denver market is 8% overvalued, while the Bay Area is 8.5% too pricey based on Mr. Boud's analysis.

Most overheated markets have supply shortages. Nationwide, there is a shortage of about 3 million homes, Mr. Boud said.

The markets Mr. Boud said are likeliest to experience trouble soon are those in which prices are too high but there aren't significant supply shortages. Dallas, for example, is 10% overvalued but just 2.5% undersupplied.

"[Dallas] is going to hit the skids sooner than most markets," Mr. Boud said.

In Denver, homes are selling briskly. The median number of days that homes spent on the market declined to eight in the first three months of the year from 61 in 2012, according to Redfin. Home prices rose 8.5% in Denver over the year ended in February, according to Case-Shiller.

Nicki Thompson, an agent in Denver, said she recently had a listing that was on the market for two weekends at $1.2 million and she received multiple all-cash offers above the listing price.

"It's just crazy," she said.

ALAN DIAZ/ASSOCIATED PRESS

The supply of homes for sale in March was down 6.6% from a year earlier. Above, a home in Miami.

U.S. WATCH

IMMIGRATION

Number of Illegal Residents Declines

The number of people living in the U.S. illegally touched its lowest level in nearly a decade in the final years of the Obama administration, according to a new report that underscores how undocumented immigration was already in decline ahead of President Donald Trump's tougher border stance.

The number of undocumented residents fell to 11 million in 2015, the lowest level since 2005, the Pew Research Center reported Tuesday. The estimated number includes people who crossed the border illegally and those who stayed here after their legal visas expired and is based on data from the Census Bureau's American Community Survey.

Pew also offered a preliminary estimate of the size of the undocumented population in 2016, but it was based on a smaller, less reliable Census survey called the Current Population Survey, conducted in March 2016. Using those data, the number of illegal immigrants was 11.3 million last year.

—*Laura Meckler*

WASHINGTON

Perdue Is Confirmed As Agriculture Chief

The Senate confirmed former Georgia Gov. Sonny Perdue as secretary of agriculture, ending a three-month vacancy atop the sprawling agency as the food sector confronts potential changes to U.S. trade policy and farm-level regulations.

Mr. Perdue, a Republican who grew up on a dairy farm and has managed agribusinesses, was confirmed in an 87-11 vote, garnering significant support from Democratic senators who saw him as an experienced manager who will maintain supports for U.S. farmers navigating a crop-price slump.

Awaiting Mr. Perdue is the worst farm-economy slump in decades, with U.S. net farm income projected to fall for a fourth consecutive year to $62.3 billion, half the record $123 billion farmers earned in 2013, according to USDA projections. The agricultural sector has also watched warily as President Donald Trump's administration has moved ahead with an overhaul of U.S. trade policy, including withdrawing from the Trans-Pacific Partnership, which farm groups generally had backed.

—*Jacob Bunge*

STATE DEPARTMENT

Former Fox Anchor To Be Spokeswoman

President Donald Trump's administration named former Fox anchor Heather Nauert to be the spokeswoman for the State Department, officials said Monday.

Ms. Nauert arrives as Secretary of State Rex Tillerson has begun to make more public appearances, but on-camera briefings have taken place in fits and starts.

The State Department resumed mostly daily media briefings for three weeks in March before pausing. Before that, the State Department hadn't held on-camera briefings since Jan. 19.

Acting spokesman Mark Toner, who was deputy spokesman in President Barack Obama's administration, has conducted on-camera briefings for Mr. Trump's administration.

—*Felicia Schwartz*

ECONOMY

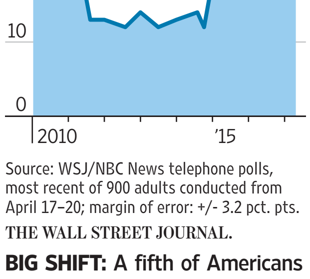
Consumer Confidence Fell in April

Americans grew less optimistic about the economy in April, but confidence remained high. The Conference Board said Tuesday its index of consumer confidence fell to 120.3 in April from 124.9 in March.

—*Austen Hufford*

Congress Takes Hit In Approval Ratings

Congressional job approval fell 9 percentage points from February.



Source: WSJ/NBC News telephone polls, most recent of 900 adults conducted from April 17–20; margin of error: +/- 3.2 pct. pts.

THE WALL STREET JOURNAL.

BIG SHIFT: A fifth of Americans approve of the job Congress is doing, down 9 percentage points since February, a new Wall Street Journal/NBC News poll found. **WSJ.com**

LOANS

Continued from Page One

dollar-amount loans to people who we know can't afford to repay them."

Parent Plus is one thread in a web of college loan programs that have come to resemble the subprime mortgage industry a decade ago, given the shaky quality of many of the loans.

The number of Americans with federal student loans, including through programs for undergraduates, parents and graduate students, grew by 14 million to 42 million in the decade through last year. Overall student debt, most of it issued by the federal government, more than doubled to $1.3 trillion over that period.

The financing fueled a surge in college enrollment. Between 2005 and 2010, enrollment grew 20%, the biggest increase since the 1970s.

Nearly four in 10 student loans—the vast majority of them federal ones—went to borrowers with credit scores below the subprime threshold of 620, indicating they were at the highest risk of defaulting, according to a Wall Street Journal analysis of data from credit-rating firm Equifax Inc. That figure excludes borrowers, such as many 18-year-old freshmen, who lacked scores because of shallow credit histories. By comparison, subprime mortgages peaked at nearly 20% of all mortgage originations in 2006.

About eight million Americans owing $137 billion are at least 360 days delinquent on federal student loans, nearly the number of homeowners who lost their homes because of the housing crisis. More than three million others owing $88 billion have fallen at least a month behind or have been granted temporary reprieves on payments because of financial distress. New research from Federal Reserve economists shows that most student-loan defaults are among borrowers who had weak credit.

Official review

Consumer advocates said defaults will continue to mount as loans taken out after the recession enter the repayment cycle. An Education Department spokesman said the agency is reviewing Parent Plus and other programs "to determine how best they can fit into the administration's goals of helping students and taxpayers, while promoting excellence in education."

Parent Plus, created by Congress in 1980, allows parents to borrow to cover tuition and living expenses—often after their children borrow the maximum in undergraduate federal loans, capped by law at $5,500 a year for freshmen, $6,500 for sophomores and $7,500 for juniors and seniors. There is no limit to how much parents can borrow. Supporters said the program ensures students can go to schools of their choice.

Rebecca McEvoy, 53 years old, had been a retired public-school teacher for several years, coping with multiple sclerosis, when she turned to Parent Plus in 2010. She borrowed $84,000 to help her oldest son through an art and design college.

After he graduated, she successfully appealed to the government to have the debt expunged under a federal law that forgives balances for borrowers deemed permanently disabled.

Three years ago, she and her husband, Dave, 64, also a retired schoolteacher, turned to Parent Plus again to help their younger son, Alex, cover costs at Ohio University. Dave McEvoy took out the loans under his name. They borrowed $40,000 over the past several years and expect to borrow another $10,000 for his senior year.

MADDIE MCGARVEY FOR THE WALL STREET JOURNAL

Rebecca McEvoy, a retired public-school teacher coping with multiple sclerosis, borrowed $84,000 through Parent Plus to help her oldest son through an art and design college.

The McEvoys' finances likely would have raised red flags with private lenders: They are living off modest pensions and have existing debts that eat up much of their income. "I have nothing left by the time I do my mortgage, the car, food and medical," Ms. McEvoy said.

She said they have started paying down the debt and plan to continue, but they likely won't be able to cover the full monthly payment once her son graduates in 2018.

Valerie Miller, Ohio University's director of student financial aid, said she can't comment on individual borrowers. She said the school counsels parents on their options and on whether they will be able to make payments under Parent Plus.

Alex McEvoy, 20, said he plans to work in the tech industry and pay off his parents' loans. "I'm like, 'Mom don't worry about it. It's going to be fine,' " he said.

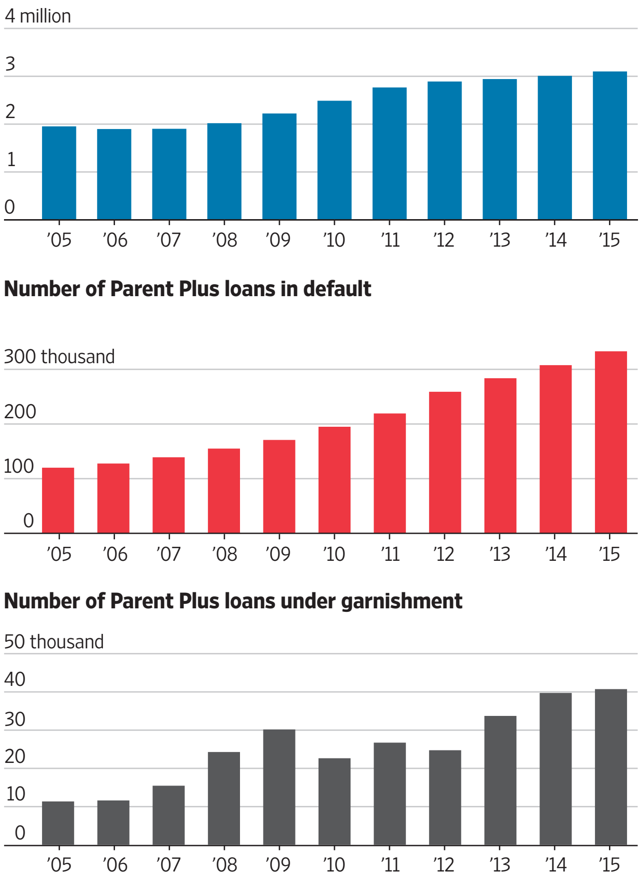
Obama administration officials, worried Parent Plus was heaping debt on high-risk borrowers, put in place tighter restrictions in 2011. But after schools argued stiffer underwriting would prevent many students from covering tuition, thus reducing college access for minorities and poor students, the administration rolled back the new rules. Research shows that restricting access to loans based on credit scores leads to lower college enrollment.

The number of families enrolled in Parent Plus jumped more than 60% since 2005, to 3.5 million as of Jan. 1. They owed about $77.5 billion—an average $22,000 per borrower, federal figures show.

Many borrowers are poor and older. More than one-third of such loans in recent years have gone to households that also received Pell grants, a student-aid program for families typically earning below $30,000 a year, federal data show. Other research suggests about one-third were single parents and a similar share lacked college degrees themselves. The program checks only a borrower's past five years of credit for major blemishes such as bankruptcy or foreclosure, and the past two years for delinquency on debts of more than $2,085.

The Parent Problem

As the number of federal loans to parents of college students under the Parent Plus program has grown, so too have the numbers of defaults and federal garnishments of borrowers' Social Security and other checks.



Source: Government Accountability Office, Education Department

THE WALL STREET JOURNAL.

Consumer counselors are hearing from borrowers who make as little as minimum wage but borrowed tens of thousands of dollars and now can't repay. Some expected their children to get good jobs and pay off the loans for them. In many cases, their balances have grown with interest—most Parent Plus loans issued over the past decade carried rates of between 6% and 8%—and thousands of dollars in fees the government charges when borrowers default.

Federal law bars borrowers from discharging student loans in bankruptcy, except in extremely rare circumstances. Instead, the government reduces tax refunds and Social Security checks of borrowers, leaving some with below-poverty incomes, the GAO reported in December.

"If Bank of America did that, Sen. [Elizabeth] Warren would have them in the biggest hearing you've ever seen," said Betsy Mayotte, a consumer advocate and student-loan expert.

The number of Americans who had wages, tax refunds or Social Security checks reduced because of unpaid student debt increased 71% between September 2010 and September 2015, according to the GAO. About 41,000 Parent Plus borrowers were among one million student-loan recipients who had checks garnished in the 2015 fiscal year. The government garnished the Social Security checks of 173,000 borrowers from student-loan programs in 2015, up from 36,000 in 2002.

Other borrowers are seeking relief through plans that cut their monthly payments and ultimately forgive some debt. Enrollment in the plans, known as income-driven repayment, has more than doubled in the last three years. The government doesn't publish data on parent participation.

"At some point, we're going to have to realize that a bunch of loans that have been made are not going to be repaid," said James Kvaal, Mr. Obama's top education adviser.

The GAO estimates taxpayers ultimately will forgive $108 billion on student loans made through the current fiscal year. By comparison, the savings-and-loan crisis of the 1980s cost the federal government about $181 billion, in today's dollars, according to the Federal Deposit Insurance Corp.

Sherry McPherson took out Parent Plus debt in 2006 so her son could enroll in a seven-month certificate program at a Seattle for-profit school that teaches commercial diving. She was an unemployed single mother with thousands of dollars in credit-card debt, a car loan and a subprime credit score. She had just retired from the Army after suffering an injury in Iraq.

The school, the Divers Institute of Technology, told Ms. McPherson she needed to borrow nearly $16,000 to cover remaining tuition after her son maxed out on undergraduate federal loans, she said.

Shaky credit

Ms. McPherson, now 50, remembers telling the school's financial-aid administrator she wouldn't be approved because of her shaky credit and unemployment.

"She looked at me and said, 'Look, all we need is your Social Security number,' " Ms. McPherson said. "They approved me in three minutes."

She hasn't worked since, partly because she attended college and graduate school herself. Her Parent Plus balance has more than doubled. Combined with her own student loans, she now owes more than $100,000 to the federal government. Ms. McPherson has refinanced into an income-driven plan, which sets her payments at zero while she is unemployed.

She and her son plan to start a commercial-diving company that she hopes will allow her to pay off the debt. But when she applied for a $60,000 loan to start the company, a private lender approved her for $20,000, at a nearly 16% rate, because of her student debt.

John Paul Johnston, executive director at the Divers Institute, said the financial-aid officer who dealt with Ms. McPherson has left the school, and that he couldn't confirm her account. The current financial-aid director, Caycee Clark, said the school informs parents of all their options, and that often Parent Plus is the only alternative for families with no savings. The school charges $26,000 tuition for a seven-month course.

As of late 2015, nearly two-thirds of borrowers with Parent Plus debt were between ages 50 and 64, the GAO said. Nearly four in 10 Americans age 60 and above with student debt—most of whom borrowed for children or grandchildren—reported skipping health-care needs in 2014, according to an analysis of survey data from the Consumer Financial Protection Bureau. That compares with 25% of above-60 Americans without student debt who said they went without such needs.

When College Debt Delays Retirement

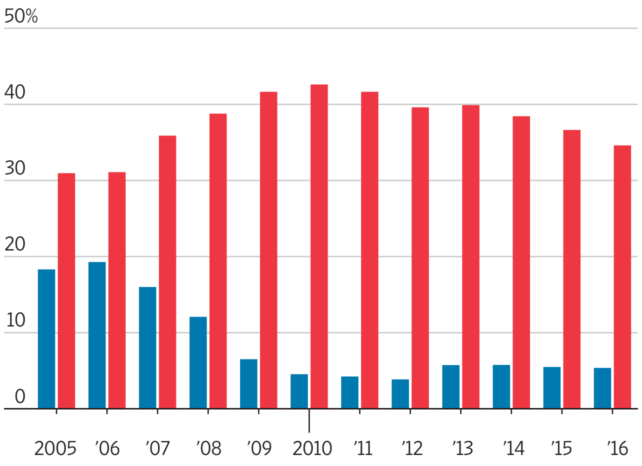
Harry Hagan, 66, of Syracuse, N.Y., delayed retirement to repay debt. He owes about $130,000 in Parent Plus debt after helping four children through college over the past decade, including a son still in school. He estimated the debt will rise to $175,000 once he graduates.

Mr. Hagan also owes about $60,000 to $70,000 in credit-card debt and a mortgage, and has a subprime credit score. He has no savings and receives a small pension from a previous employer. A couple of years ago, he said, he called the company that services the loans and said there was no way he would be able to make the roughly $1,200 a month payment it was expecting. The company suggested he refinance into a 30-year plan.

"I said, 'Listen, I'm 64 years old. In 30 years, God willing, I'll be 94. There's a very good chance I'm not going to make it. What happens?' " Mr. Hagan recalled asking. "They said, 'If you die before the loan goes up, it goes away.' I said, 'Good, let's do that.' "

Subprime Student Loans

The percentage of student loans made to borrowers with subprime credit scores exceeds the percentage of mortgages rated as subprime during the housing bubble.



Source: Equifax Inc.

THE WALL STREET JOURNAL.

BANKS

Continued from Page One

roomed into the financial crisis. Some of their employees are still having trouble letting go.

Former bankers keep alive their memories through Facebook pages, reunions and never-ending email chains. They reminisce about the teller uniforms they wore, recall the heart-warming comment that nice janitor made one time and share faded photos from the 1990s.

Former IndyMac employees meet annually for dinner and drinks at El Torito, a Mexican restaurant in Pasadena near where customers lined up in July 2008 to withdraw deposits from IndyMac. At the time, IndyMac was the third-largest bank failure in U.S. history.

The ex-colleagues dwell on the good times they enjoyed together, including baseball games, picnics with root-beer floats and hamburgers, and trips with IndyMac executives to Six Flags Magic Mountain amusement park.

Yvette Hadloc, 43, who worked in the securitization department, says friends and family members sometimes needle her about why she still loves a company that imploded in epic fashion. IndyMac specialized in a type of mortgage loan extended to people who had no proof of income.

IndyMac's history resurfaced earlier this year during the confirmation of Treasury Secretary Steven Mnuchin, who acquired IndyMac with his investment partners about six months after it was seized by regulators.

At reunions, the failure is avoided altogether, say ex-employees. "Whatever happened, happened," Ms. Hadloc says.

When banks fail, federal and state regulators march in, usually after closing time Friday. Bank employees are kept in the dark, and the surprise of that experience is a bond, according to some people who worked at financial institutions that failed during the crisis.

JANETTE LEWIS

Janette Lewis lost half of her retirement savings but kept a WaMu doll that looks like her.

Psychologists say that forging such connections is a natural way for humans to respond to high-stress situations such as combat or being held hostage. But a bank failure? "It's surprising," says Frank Ochberg, a psychiatry professor at Michigan State University and expert on post-traumatic stress disorder.

Failed-bank devotees say outsiders wouldn't understand. "There's a very strong loyalty because of that," says Ms. Ensor.

Former employees of Washington Mutual, the largest bank collapse of the crisis, have a Facebook page called "WaMulians." That's the internal nickname they were given while working at the Seattle thrift, where reckless lending practices led to thousands of foreclosures and huge investor losses. WaMu failed in September 2008.

WaMulians post photos of WaMu-branded memorabilia that they have saved for years: name tags, shirts featuring its last big marketing campaign (with the slogan "Whoo-Hoo!"), pens and piggy banks.

The Facebook page also includes WaMu Action Teller dolls, Barbie-style figurines outfitted in blue and khaki that the bank sold for $19.95 in the early 2000s.

"Best Employer Ever!!!!" former employee Reggie Russell posted recently, next to a picture of himself wearing a WaMu hat.

Janette Lewis, 54, worked for more than 20 years at a WaMu branch in Oregon. She says she lost half her retirement savings when WaMu failed, but she still adores it.

When she couldn't find an Action Teller doll that looked like her, Ms. Lewis bought a Barbie instead—and dressed it in WaMu garb. The doll is on display in her house, along with certificates showing ownership of 60 shares of WaMu stock, which WaMu gave her to mark work anniversaries. The shares are worthless.

In October 2009, regulators shut down San Diego National Bank after its capital was depleted by securities losses. In 2014, more than 100 former employees gathered at Rock Bottom Restaurant & Brewery to commemorate "five years since we were taken over by U.S. Bank," says Linda Falconer, who helped plan the reunion.

Ms. Falconer and other ex-employees printed fliers that said "banks will come and go, friendships last a lifetime!" So many former employees wanted to attend that she had to turn some away, she says. Ms. Falconer has begun planning a 10th anniversary event for 2019.

Nostalgia sometimes veers into the obscure as failed-bank casualties reminisce about their old business cards and customer-service phone numbers they are unable to forget.

Former employees say they are still haunted by some of their experiences. On a Facebook page where ex-IndyMac employees were organizing a gathering, one of them implored: "Please do not invite that crazy ass temp who ate my food at her desk with my fork."

LIFE & ARTS

FOOD

It's Time for a Second Breakfast

A bagel when we wake up, and a pot of yogurt at our desks; more Americans are eating two morning meals

BY ELLEN BYRON

THE MOST IMPORTANT meal of the day is increasingly eaten twice.

After years of fretting that people had stopped eating breakfast, or simply nibbled on the go, food makers and restaurants are discovering that more of us actually want to eat more than once in the morning.

"We see a lot of people grab something when they're rushing out the door, then they have a second breakfast once they make it to their desk," says Siggi Hilmarsson, founder and chief executive of the Icelandic Milk and **Skyr** Corp., which makes Siggi's yogurts. In January, the company introduced its first single-serve yogurt drink. Then, it discovered via social-media posts that people were drinking it as an early-morning, pre-workout meal. A more substantial second breakfast usually follows later in the morning, Mr. Hilmarsson says.

Restaurant chain Pret A Manger sees a rush of customers between 8 a.m. and 9:30 a.m., and another rush around 10:30 a.m. "They are having that second breakfast," says Jo Brett, U.S. president of Pret A Manger. "People are eating more little portions, more often."

In response to demand for smaller servings, including in the morning, this month the chain, which has about 440 locations world-wide and 76 in the U.S., is expanding its selection of pots, its name for the small portions of foods including fruit, yogurt and hard-boiled eggs. New pots will include more protein and vegetable options, the company says.

The fast-growing habit seems to have caught the giant food industry by surprise. Food makers have focused on persuading us to eat breakfast food all day, such as cereal for dinner and oatmeal for an afternoon snack. Meanwhile, consumers have expanded their appetite for what passes as breakfast food as restaurants serve up grain bowls and even salmon and chicken slices during morning hours. Multiple breakfasts are often celebrated in social media posts, with more than 87,000 posts on Instagram using #secondbreakfast.

Food companies see the second breakfast as more than just a conventional coffee break. Jimmy Dean last year introduced a line of microwavable hash browns stuffed with ingredients including sausage and cheese and bacon and veggies to target the growing "midmorning meal occasion," says Tracy Fadden, director of marketing for Jimmy Dean, a unit of Tyson Foods Inc.

Since people often eat breakfast while doing something else, like driving or typing, portability is crucial, Ms. Fadden says. The new hash browns come in a "crisping sleeve," an engineered paper wrapper that helps microwave heating and doubles as a carrier so people can eat it with one hand. No need for plate or fork, Ms. Fadden says.

Second breakfasts have long been popular throughout Europe, and even Bilbo Baggins, the protagonist in J.R.R. Tolkien's "The Hobbit," relished them. Americans in recent years have adopted the practice by eating multiple small meals in the morning, says Darren Seifer, a food and beverage industry analyst for market researcher NPD Group, which tracks when people eat. Americans still typically eat around 8 a.m., noon and 6 p.m., but upticks in eating are also happening before and after the traditional breakfast time, he says. "We're still having lunches the way we typically would, and dinners, too," says Mr. Seifer. "It's breakfast that's getting more fragmented."

The increasing popularity of multiple breakfasts is boosting sales of convenient breakfast foods. Sales of frozen breakfast entrees rose 24% over the past five years, according to Nielsen. Meantime frozen breakfast sandwiches have risen 30%. "It's a smaller format that fits in your hand while commuting and fits the idea of the snackification of breakfast," says Jordan Rost, Nielsen's vice president of consumer insights.

Enthusiasts should be mindful of how those meals fit into their overall day's consumption, says Gary Foster, chief scientific officer of Weight Watchers International Inc. Weight Watchers doesn't have an official stance on how many breakfasts its members eat, but advises that sticking to a daily eating pattern often brings weight-loss success. "It's energy in and energy out," Dr. Foster says. "If yesterday I was eating one breakfast, and today I'm eating two, you might need to cut out an evening snack- you have to make trade-offs."

Kara Cozier, a 39-year-old distributor for a health and wellness company who lives in of Waxhaw, N.C., says she usually eats a healthier lunch if she starts her day with two breakfasts, usually eggs, toast, avocado and pinto beans at 8 a.m. followed by yogurt, fruit and granola at 10:30 a.m. "I eat better because I'm not starving," she says. "At lunch, I'm more likely to have a salad and not grab a bag of chips because I'm ravenous." She started doing this when her twin daughters were young and hungry midmorning. She realized eating at that time worked better for her, too.

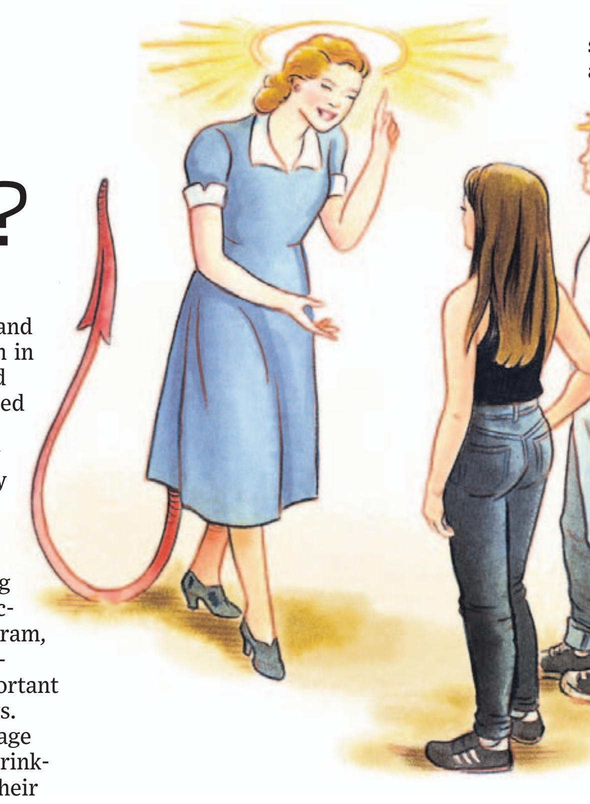
Second breakfasts tend to be smaller and slightly more savory than first breakfasts, says Jeanine Bassett, vice president of global consumer insights at General Mills Inc., which owns cereal brands including Cheerios, Wheaties and Lucky Charms. This year the company launched **Yoplait** Dippers, a line of Greek yogurts packaged with snacks for dipping. Vanilla bean yogurt comes with oat crisps; chipotle ranch yogurt with tortilla chips. "It really skews second breakfast," Ms. Bassett says.

The company's new Nature Valley line of granola cups, which are made of peanut or almond butter poured over oats and nuts, also target late-morning eating because of their healthy slant and bite-sized form, Ms. Bassett says. "This is about food that I can eat when I'm working at my computer, when I need something smaller."

ABOVE: F. MARTIN RAMIN/THE WALL STREET JOURNAL, STYLING BY ANNE CARDENAS; ILLUSTRATION BY ROSS MACDONALD, BELOW

WORK & FAMILY | By Sue Shellenbarger

HOW MUCH SHOULD YOU TELL YOUR TEEN?



THE QUESTIONS many parents dread begin as early as middle school: Did you do drugs when you were in school? Did you drink when you were a teenager?

Parents' natural reaction is often to clam up and try to hide youthful misdeeds. But there are ways to use stories about your own underage drinking, reckless driving or drug use to teach teens important lessons about health and safety. It requires listening carefully to what teens are asking and staying focused on what they need at the time.

One of the most common mistakes parents make is to let their own past missteps prevent them from talking with their teens at all, says Marcia Lee Taylor, president of the Partnership for Drug-Free Kids, a New York nonprofit. Children who learn a lot at home about the dangers of drugs and alcohol are much less likely to use them, she says.

Other parents err at the other extreme and spill too many details, says Madeline Levine, San Francisco, author of "Teach Your Children Well." Saying, "'I took LSD and ecstasy and this kind of pot and that kind of pot' gives it a specificity." Some teens may read that as a green light to try drugs themselves, Dr. Levine says.

Lynn Zakeri of Northfield, Ill., a clinical therapist who works with adolescents and young adults, says she sees this pattern in her office a lot. "Kids say, 'My mom did that, or my dad did that, and they turned out OK, so it must be OK,'" she says. When parents aren't careful about how they tell stories, "the kids see it as, 'My dad was a partier. He was a cool guy,' and they say it with a smile."

Parents should avoid either glorifying past adventures or overemphasizing the risks, says Wendie Lubic, an instructor for the Parent Encouragement Program, a Kensington, Md., parent-training nonprofit. "Limit your message to the important points you want to get across," she says.

Wayne Bland was riding with a teenage friend years ago when both had been drinking. The friend took a curve too fast. Their car nearly crashed onto a roadway more than 100 feet below. Mr. Bland, a Charlotte, N.C., investment adviser, has told the story to his five sons, 15 through 28, adding, "one simple mistake could have cost my life, and if that had happened, none of you guys would be here," he says. His son Justin, 17, says the story "taught me not to do stupid things while driving."

Howard Savage told his two daughters how staying up late smoking marijuana as a college sophomore made him unable to pay attention in class the next day—"and that was pretty much the last time I ever smoked pot," says Dr. Savage, a Takoma Park, Md., physician. He also described the profound grief and sense of loss he felt after his best friend in medical school died from a narcotics overdose.

His daughter Anna, 20, a college junior, says the stories made it clear to her that she could ask him questions about drugs, and kept her away from many of the drugs students use on campus.

Jenna Weinerman says hearing her mother Randi's stories about drinking in her teens drove home some lessons. "I was a little bit of a rebel," says Randi, of Voorhees, N.J. But she made sure the girls knew she regretted her behavior and wished she'd worked harder in school and attended college.

Jenna says those conversations persuaded her to avoid drugs, to drink sparingly and to set ambitious goals. "I'm 31 now, and so much better for having been told the truth," says Jenna, a marketing director in New York.

Different teens are looking for different things when they ask parents about drugs or alcohol, Dr. Levine says. "Your job is to figure out what is it that your kid really wants to know." Is he feeling pressured by peers to try pot or other drugs? Is she worried about getting in trouble at parties with alcohol? Or is your teen just curious about how it feels to use them?

Notice how your child responds to your answers and tailor your response accordingly. Avoid lecturing or making threats.

Parents who didn't use drugs or alcohol as teens should be honest too, explaining their reasons without moralizing. Either way, the focus of the conversation should be on helping the adolescent make safe, healthy choices amid the pressures and questions they face.

OPINION

REVIEW & OUTLOOK

Testing China on North Korea

President Donald Trump called on the United Nations Security Council Monday to adopt new and stronger sanctions on North Korea. Diplomats are skeptical that such measures would change Pyongyang's behavior because it is already economically isolated, doesn't mind inflicting pain on its people, and will never negotiate away its nuclear weapons. A new sanctions push is nonetheless worth a try—not least as a test of Chinese willingness to confront the threat it has helped to nurture.

It's a myth that Pyongyang already faces tough sanctions, since by several measures North Korea is well down the list of sanctions targets. There's plenty of room to tighten financial and trade restrictions on the Kim Jong Un regime. The main obstacle has been China's efforts to water down sanctions and veto tougher measures.

Beijing also has failed to enforce sanctions that it has agreed to. In recent years a U.N. Panel of Experts has documented how Chinese companies and banks violate U.N. sanctions against North Korea. Last year it determined that Bank of China's Singapore branch allowed 605 payments on behalf of North Korean entities. Beijing blocked the release of that report, though its contents leaked to the press.

Beijing has long viewed the collapse of the Kim regime as a worse threat to China's interests than are the North's nuclear missiles. And previous U.S. administrations chose to tiptoe around China's resistance in the hope of making incremental diplomatic progress.

Mr. Trump has taken a different approach as the North continues to increase its nuclear stockpile and its missile-delivery systems, threatening unilateral action against North Korea while seeking China's help. The Trump Administration is signaling in particular that it won't tolerate a North that can target U.S. cities for destruction with long-range missiles that can carry a nuclear warhead. The U.S. has done this with multiple public statements, private talks with Chinese President Xi Jinping, and an invitation this week to the entire U.S. Senate for a briefing on the threat.

Tougher sanctions would show if Beijing wants to restrain its client.

"This is a real threat to the world, whether we want to talk about it or not," Mr. Trump said Monday at a White House meeting of Security Council envoys. "North Korea is a big world problem, and it's a problem we have to finally solve. People have put blindfolds on for decades, and now it's time to solve the problem."

As we've recommended, the U.S. has the legal authority to increase pressure on the North by applying "secondary sanctions"—denying access to the U.S. financial system to companies and financial institutions in third countries that conduct illegal business with North Korea. Past administrations were reluctant to do so for fear of upsetting Beijing, since most of the targets of such sanctions would be Chinese. If Beijing refuses to act against the North, such sanctions would be a minimum test of Mr. Trump's seriousness.

The Trump Administration isn't revealing its overall strategy, but the use of military force can't be ruled out. The U.S. and its allies could intercept the next North Korean missile test or launch a pre-emptive strike. No one knows how the North would respond, and another Korean war is possible.

The way to avoid this dire prospect is for China to join the U.S. and its allies in a united effort to change the regime in the North to one that will give up its nuclear weapons. This needn't mean unification with the South, and it could mean a government in Pyongyang that is still allied with China. Toward that end, tougher sanctions are worth pursuing lest war becomes inevitable.

The Prime Minister's Left Turn

Theresa May called for an early British election on June 8 to take advantage of Labour Party weakness, but does she have to do it by adopting the Labour agenda? That's a question the Tories should ask after the Prime Minister's puzzling policy start to her campaign.

Chancellor Philip Hammond implied on the weekend that the Tories might abandon David Cameron's 2015 promise not to raise tax rates on personal income, social insurance or consumption. Mrs. May also refused when asked to commit to renewing the low-tax pledge when the Tories roll out their campaign manifesto next month.

This is strange politics and self-defeating policy. Especially during Brexit negotiations, tax policy is Britain's trump card. The government's pledge to continue cutting the corporate rate to 17% from 30% in 2008 has reassured business. The Tory promise not to increase other rates—the personal-income tax maxes out at 45%, and the value-added tax at 20%—offers some comfort to global talent. Now this is in doubt.

Theresa May

Mr. Hammond apparently worries about balancing the government's books and whether the country can afford a post-Brexit fiscal stimulus. But this election is a chance for Mrs. May to sell voters on a Brexit plan involving more enterprise and a lower tax burden. Instead she's squandering the hard work Mr. Cameron did persuading voters on the importance of spending restraint—and perhaps hamstringing the post-Brexit economy.

Meanwhile, Damian Green, a secretary in Mrs. May's government, said on Sunday the Tory manifesto will include price caps on home energy to save some households around £100 ($128) a year. If that sounds familiar, it's because former Labour leader Ed Miliband proposed it during the 2015 election campaign. Mr. Cameron lampooned it by saying Mr. Miliband lived in a "Marxist universe."

On taxes and energy price controls, the Tories try Labour-lite.

Mrs. May had been on the right track by abandoning some of Mr. Cameron's more expensive green-energy mandates on utilities, and she has embraced fracking to boost domestic natural-gas production. But if she follows through on energy-price caps, utility executives say they might have to raise rates on businesses and skimp on customer service. And will other price controls be next?

Mrs. May may figure she can get away with this left turn because Labour is divided and unpopular under leader Jeremy Corbyn. She may figure she can put more Labour seats in play by sounding more like a Labour candidate.

But that assumes voters won't look at her me-too politics and decide they'd rather vote for the left-wing candidate who really believes this stuff. Mr. Corbyn is barely mentioning Brexit, focusing instead on funding for social services and bashing bankers and CEOs. Mrs. May has also echoed those themes with her talk of reforming capitalism, but Mr. Corbyn does it with greater conviction.

Mrs. May's main purpose in calling an election is to deliver a majority in Parliament large enough that she can negotiate a workable Brexit from the European Union without being held hostage by hard Brexiters or fervent Remainers in the back benches. But even a historically large majority will be diminished if it's achieved by limiting Ms. May's ability to promote faster economic growth outside the EU. This election would be a terrible thing to waste.

Ending Litigation Tourism in America

Plaintiffs lawyers in America have a business model built around litigation tourism, suing in state courts known for friendly verdicts and big jury awards. The U.S. Supreme Court heard a pair of cases Tuesday that could upend this violation of federalism and due process.

In *Bristol Meyers Squibb v. Superior Court of California*, the Justices will consider whether some 600 plaintiffs who live outside California can sue the New York-based company in the Golden State by joining 86 local plaintiffs. The plaintiffs, who allege injuries related to the drug Plavix, sued in California because of its plaintiff-friendly reputation. (The other case, *BNSF Railway v. Tyrell*, concerns a similar play in Montana.)

The U.S. Constitution's Due Process Clause says no person shall "be deprived of life, liberty, or property, without due process of law," which protects defendants from being dragged into courts for improper claims. In Tuesday's cases, the claims filed have no connection to the state court exercising jurisdiction, a practice the High Court has already rejected.

In 2014 the Justices ruled in *Daimler v. Bauman* that for a court to have jurisdiction a lawsuit must be filed where a company is headquartered or uses as its main place of business. The same year in *Walden v. Fiore*, the Court held unanimously that "[f]or a State to exercise jurisdiction consistent with due process, the defendant's suit-related conduct must create a substantial connection with the forum State."

The U.S. Supreme Court hears two cases to rein in abusive forum shopping.

Yet the California Supreme Court ruled 4-3 in 2016 that California courts had jurisdiction over the Plavix lawsuits though the alleged injuries didn't occur there, the company isn't incorporated there and Plavix isn't made there. The California judges, in willful disregard of the U.S. Supreme Court, said the state had jurisdiction because the company did a lot of business there. By that standard nearly any business could sue in California.

Justice Kathryn Werdegar noted in dissent that allowing a lawsuit with such a tenuous connection to the state "threatens to subject companies to the jurisdiction of California courts to an extent unpredictable from their business activities in California" and extends jurisdiction over liability claims "well beyond our state's legitimate regulatory interest." This violates a basic tenet of federalism. Justice Werdegar offers the High Court a road map to enforce its precedents and rein in the trial bar.

Gibraltar After Brexit

By Tunku Varadarajan

Being Gibraltar is a mighty tough act: Barely 2½ times the area of New York's Central Park, the Rock has, for much of the past three centuries, faced hostility on its land border with Spain, which ceded it to Britain in 1713. The cession was made in perpetuity—but that has never stopped Spain from treating Gibraltar as a "disputed territory" and trying to wrench it back. The border reopened fully only in 1985, a decade after the death of Gen. Francisco Franco; but even democratic Spain has imposed border closures from time to time as a way to teach Gibraltar who's boss.

The people of Gibraltar have sided with Britain and against Spain in the sovereignty debate. In a 1967 referendum on whether sovereignty in the British territory should pass to Spain, 99.64% of citizens voted "no"; and in a 2002 referendum on whether sovereignty in Gibraltar should be shared by the U.K. and Spain, "no" scored 98.97%. Even the most diehard Spanish nationalist wouldn't spin the smaller second number as progress for Madrid's cause.

Gibraltar's latest problems, however, have been of British—not Spanish—making. The European Union was a boon to Gibraltar, as Madrid was required to treat its border as one between two EU member states, as well as to accord to Gibraltar the full range of EU rights.

The Brexit referendum has wrecked this happy situation. In spite of voting to remain in the EU by a very Gibraltarian 96%, the Rock is now bound by the U.K.'s vote to leave. Bowing ominously to Spanish pressure, the EU has stated—in its guidelines for Brexit negotiations—that no new deal with the U.K. would apply to Gibraltar without Spain's assent.

This veto gives Spain great power to throttle Gibraltar's economy, and accompanies its latest offer to the U.K. of joint sovereignty over Gibraltar, under which Gibraltarians would keep their political and legal institutions, while having to acknowledge that their territory was as much Spain's as Britain's. (Madrid acts as if the Gibraltarians don't exist. It talks only to London, denying the Rock's people a voice. The U.K., for its part, has affirmed that it will not accept a change in Gibraltar's sovereign status without the explicit agreement of Gibraltar's people.)

To find out how Gibraltar is bracing for life after Brexit, I spoke to Fabian Picardo, its chief minister. (Disclosure: He was my student at Oxford, where I taught him law in 1992.) Mr. Picardo is forthright in his rejection of Spain's cosovereignty offer: "People born a particular way can't be changed because they're offered a deal. Brits don't become Germans if they're offered a good deal, and Gibraltarians don't become Spaniards because the deal on the table is commercially attractive."

Mr. Picardo, whose grandmother was Spanish, says that "the terms put to us in respect of joint sovereignty actually represent the full hypocrisy of the Spanish position." He explains that many of Spain's attacks against Gibraltar are aimed at its financial-services sector. Even though Gibraltar is highly regulated and a financial services center ranked alongside London and Frankfurt, Spain claims the territory allows money laundering. "And what's the first line of their offer of joint sovereignty? That we can keep the financial-services sector that's so anathema to them when it's not in a joint-sovereign Gibraltar!" says Mr. Picardo.

Spain wants joint sovereignty over the Rock, but the people adamantly oppose it.

Diplomats say that Spain was emboldened to take a hard line on a post-Brexit Gibraltar because Theresa May didn't mention the territory in her letter of withdrawal from the EU. I ask Mr. Picardo whether he'll push for an addendum to the letter, one that makes clear Gibraltar must be part of any post-Brexit deal. "We're not calling for an amended Article 50 notification from the U.K.," he says. He is certain that the U.K. will stand by Gibraltar: "David Davis"—the U.K.'s Brexit secretary—"said to me three weeks ago, 'We will not do a deal with Europe if it excludes Gibraltar.' I have no reason to doubt him."

Mr. Picardo talks, also, of the snap general election in the U.K. to be held in June, announced by Mrs. May last week: "What I can tell you is that we'll be approaching all political parties in the U.K. for clear commitments to Gibraltar to feature in their manifestos, both in terms of our ability to continue to trade on single-market terms with the U.K. after Brexit, and the inclusion of Gibraltar in the U.K.'s new international trade deals going forward—including the ones with the EU."

The Brexit negotiations promise to be even more knotty than many imagine. The plucky Gibraltarians will make sure of that—their way of life is at stake.

Mr. Varadarajan, a former lecturer in law at Oxford University, is a Research Fellow at Stanford University's Hoover Institution.

LETTERS TO THE EDITOR

A Maritime Policy Consistent With Trump

Despite The Journal's subtle suggestion to the contrary, President Trump's support of a Customs and Border Protection (CBP) proposal to reverse 30 "regulatory precedents" shielding specialized foreign-flagged vessels in the Gulf of Mexico from the domestic shipping law known as the Jones Act ("Offshore Drilling Blowout Preventer," Review & Outlook, April 20) wouldn't align the president politically or ideologically with his predecessor.

This specific Jones Act exemption has been in force for 40 years. President Obama did little or nothing to encourage wider Jones Act jurisdiction in the Gulf. When the U.S. was drawing down crude oil from the Strategic Petroleum Reserve in 2011, the Obama administration issued a series of Jones Act waivers crafted specifically to prevent available U.S.-owned, built, documented and crewed tankers from carrying these cargoes.

From this perspective, CBP's proposal two days before Mr. Obama's departure appears more like the agency's thoughtful anticipation of a constructive change of presidential heart than a bureaucracy "riding herd."

Without question the Jones Act is consistent with Mr. Trump's "Buy American, Hire American" credo. This law stands on conspicuous merit as an economic, defense mobilization and homeland-security asset sustained by private investment. Broader Jones Act application in the Gulf of Mexico would enhance the law's already substantial value at no cost to the government, and I doubt the "global and mobile" offshore drilling industry you refer to will go hungry as a consequence.

Paul Doell
National President
American Maritime Officers
Dania Beach, Fla.

The Offshore Marine Services Association would never support an action that shuts down energy production, and CBP's notice does no such thing. U.S. vessel companies have sufficient Jones Act-compliant ships to transport subsea construction merchandise at issue. The editorial also cites heavy-lift construction vessels as an example where the U.S. fleet doesn't have capacity. The CBP notice doesn't address heavy lift rulings.

Our members depend on healthy energy production and have invested more than $2 billion since 2009 to build the necessary vessels to ensure that offshore energy exploration and production wouldn't be affected by proper enforcement of the Jones Act.

Aaron Smith
President
Offshore Marine Services Association
New Orleans

Mr. Trump has promised deregulation and greater energy independence, but making the Jones Act more restrictive would do the opposite. At a recent conference on the Jones Act in Maui sponsored by the Mercatus Center at George Mason University and the Institute for Humane Studies, the predominant conclusion of papers was that the Jones Act produced far more costs than benefits.

Em. Prof Thomas Grennes
North Carolina State University
Raleigh, N.C.

Strikes on Syria, Congress And Constitutional Powers

I agree with Bret Stephens that it was a serious mistake for President Obama to threaten action if Syrian President Bashar Assad used chemical weapons, and then do nothing when chemical weapons were used ("Paying the Deadly Price For Obama's Mendacity," Global View, April 12). However, Mr. Stephens is wrong to place all the blame on Mr. Obama while ignoring Congress's role. The Constitution gives Congress—not the president—the power to declare war. Mr. Obama asked Congress to act, and Congress refused.

When it comes to war powers, it seems both political parties prefer to defer to the imperial presidency rather than have the people's representatives in Congress assert their rights under the Constitution.

It's easier to sit on the sidelines and complain than to take a stand—especially when your party's leader has declared that making the president fail is your party's No. 1 priority.

Carl Schroeder
Olympia, Wash.

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. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

ObamaCare Repeal Needs a Direction

By Bobby Jindal

Before you start a journey, it helps to know where you're going. That's obvious advice—but instructive as Republicans consider next steps in the effort to repeal ObamaCare. Before getting lost in arcane Senate rules, technical modifications to the existing law or Congressional Budget Office scores, conservatives must define for themselves and the American people what they are actually trying to accomplish.

Watching the recent debate, one could be forgiven for thinking that simply getting a deal done was the goal. The now-withdrawn American Health Care Act of 2017 was seemingly written by House leaders with the sole purpose of winning over the most recalcitrant Republican senator. The real goal must be something larger, more inspiring and more important than merely getting to a signing ceremony.

Focus on reducing the costs of health care, and more Americans will end up getting covered.

Republicans have historically offered creative proposals for tax reform, foreign policy and defense spending. The GOP's health-care ideas, however, too often have been developed in opposition to Democratic proposals. Republicans want to spend less than Democrats do, but that approach only slows government expansion; it doesn't change government's direction.

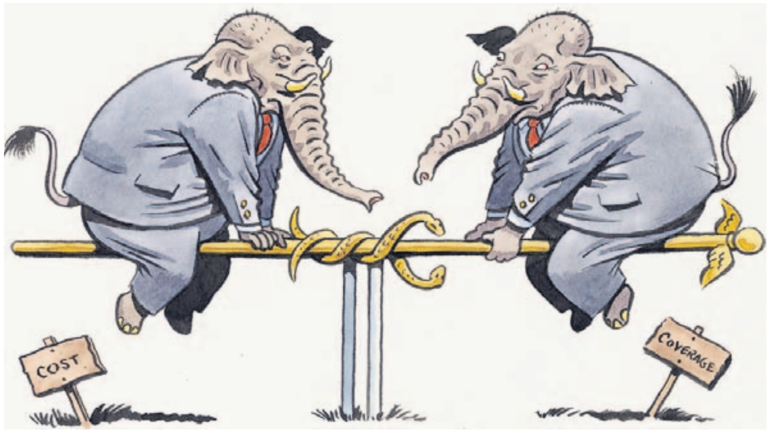
The GOP has now tried and failed to replace ObamaCare with its own, less expensive entitlement program. Rather than simply tweaking the previous failure, why not take a completely different approach?

Although I disagreed with Sen. Ted Kennedy on policy, I respected him for always keeping his ultimate goal in mind and consistently working toward it. He took small steps toward the single-payer system he wanted when Republicans were in the majority, and larger steps when his party ruled. He helped create the State Children's Health Insurance Program when Newt Gingrich was House speaker, and inspired the Affordable Care Act when Nancy Pelosi had the gavel.

Republicans must be similarly single-minded about taking control of the health-care system from bureaucrats and returning power to patients and doctors. In the current debate, Republicans must choose between two related goals—lowering costs and increasing coverage. Which will we prioritize?

Putting coverage expansion first, as President Obama did, leads to insurance plans with narrower provider networks, higher deductibles and stingier benefits. Consider the disabled Medicaid beneficiaries on waiting lists for community-based services, or the families on exchange plans who cannot see their children's specialists. The cheapest way to ensure everyone has coverage is to ignore the adequacy of that coverage.

When Republicans debate which ObamaCare regulations to keep, they should remember they are dictating that the private market offer products whose pricing and benefits do not make financial sense. Many insurance companies are abandoning markets in which it isn't sustainable for them to operate.



DAVID GOTHARD

The next logical step—and Vermont Sen. Bernie Sanders is already there—is for government to cut out the middleman and simply offer the coverage itself. The populist argument for expanding Medicare (or Medicaid) to all Americans is hard to resist, at least when coverage is the primary goal.

But when everyone gets health insurance from the government, doctors will lose their autonomy and patients their choice. America's health-care system will innovate less, and quality and efficiency will deteriorate—as they always do in a top-down, command-and-control system.

Under a single-payer system, special interests—such as large hospitals and medical-technology providers—would use the political process to obtain favorable pricing and coverage decisions while keeping out competitors, and political elites would exempt themselves from the burdens they impose on the rest of us. Politicians would be loath to disrupt entrenched interests, harming instead the dynamism of the market and millions of individual decisions that speed up the development of life-saving cures. But, some will say, at least everyone is covered.

It doesn't have to be this way. The alternative is to focus on lowering costs, not merely covering them up through subsidies or wealth transfers. Instead of simply offering cheaper versions of Democratic proposals, Republicans should offer principled health-care reform that is bottom-up, not top-down.

A successful ObamaCare replacement should harness the power of choice and competition. Republicans should allow insurance companies to compete across state lines and allow patients to select the benefits and cost-sharing they want. The GOP should expand the use of health-savings accounts, crack down on frivolous lawsuits, and encourage competition among providers by expanding the scope of what they are legally allowed to do and removing barriers to entry.

Republicans should rewrite the tax code to encourage health-care saving (not just spending), make health coverage portable and create incentives for wellness programs. They should establish voluntary purchasing pools with legal and tax benefits while giving states much more flexibility over their Medicaid programs and grants to increase access for those with pre-existing conditions. They should put pricing and quality information online, speed up the FDA approval process and crack down on industry abuses to increase generic drug competition.

The main problem with American health care before ObamaCare was cost. ObamaCare has made matters worse—both on the individual level, with dramatic premium increases, and the corporate level, by driving the country further into debt.

At first glance, the choice I am urging Congress to make between increasing coverage and lowering costs seems like a choice between motherhood and apple pie. Can't health-care reform do both, just as the beer commercials once promised great taste and lower calories? Yes—but as we have seen, prioritizing coverage expansion results in higher costs and lower quality. Focusing on lowering costs is the way to increase coverage in a meaningful and sustainable way.

Mr. Jindal, a Republican, served as governor of Louisiana from 2008 to 2016.

The Two Faces of Qatar, America's Dubious Middle East Ally

By Charles Wald And Michael Makovsky

U.S. Defense Secretary Jim Mattis visited several of America's Middle Eastern partners last week—including a dubious one. Qatar hosts an important air base but also undermines American security by sponsoring Islamic radicalism.

Nearly all coalition airstrikes against Islamic State are commanded from America's nerve center at Qatar's al-Udeid Air Base, which also supports missions in Afghanistan. The U.S. Air Force stations many of its larger aircraft there—refueling tankers, advanced surveillance and early-warning aircraft, as well as heavy bombers.

Al-Udeid also houses the Combined Air and Space Operations Center, which commands all coalition air operations in the region. With all these important assets in one place, the Pentagon expects to stay through 2024.

But the host nation supports some of the groups the base is used to bomb. According to the U.S. State Department, "entities and individuals within Qatar continue to serve as a source of financial support for terrorist and violent extremist groups," including al Qaeda's Syrian affiliate. Qatar has also supplied advanced weaponry to militants in Syria and Libya.

Doha undermines U.S. security by sponsoring Islamic radicalism.

Doha poured billions into the radical Muslim Brotherhood government of former Egyptian President Mohammed Morsi, who urged supporters "to nurse our children and our grandchildren on hatred for them: for Zionists, for Jews." The Brotherhood's supreme guide, Mohammed Badie, has called jihad against Israel and America "a commandment of Allah that cannot be disregarded."

After Mr. Morsi's government fell in 2013, Qatar offered safe harbor to many Brotherhood leaders. Pressure from neighbors eventually forced Doha to eject them, but Qatar still hosts Yusuf al-Qaradawi, a Brotherhood-affiliated preacher who once declared, "Those killed fighting the American forces are martyrs."

Qatar is also a key financier of Hamas, a Palestinian spinoff of the Muslim Brotherhood, which has repeatedly attacked Israel with rockets.

Qatar wields tremendous soft power on behalf of radical Islam through its state-funded Al Jazeera news channel. Mr. Qaradawi has a weekly show, and the network became notorious in America for broadcasting Osama bin Laden's videos, repeatedly and uncut, far exceeding their news value.

Given President Trump's forthright opposition to radical Islamic terrorism, it makes sense to ask whether the U.S. should continue leasing crucial military assets from a government that supports such ideology. If Qatar won't change its behavior, the U.S. should consider relocating assets from the base.

The United Arab Emirates would be a logical destination. It is an active partner in American efforts to combat Islamic State, pacify Afghanistan and counter Iran. U.S. officials consider the U.A.E. one of their strongest Arab partners. Mr. Mattis has called it "Little Sparta."

Emirati air bases could accommodate U.S.-led operations currently run from al-Udeid, without putting U.S. aircraft farther from their targets. The Combined Air and Space Operations Center would need to be replaced, but the cost would be easily outweighed by the security benefits. The U.A.E. is a far more responsible actor than Qatar, and it already works with the U.S. military to train pilots from America's other Gulf allies and coordinate coalition air operations.

If the Trump White House hopes to end the free-riding of American allies, it can start by sending a clear message to Doha: The benefits of al-Udeid do not outweigh Qatar's support for extremism.

Mr. Wald was deputy commander of U.S. European Command and is a fellow at the Jewish Institute for National Security of America. Mr. Makovsky, a former Pentagon official, is the institute's president.

A Better Idea for Bankrupt Big Banks

By Stephen E. Hessler

The most significant Wall Street reform in nearly a decade may soon become law. On Friday President Trump directed U.S. Treasury Secretary Steven Mnuchin to review Title II of the 2010 Dodd-Frank Act, which gives the federal government authority to wind down involuntarily failing financial institutions. Treasury is to issue a report that considers whether changing the U.S. Bankruptcy Code "would be a superior method of resolution for financial companies" while preventing bailouts.

U.S. Congress is already moving in that direction. The Financial Institution Bankruptcy Act passed the House earlier this month with wide bipartisan support. FIBA would amend the Bankruptcy Code to streamline Chapter 11 cases of "systemically important financial institutions," or SIFIs, while minimizing disruptions to the rest of the economy. By endorsing FIBA, Treasury could bring the administration an important legislative victory.

Traditional Chapter 11 cases, which facilitate the restructuring of corporations, have many benefits, including fundamental reliance on the rule of law. But for SIFIs, Chapter 11 could be made faster and more nimble to prevent bank runs. FIBA builds upon existing Bankruptcy Code protections but would work more quickly, leave operating subsidiaries outside Chapter 11, and assign Bankruptcy Court judges preselected by the chief justice for their expertise in financial markets.

FIBA would enable a quick separation of "good" and "bad" SIFI assets through the rapid postpetition transfer of the good assets to a newly formed bridge company that isn't in bankruptcy. The bridge company would be capitalized by leaving behind unsecured debt, and creditors would pursue their claims in the Chapter 11 case.

Any repayment would come in the form of equity in the bridge company or proceeds from the liquidation of bad assets. FIBA would allow a failing SIFI to fix itself in a predictable, rules-based open-court proceeding, and permit counterparties to transact without interruption—while making it possible to create a new, fully capitalized entity that credibly provides most if not all of the same financial services.

Importantly, FIBA would allow for the reorganization of SIFIs with the safeguards of well-settled Chapter 11 precedent and practice, and with the transparency and fairness that come with judicial supervision. Every decision about filing, asset transfer and value distribution would be subject to Bankruptcy Court approval. That is in stark contrast to the opaque process of Title II, which gives unprecedented discretionary power to the Federal Deposit Insurance Corp. to render critical judgments without explanation or even a record or forum for disputes.

Unlike Dodd-Frank, the new act would require parties with the same rights to receive the same treatment.

Moreover, Title II actually makes risky lender behavior more likely. Dodd-Frank authorizes the FDIC to treat similarly situated creditors dissimilarly—which means the federal government could pick and choose winners and losers according to political priorities.

Moral hazard results when investors are assured of outside profits if an investment succeeds, but the government shields them from outside harm if it fails. FIBA would require that parties with the same legal rights receive the same economic treatment.

Prior Senate versions of these reforms also included a provision to repeal Title II, which FIBA does not. But debate over Title II shouldn't impede the prospects for FIBA's prompt enactment. FIBA is worth passing even if Title II endures. A related benefit is that FIBA would enhance insolvency planning under Title I of Dodd-Frank. Some of the "living wills" submitted by SIFIs have been rejected by the Fed and FDIC. FIBA could make them feasible.

The best way to resolve failing SIFIs is with clear and established rules administered by an impartial tribunal. The Senate and Mr. Trump would be well-served to follow the House's lead and shepherd FIBA into law.

Mr. Hessler is a restructuring partner at Kirkland & Ellis LLP and has testified before the House Judiciary Committee in favor of FIBA.

A 'Smart Power' Success Story

By Bill Lane

An analogy usually works as a low-risk way to make a point. The secret is to stick to comparisons that garner near-universal support. President Trump did it in February when he talked about the need for bold infrastructure projects like Eisenhower's Interstate Highway System. Last year Sen. Lindsey Graham proposed a Marshall Plan for the Middle East. President Obama launched the Cancer Moonshot, a nod to the Apollo program.

Yet few other big-government programs from America's past 75 years evoke such positive associations. Add in the Manhattan Project, Medicare, civil rights—and the list is almost complete.

A politician looking for new material should cast a gaze toward South America. Twenty years ago, Colombia was on the verge of becoming a narco-terrorist state. The government had ceded large swaths of territory to the left-wing Revolutionary Armed Forces of Colombia, or FARC. In 2000, President Clinton and House Speaker Dennis Hastert came together in a bipartisan effort to help Colombians take back their country. It was known as Plan Colombia.

The program combined military assistance with civil-society initiatives. Free-market reforms were included, resulting in the U.S.-Colombia Free Trade Agreement. All of this bolstered the efforts of Colombia's determined political leaders, its courageous citizenry and its dedicated military.

A list of Washington's true achievements is short, but here's an indisputable win.

The plan wasn't perfect. Colombia's coca production began to decline soon after, according to a White House report, but by 2016 production was higher than it had been since the 1990s. That said, today Colombia is addressing the drug problem from a position of strength. Democracy is thriving, the economy is growing, law and order prevails, and the Colombian people are optimistic about the future.

The U.S. invested about $10 billion in Plan Colombia. To put it in perspective, the financial cost of the entire effort was equivalent to about three weeks of the Iraq war.

Plan Colombia is a reminder that a sustained, bipartisan intervention that includes defense, diplomacy, development and democratic values can be effective. Smart power isn't cheap, quick or easy, but it can work.

The American military knows this best. In February more than 120 retired three- and four-star generals and admirals wrote to U.S. congressional leaders urging them not to skimp on the international-affairs budget. The letter quotes Gen. Jim Mattis, now defense secretary: "If you don't fully fund the State Department, then I need to buy more ammunition."

Plan Colombia was a difficult intervention, but it largely worked. It also demonstrated the importance of having many tools in America's foreign-policy toolbox. To make that point, future foreign-policy analogies should cite Plan Colombia.

Mr. Lane is a retired director of global government affairs at Caterpillar Inc.

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MY RIDE

The 'Most Extreme' Aston Martins

Joe Clark of Seattle, co-founder and chairman of Aviation Partners (the maker of aerodynamic wing tips for Boeing aircraft), on his Aston Martins, as told to A.J. Baime.

When I was 16, my father made some money in the natural-gas business, and the first thing he did was buy a 1958 Aston Martin DB2/4 MkIII. A week later he was going out of town and he told me, "Don't you dare drive that car."

Of course, I did. I got pulled over for speeding and ended up in court. My dad was furious, but I was left with a lifelong passion for Aston Martins.

I now have five, including my father's 1958 model. The two you see pictured here are the most extreme Aston Martin customer cars ever built.

The pearl-white car is a One-77. Only 77 were built, with no two exactly alike, and I took delivery of mine in 2015. My father's old Aston put out around 160 horsepower. This car has a V12 capable of 750, with a 220-mph top speed. It has a placard saying "Hand Built for Joe Clark," and we came up with a special color—Olympic white, named for the Olympic Mountains near where I live. No other car has this exact color.

A Ferrari may be beautiful, but this car has an unmatched elegance. You can look at it from any angle and it appears perfect, like a fine diamond.

The other car, which I took delivery of last year, is called Vulcan. It is a gentleman's race car, built only for the track, and I have driven it on racetracks in the U.S. and Europe. The V12 has three modes: 550 horsepower, 675 and 820, and the first time I drove the car, I had to do about 30 laps with a professional race-car driver before I could switch out of the first mode. The power is that extreme, and the downforce from aerodynamics is so strong, the car can carry speeds of over 170 mph into turns.

I have been an aviation man all my life. This car feels more like fighter planes I have flown than an automobile.

Each of these cars cost over $2 million. I have been offered double that for them, but I bought them to drive, not to sell.

Contact A.J. Baime at Facebook.com/ajbaime.

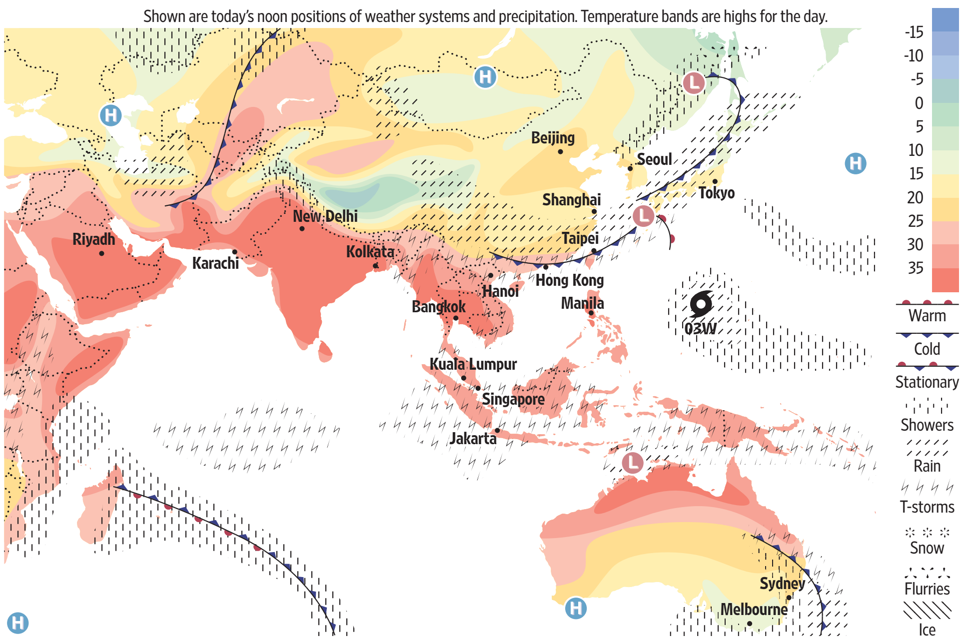
Joe Clark, bottom corner, enjoys driving his Aston Martin One-77, above left, and Aston Martin Vulcan, above right. A look at the One-77's front, near left, and the Vulcan's steering wheel, far left, and taillight, bottom left.

RAY EWING FOR THE WALL STREET JOURNAL

Weather

AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.

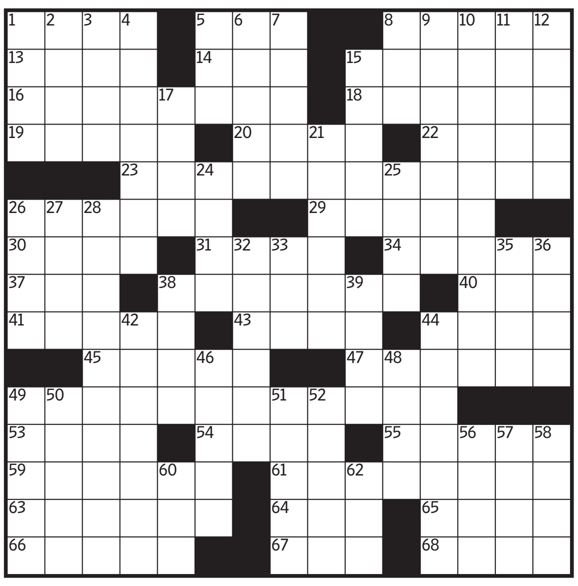


Global Forecasts

s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	11	2	t	10	5	sh
Anchorage	13	6	c	12	4	c
Athens	22	13	s	24	14	s
Atlanta	28	17	s	25	20	pc
Baghdad	31	15	s	33	18	s
Baltimore	22	13	pc	28	18	pc
Bangkok	38	28	pc	36	27	t
Beijing	24	8	c	28	12	s
Berlin	11	1	pc	12	3	pc
Bogota	20	10	r	20	9	t
Boise	12	3	sh	11	1	pc
Boston	14	11	r	16	11	pc
Brussels	10	0	t	10	2	sh
Buenos Aires	16	6	s	20	10	s
Cairo	28	15	s	29	17	s
Calgary	4	-1	sn	6	-1	c
Caracas	32	25	pc	32	26	pc
Charlotte	28	16	s	28	18	pc
Chicago	25	12	t	13	5	sh
Dallas	24	10	pc	28	19	s
Denver	15	2	pc	13	-1	r
Detroit	25	17	pc	22	9	t
Dubai	35	25	s	35	25	s
Dublin	8	3	sh	11	4	c
Edinburgh	9	4	c	13	3	c
Frankfurt	12	3	pc	13	2	t
Geneva	10	3	r	10	2	sh
Hanoi	29	22	t	25	21	t
Havana	31	18	s	32	22	s
Hong Kong	28	23	t	26	21	t
Honolulu	30	22	s	29	22	sh
Houston	32	13	t	29	20	s
Istanbul	19	11	s	20	11	s
Jakarta	31	23	t	32	24	t
Johannesburg	20	6	pc	20	8	pc
Kansas City	11	4	r	17	9	c
Las Vegas	30	19	pc	29	17	pc
Lima	26	20	pc	26	20	pc
London	11	1	sh	12	6	sh
Los Angeles	27	17	s	28	17	pc
Madrid	20	4	pc	16	2	s
Manila	35	26	s	36	26	s
Melbourne	12	9	sh	14	10	sh
Mexico City	27	11	pc	27	11	pc
Miami	30	24	s	32	25	s
Milan	15	11	t	17	8	c
Minneapolis	8	1	sh	8	0	c
Monterrey	38	17	s	36	16	pc
Montreal	16	10	pc	24	14	pc
Moscow	14	5	r	11	6	sh
Mumbai	33	25	pc	33	25	pc
Nashville	30	17	s	23	11	c
New Delhi	39	24	pc	40	24	pc
New Orleans	30	19	pc	29	23	pc
New York City	18	14	r	21	14	pc
Omaha	9	1	c	15	5	c
Orlando	31	17	s	35	20	s
Ottawa	18	9	pc	26	12	pc
Paris	12	2	t	12	2	sh
Philadelphia	20	14	r	26	17	pc
Phoenix	32	19	s	33	21	s
Pittsburgh	27	15	s	29	13	t
Port-au-Prince	33	23	sh	33	22	sh
Portland, Ore.	13	6	r	13	5	sh
Rio de Janeiro	32	24	pc	27	22	r
Riyadh	36	21	pc	36	24	s
Rome	20	12	c	19	12	t
Salt Lake City	12	6	sh	10	3	r
San Diego	23	16	s	23	17	pc
San Francisco	18	12	c	19	11	pc
San Juan	30	25	sh	31	25	pc
Santiago	23	6	s	26	8	s
Santo Domingo	31	22	sh	31	22	pc
Sao Paulo	27	17	t	20	15	r
Seattle	14	6	r	14	6	sh
Seoul	21	8	pc	20	9	s
Shanghai	21	12	c	23	13	pc
Singapore	31	26	c	31	25	c
Stockholm	7	-2	pc	10	-2	pc
Sydney	23	11	c	18	11	pc
Taipei	29	19	t	20	16	r
Tehran	22	12	pc	19	13	sh
Tel Aviv	27	16	pc	25	15	s
Tokyo	19	12	c	17	11	r
Toronto	16	10	pc	22	9	c
Vancouver	14	7	r	13	5	c
Washington, D.C.	23	16	pc	30	20	pc
Zurich	7	2	sn	8	1	sh

The WSJ Daily Crossword | Edited by Mike Shenk



SPECIAL DELIVERY | By Alex Eaton-Salners

Across

1 "Toy Story" piggy bank voiced by John Ratzenberger
5 1986 GE acquisition
8 Gather
13 Brand with a 2017 dunk challenge
14 Slip up
15 Prince Albert's location, jocularly
16 Post office?
18 "That's impossible!"
19 GoLean brand
20 Methuselah's grandson
22 Qualified to serve
23 Post man?
26 Light of "Transparent"
29 "Awesome!"
30 "Will do!"
31 Individually
34 Dowdy dresser
37 Venus to Serena, e.g.
38 Post boxes?
40 Copacabana setting
41 Like Liam Neeson's character in "Taken"
43 Attorney general before Ashcroft
44 Touch down
45 Basic skateboarding trick
47 Sheaf components
49 Post codes?
53 Cameo shape
54 Hillside near a loch
55 Metrical feet
59 Stuff in a pack labeled "Do Not Eat"
61 Post masters?
63 Broke apart, as a glacier
64 Vintage
65 Filing target
66 Yosemite photographer Adams
67 "Later!"
68 Predeal payment

Down

1 Warn a weaver, perhaps
2 (a + b)/2 x h, for a trapezoid
3 Group of stables
4 Place for slam dancing
5 Flying Cloud Brougham maker
6 Queen's disguise in "Snow White"
7 Hard wear?
8 "Fifty Shades of Grey" heroine
9 Seabiscuit's grandsire
10 "Just play it cool"
11 Foil's kin
12 Golf legend Sam
15 It flows through Hera's veins
17 Hilarious fellow
21 Throw on the bed?
24 "This is awesoooooome!"
25 Play policers
26 Six-time All-Star Bautista
27 Operating system for many Internet servers
28 Flashers in clubs
32 Unpaid debt
33 Semicircular letter
35 Stole stuff
36 Carob containers
38 Nascar driver Yarborough
39 Shake, in a way
42 "No biggie!"
44 Garfield's favorite food
46 Michael Jackson boast of 1987
48 Subject for those who know all the angles
49 "Vissi d'arte" singer
50 Bird-based
51 Fat cat
52 "Hot in Herre" rapper
56 Average
57 Blackpool bloke
58 Getaway spot
60 Goofy picture, perhaps
62 Lofty verse

Previous Puzzle's Solution

▶ Solve this puzzle online and discuss it at WSJ.com/Puzzles.

TECHNOLOGY: ALPHABET'S WAYMO OFFERING RIDES IN SELF-DRIVING CARS B4

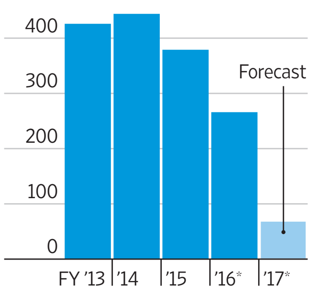
BUSINESS & FINANCE

Yen vs. Dollar 111.0080 ▲ 1.14% | **Hang Seng** 24455.94 ▲ 1.31% | **Gold** 1266.60 ▼ 0.72% | **WTI crude** 49.03 ▼ 0.41% | **10-Year JGB** yield 0.021% | **10-Year Treasury** yield 2.307%

Japan Post Feels Australian Sting

Slow Delivery

Operating profit at Toll Holdings, in Australian dollars



Note: A$100 million = US$75.4 million
*Change of fiscal year, ends March instead of June
Source: Japan Post
THE WALL STREET JOURNAL.

By Kosaku Narioka

TOKYO—**Japan Post Holdings** Co. reported a $3.6 billion write-down for its **Toll Holdings** unit in Australia, just two years after a $5.1 billion acquisition that was supposed to lay the cornerstone for its overseas expansion.

The announcement Tuesday marks the latest slip-up in foreign acquisitions by Japanese companies, which have increasingly made big deals abroad to escape slow growth at home, but have sometimes ended up overpaying.

State-controlled Japan Post long focused on the domestic market, where it runs more than 20,000 post offices as well as a bank and an insurance company. The purchase of Toll, Japan Post's first major acquisition, was meant to inaugurate a growth strategy for the postal unit built around international deals.

But Toll's performance quickly fell off after the May 2015 acquisition. For the nine-month period ended in December 2016, its earnings before interest and taxes fell 67% from a year earlier to 83 million Australian dollars (US$63 million), hit by a halting recovery in the Australian commodity sector.

Toll's top bosses were replaced at the start of this year, with Michael Byrne, the former chief executive of equipment-rental company Coates Hire, taking over as managing director from Brian Kruger, who had held the post for five years and through the deal with Japan Post.

As is typical in acquisitions, Japan Post paid more for Toll than the company's book value. Japan Post recorded the excess on its balance sheet as goodwill and intended to write down the goodwill over 20 years in accordance with Japanese accounting rules.

The accounting rules say goodwill might need to be written down faster if the value of the acquired company is impaired. That is what Japan Post decided to do Tuesday, writing down the remaining ¥368 billion in goodwill plus related items for a total write-down of ¥400 billion, or US$3.64 billion.

As a result, Japan Post said it expected to record a loss of ¥40 billion for the year recently ended on March 31, reversing a previous estimate for a net profit of ¥320 billion.

Japan Post said Toll suffered from inefficiency and high costs. It said the Australian company had failed to integrate its own acquisitions and its business units were competing against each other. The new Toll management will combine units and cut 1,700 jobs in the current fiscal year, Japan Post said.

Japan Post's Toll deal adds to a list of flawed acquisitions in recent years by Japanese companies including Toshiba

Please see TOLL page B2

Nasdaq Leaps Hurdle At 6000

By Akane Otani and Riva Gold

The Nasdaq Composite Index raced past 6000 early Tuesday, a milestone in its rebound from the dot-com bust and the latest sign that technology companies have become the driving force in the recent stock-market rally.

TUESDAY'S MARKETS

Seventeen years after it first closed above 5000, the Nasdaq topped the next thousand-point mark in a broad rally turbocharged by earnings from bellwether companies including **Caterpillar** Inc., **McDonald's** Corp. and biotechnology giant **Biogen** Inc.

The tech-heavy index was up 43 points, or 0.7%, to 6027 shortly after midday in New York. The S&P 500 climbed 0.7% and the Dow Jones Industrial Average rose 246 points, or 1.2%, to 21010.

Surging technology shares have helped the Nasdaq outperform its peers so far this year. The top five contributors to the Nasdaq's 2017 gains—**Apple** Inc., **Facebook** Inc., **Amazon.com** Inc., **Microsoft** Corp. and **Alphabet** Inc.—account for roughly 40% of the index's advance, according to stock-market research firm Birinyi Associates.

Major stock indexes have rebounded in recent sessions as corporate earnings have showed sustained strength among U.S. companies. S&P 500 firms have reported better-than-expected quarterly results, Bank of America Merrill Lynch said this week, with the share of companies beating analysts' estimates for both per-share earnings and sales rising to the highest level since 2012.

Solid earnings could help major indexes keep climbing, investors say, even as many hold concerns that stock valuations are stretched.

Shares of Dow component Caterpillar climbed 7.3% on Tuesday, adding roughly 48 points to the blue-chip index's gains, after the machinery company boosted its forecasts for the year.

McDonald's shares added 5.2%, contributing another 48 points to the Dow industrials, after the company reported a rise in sales.

Please see STOCKS page B2

◆ It's not the 1990s Nasdaq any more........................ B7

HEARD ON THE STREET

Nathaniel Taplin

The U.S. Economy's Full-Tank Paradox

If things are so great, why aren't Americans driving more? With U.S. first-quarter growth figures due Friday, investors are debating the meaning of the historically—some would say alarmingly—large gap between mediocre "hard" economic data like industrial output and ebullient "soft" consumer and business sentiment.

In the energy world, another hard data point is garnering attention: an unseasonably large gasoline glut, which has repeatedly defied predictions of draining away as the summer driving season nears. The big comeback in U.S. shale output since last summer is clearly a factor, but so is sluggish gasoline use, as nascent rebounds in driving activity over the past half year have lagged behind surging consumer confidence. If April data fail to show gas consumption moving decisively higher, that could become another stop signal for shares.

U.S. consumer confidence and driving habits, which have lined up well in the past, are drifting apart. In February, miles driven were up just 2% from a year earlier, government figures show, while consumer confidence was up 20%, as it was again in March. That replicates a pattern seen in manufacturing, sales and other areas: skyrocketing sentiment but only modest increases in output and consumption.

U.S. gasoline inventories staged another surprise rise in mid-April, jumping by 1.5 million barrels—leaving them down slightly from their seasonal February peak but still almost 8% larger than the five-year average for April. Given that crude-oil stockpiles actually shrank, the problem seems to lie with final demand.

The weekly gasoline figures are volatile, and the data may simply be catching up to the consumer-confidence surge. That is clearly what U.S. stock investors are hoping. Pricing effects are also likely playing a role: Oil prices this month are up about 16% from a year ago. That effect will fade in the coming months, giving more visibility on real demand.

But the postcrisis story for U.S.—and global—economic growth has been one of high expectations repeatedly dashed. If the real economy doesn't catch up with lofty sentiment soon, the main driving direction for U.S. shares will likely be down.

TORU YAMANAKA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Christian Dior dresses on display in Tokyo last week. Billionaire Bernard Arnault controls the fashion house and luxury seller LVMH.

Trimmer Lines for Christian Dior

Bernard Arnault's $13 billion plan would give LVMH control of fashion company's business

By Matthew Dalton

PARIS—French billionaire Bernard Arnault announced a plan to take full control of **Christian Dior** SE, saying his family is proposing to pay €12 billion ($13.04 billion) for the stake in the fashion company that it doesn't already own.

The plan entails the French luxury conglomerate **LVMH** Moët Hennessy Louis Vuitton SE acquiring **Christian Dior Couture**, Christian Dior's operating subsidiary. The Arnault family controls LVMH, the world's largest luxury company, and Mr. Arnault is its founder and chief executive.

Christian Dior Couture is currently considered an independent affiliate of LVMH despite having the same controlling shareholder.

The proposed transaction would be the 68-year-old Mr. Arnault's biggest acquisition in years, giving LVMH one of the most storied brands in fashion. It also marks the culmination of Mr. Arnault's decades-long turnaround of Dior, which he purchased in the 1980s and used to build his empire of luxury brands.

Though LVMH and Dior have routinely cooperated with each other, LVMH executives said the companies can't share marketing, finance and administrative resources because of their differing shareholders. That should change once the deal is complete, they said.

Mr. Arnault said the plan would simplify the structure of the businesses, which had "long been requested by the market," as well as strengthen LVMH's fashion and leather-goods division with the addition of Christian Dior Couture.

Shares in Christian Dior soared 12% on the news in afternoon trading in Paris, while LVMH was up about 4%.

The deal shuffles LVMH's complex corporate relationship with Christian Dior and the Arnault family. The family owns 74.1% of Christian Dior, which in turn owns a controlling stake in LVMH. Under the deal, the Arnault family is offering to buy the 25.9% of Christian Dior it doesn't own for €260 a share, valuing that stake at €12 billion. The price is a 14.7% premium to where Christian Dior's shares closed on Monday.

"The price we're paying is

Please see LVMH page B2

Startup Seeks to Solve 911 Riddle: Pinpointing Callers

By Ryan Knutson

Three former leaders of the **Federal Communications Commission** are investing in a startup that seeks to solve one of 911's biggest problems: Operators often can't see the exact location of cellphone callers.

Thomas Wheeler, who left the agency earlier this year, felt regulations adopted during his tenure didn't do enough to solve the problem. Passed in 2015, the rules gave wireless carriers six years to develop technology that could still be imprecise during 1 out of 5 calls.

"I thought I ought to put my money where my mouth is," said Mr. Wheeler, who is also taking on an official advisory role at the startup, called **RapidSOS**. The company is building a database that can link the rich location data from smartphones and other internet-connected devices into the call-taking software inside 911 centers.

Also investing are Julius Genachowski, who was FCC chairman from 2009 to 2013, and Dennis Patrick, who ran the agency in the late 1980s. They are part of a group of backers, including the investment arm of Motorola Solutions Inc., putting $14 million into the New York-based startup, which has 37 employees.

The investment highlights the continued struggle to improve the aging 911 system, which was developed for landline telephones in the late 1960s. While calls made from landlines deliver an exact address, 911 operators only receive a location estimate for cellphone callers that can be as wide as a few hundred yards. The FCC estimates 10,000 people die each year as a result.

That stands in contrast to the location information available on smartphones. The blue dot on Google Maps, for instance, is often accurate to just a few yards. Google Maps primarily relies on the phone's GPS, its proximity to Wi-Fi hot spots and triangulation between cell towers. Wireless carriers—which are responsible for providing location information to 911—primarily use just GPS and cell-tower triangulation.

APRIL GREER FOR THE WALL STREET JOURNAL

RapidSOS is seeking to link smartphones' location data to call-taking software inside 911 centers.

RapidSOS is run by Michael Martin, 30 years old, who became interested in 911 shortly after moving to New York City in 2012. While walking home late one night, he thought he was being followed. Rather than dial 911 and talk to an operator, his first instinct was to summon a taxi via the Uber app.

Afterward, "I was like, 'There ought to be an app for 911,' " he said. Mr. Martin quit his job at a venture-capital fund and enrolled at Harvard University so he could explore the idea.

In 2014, Mr. Martin launched a 911 app, now called Haven, with co-founder Nick Horelik. But after talking with more than 100 of public-safety officials during a 2014 road trip across the country, he soon learned an app wasn't

Please see STARTUP page B4

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.

INDEX TO PEOPLE

Politico Names Investment Banker Steel as New CEO

By Lukas I. Alpert

Politico, the digital-news pioneer that made its name disrupting Washington's tradition-bound media scene, is shaking up its own ranks by naming a new chief executive.

The company has hired veteran investment banker Patrick Steel to step in for owner Robert Allbritton, who assumed the role in early 2016 when the company's co-founder and CEO Jim VandeHei abruptly left amid an internal management rift.

Mr. Steel, 49 years old, joins Politico from **FBR** & Co., an Arlington, Va.-based investment bank, where he has helped companies raise capital through initial public offerings and private placements since 2001.

The appointment underscores Politico's greater focus on financial discipline.

The appointment of a business executive underscores the greater focus on financial discipline at Politico since the departure of Mr. VandeHei, a former reporter noted for coming up with ambitious ideas but who, Mr. Allbritton complained to colleagues, spent money too freely and often failed to see big initiatives through.

"I was looking for three qualities: great professionalism and experience, deep knowledge of how D.C. operates and a burning ambition to take this company into its next phase," said Mr. Allbritton, who is the website's publisher. "With Patrick, I believe we have all of these things."

Before joining FBR, Mr. Steel served as an official in the Agriculture Department and was a special assistant to President Bill Clinton. Mr. Steel has donated heavily to Democratic candidates, including Hillary Clinton, campaign-finance records show.

"I skew moderate politically," Mr. Steel said. "At the end of the day, I am a businessman and this administration has been very good for our business so far."

Mr. Steel takes charge of a political-news outlet that spent the past year streamlining its business operations and replacing several key executives and star reporter Mike Allen, who left with Mr. VandeHei to start a new rival venture called Axios. Mr. VandeHei, who has noted he helped build a profitable and influential business at Politico, launched Axios in January.

Politico executives say the company managed the change-over well, with online traffic and subscriptions growing. Mr. Allbritton said softness in advertising growth that followed the election of President Donald Trump has turned around in the first quarter this year.

The company is now gearing up for figuring out ways to grow, and Mr. Steel said one key area would be to maximize revenue from Politico Europe, a joint venture the company started with German media conglomerate Axel Springer SE in 2015.

"I think there is a tremendous runway for growth as people are now, more than ever, trying to understand politics and government," Mr. Steel said. "We are entering a pivotal moment and it isn't just here. Look at the elections in Paris—people are really starting to see how interconnected these things are and the impact they can have everywhere."

He added: "Great companies take advantage of these moments."

STOCKS

Continued from the prior page

An easing up of political uncertainty has also helped lift stocks. U.S. stocks notched their biggest gains since March 1 on Monday after a centrist candidate won the first round of France's presidential election and President Donald Trump ordered White House aides to draft a tax plan that slashes the corporate-tax rate to 15%, according to people familiar with the directive. Hopes for tax cuts lifted stocks after the U.S. election.

Elsewhere, European stocks closed higher, with the Stoxx Europe 600 rising 0.2% for its fifth consecutive session of gains and France's CAC-40 index adding 0.2%.

Haven assets retreated. Gold fell 0.9% to $1,265 an ounce Tuesday after its worst day in seven weeks on Monday. Government bonds fell, with the yield on the 10-year U.S. Treasury note rising to 2.309%, according to Tradeweb, from 2.275% Monday. Yields rise as prices fall.

Asian stocks extended gains, with Japan's Nikkei Stock Average rising 1.1%. South Korea's Kospi also added 1.1%, rising to its highest level since 2011, as consumer confidence increased the most in nearly four years after the removal of President Park Geun-hye.

BUSINESS & FINANCE

AMIR COHEN/REUTERS

A Perrigo factory in Israel. The Dublin-based drugmaker cut earnings projections three times last year as sales have faltered.

Perrigo's Chief Faces Heat

Drugmaker's CEO must contend with falling shares and disappointing results

By Vipal Monga

CFO JOURNAL

John Hendrickson faces a daunting challenge: One year into his tenure as chief executive of drugmaker **Perrigo** Co., he must persuade investors he has a handle on the company's wobbly business.

Perrigo's shares peaked at $203.69 two years ago, when the maker of store-brand cold and allergy medications was among the many highflying pharmaceuticals companies embroiled in a merger frenzy. Since that peak, the stock has lost roughly two-thirds of its value, as investors fret about missed earnings projections and management turmoil.

Activist investor **Starboard Value** LP is applying pressure as well. As one of the largest shareholders of Dublin-based Perrigo, it has put three directors on the board and will nominate two more independent directors later. Jeff Smith, Starboard's founder, prodded the company to sell assets and undo much of its expansion from the past decade.

"They're in a tough spot," said Randall Stanicky, an analyst at RBC Capital Markets. The company may become more efficient by selling off units, he said, but it would also lose revenue and its stock could continue to drop. "It's a bit of a conundrum."

Mr. Hendrickson, 54 years old, joined Perrigo as an engineer in 1989. As a rising executive, he gained a reputation as the type of manager who knows the name of every worker on the factory floor. But as CEO, he has struggled to right a 130-year-old business careening between crises.

"The Perrigo management team and board decline to comment as a result of being in a previously disclosed quiet period," said a company spokesman. Perrigo is in a quiet period until it discloses its annual report.

Mr. Hendrickson took control of the company's management after former CEO Joe Papa stunned investors and quit to join Valeant Pharmaceuticals International Inc. last year. Mr. Papa benefited from rising drug prices and used an acquisition-focused strategy to increase Perrigo's stock price by roughly seven times during his decade at the firm.

But only five months after persuading shareholders to turn down a takeover offer valued at more than $26 billion from **Mylan** NV in November 2015, Mr. Papa resigned. To thwart Mylan, Mr. Papa promised an earnings and growth surge that never materialized, souring investors on the stock. The market today values Perrigo under $10 billion, less than half Mylan's offer.

Mr. Hendrickson didn't get much of a honeymoon as CEO. Starboard put his feet to the fire less than five months into his tenure.

"Although we recognize you are new to the CEO role and hope you will have fresh ideas, we also know that you have been at Perrigo for approximately 27 years, and, to date, no new plans have been announced for a meaningful change in strategic direction or operational excellence," wrote Mr. Smith in a September letter to Mr. Hendrickson. Starboard didn't respond to requests for comment.

Mr. Hendrickson is contending with disappointing results from Mr. Papa's last major acquisition, the roughly $4.5 billion purchase in March 2015 of Omega Pharma Invest NV, a Belgium-based drugmaker that expanded Perrigo's European consumer reach.

Meanwhile, sales from the generic drug business, which Mr. Papa expanded during his decadelong tenure, have weakened as competition causes drug prices to fall.

Amid those difficulties, Perrigo cut earnings projections three times last year and put a share buyback on hold to pay down debt.

The company also lost some executives, including Doug Boothe, head of the generics business, who left in July, and former finance chief Judy Brown, who resigned at the end of February to take a finance job at biotech company Amgen Inc.

The soft-spoken Mr. Hendrickson, who labeled himself "action oriented" in his first earnings call as CEO, has tried to quickly stabilize the company. He fired the Omega business head, Marc Coucke, began a strategic review of the generics business, announced a layoff of 750 employees, and took Starboard's advice in selling Perrigo's rights to the royalty stream from the multiple sclerosis drug Tysabri.

But investors' doubts persist. "Management needs to execute, that's the key," said David Hackfort, portfolio manager at North Star Asset Management, which owns almost 100,000 Perrigo shares. "We'll gain confidence depending on how they do."

Perrigo's $2.2 billion sale in March to Royalty Pharma of the Tysabri royalties—valued at $2.85 billion if Tysabri sales reach certain levels—disappointed some investors and analysts, who felt the company could have received more for the asset.

That deal announcement was also tarnished when Perrigo's auditor, Ernst & Young, demanded revisions to the company's accounting for the royalty. The surprise intervention caused Perrigo to delay its annual report, bolstering the impression that the company didn't have a good grip on its numbers.

"We remain committed to providing timely, accurate and transparent financial reporting," said Mr. Hendrickson at the time.

LVMH

Continued from the prior page

perhaps a little expensive, but in 30 years we'll be happy we did it," Mr. Arnault said at a press conference.

The transaction will also see Mr. Arnault reduce his holdings of **Hermès International** SCA. Mr. Arnault had accumulated an 8.5% stake in the French luxury house during an aborted attempt several years ago to take over the company.

Mr. Arnault is proposing to buy Dior's shares with a mix of cash and his Hermès shares. News that Mr. Arnault's shares would be hitting the market pushed Hermès shares down by more than 4% in afternoon trading.

In an internal transaction, LVMH would buy Christian Dior Couture, the fashion subsidiary of Christian Dior, in a deal that values the unit at €6 billion.

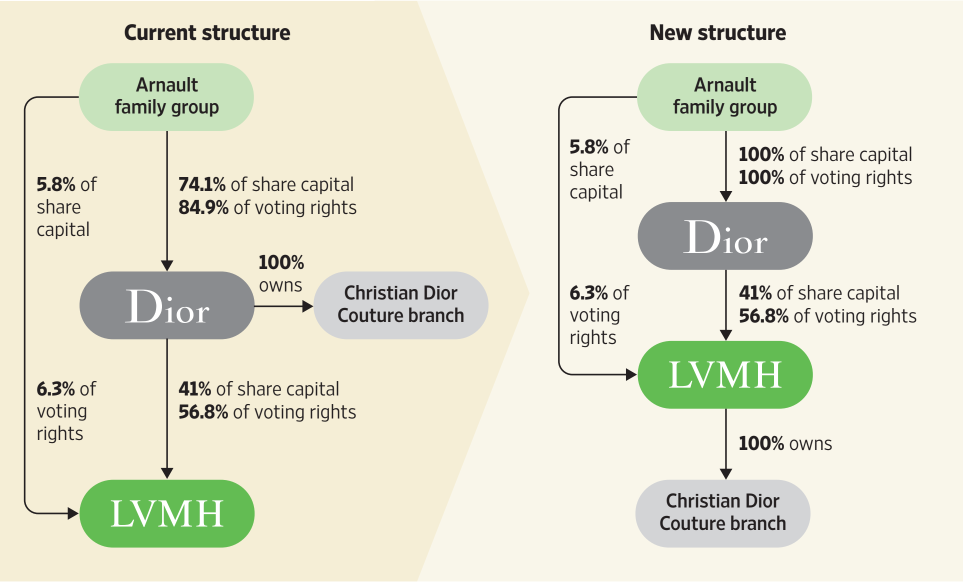
Dior's results have surged in recent years, with the company reporting a profit of €252 million on sales of €1.9 billion last year, compared with €85 million on sales of €1 billion in 2011.

The brand has long been at the core of Mr. Arnault's luxury empire, said Concetta Lanciaux, a former LVMH executive who worked with Mr. Arnault for 25 years.

"Dior was the first one," Ms. Lanciaux said. "Your first one is always the best."

Fashioning a Simpler Setup

The family of French billionaire Bernard Arnault moved to simplify its holdings in luxury conglomerate LVMH and storied fashion house Christian Dior. Here's how the new structure would look if all of Dior's minority holders accept the Arnault family's $13 billion offer.



Source: the company

THE WALL STREET JOURNAL.

TOLL

Continued from the prior page

Corp., which paid $5.4 billion for U.S. nuclear-reactor maker Westinghouse Electric Co. in 2006, only to see Westinghouse file for bankruptcy protection last month. In 2015, beer maker Kirin Holdings Co. reported the first net loss in its modern history because of losses at a Brazil unit it had purchased four years earlier. Earlier this year, Kirin sold the business to Heineken NV.

When Japan Post made its purchase, then-Chief Executive Taizo Nishimuro, who had previously been Toshiba's CEO, justified the high price for Toll by saying Japan Post needed to quickly build up its global presence. At the time, Japan Post was preparing for its initial public offering of stock, which took place in November 2015.

Japan's government has been preparing for an additional offering of shares later this year. Japan Post shares fell last week after initial word of the expected write-down, then recovered all their lost ground.

Still, at the closing price of ¥1,377 on Tuesday, the shares remain below their initial offering price of ¥1,400. A Finance Ministry official said the next offering date hasn't been determined and would depend on market conditions.

A slump in global commodity prices continues to weigh on Australia's economy. Melbourne-based Toll, whose roots date to 1888, provides logistics services to the mining, oil and gas industries, which have pulled back on investment in recent years.

Toll built terminals in Sydney and Melbourne for its premium express road freight business featuring cutting-edge robotics, but the facilities haven't operated at capacity because of the sluggish local economy, according to the Australian.

—Robb M. Stewart in Melbourne, Australia, contributed to this article.

Tyson Hungers for Sandwiches

By Jacob Bunge

DANIEL ACKER/BLOOMBERG NEWS

Meat processor Tyson Foods plans to acquire sandwich maker AdvancePierre for $4.2 billion.

Tyson Foods Inc. agreed Tuesday to acquire sandwich maker **AdvancePierre Foods Holdings** Inc. in a $4.2 billion deal that will broaden the giant meat processor's range of prepared foods.

The all-cash deal would expand Tyson's reach in sandwiches to include cheesesteaks, peanut butter and jelly, and other offerings that AdvancePierre markets to restaurant chains, school districts and grocery stores. The deal expands on Tyson's ambitions in branded and prepared foods that tend to carry fatter and more stable profits than commodity meatpacking.

Tom Hayes, Tyson's chief executive, said the partnership "creates opportunities for growth faster and greater than the companies could do separately."

The deal values AdvancePierre at $40.25 a share, which Tyson said represented a 31.8% premium to AdvancePierre's unaffected stock price. Both companies' boards have approved the deal they expect to close by July. **Oaktree Capital Management** LP, which manages funds owning about 42% of AdvancePierre's shares, supports the offer, the companies said.

Tyson shares were off less than 1% at $64.95 at midday Tuesday, while AdvancePierre's stock was up 9.8%.

Tyson has spent heavily in recent years to expand its retail and food-service offerings. In 2014, Tyson spent $7.7 billion to acquire Hillshire Brands Co. for its suite of well-known meat brands including Jimmy Dean sausages and Ball Park hot dogs.

That deal also brought in Mr. Hayes, a former Hillshire supply-chain executive who took over as Tyson's CEO at the beginning of 2017.

Mr. Hayes and other Tyson executives have signaled for months that Tyson has the capacity to do another multibillion-dollar deal, looking at prepared foods and international expansion.

Tyson's prepared foods business represented about one-quarter of the company's $2.8 billion in 2016 operating profit, with earnings rising about 25% despite a decline in sales for the segment. Tyson wants to center its business on protein-centric products, and is considering the sale of several brands supplying waffles, frozen desserts and soups, the company said this week.

Absorbing Cincinnati-based AdvancePierre will allow $200 million in costs to be trimmed from the combined company within three years, Tyson officials estimate.

AdvancePierre last year earned $136 million on $1.6 billion in sales, more than tripling its 2015 profit and rebounding from losses in 2014 and 2013. Oaktree, a Los Angeles-based firm that invests in distressed companies, has had representation on AdvancePierre's board of directors since 2008. Up to Monday's market close, the company's shares had climbed 56% since they opened for trading on the New York Stock Exchange last July.

Akzo Turns Down Request to Hold Special Meeting

By Christopher Alessi

FRANKFURT—Dutch paints and chemicals maker **Akzo Nobel** NV on Tuesday rejected a request by **Elliott Management** Corp. and other investors to hold an extraordinary shareholder meeting to oust the company's supervisory board chairman.

Akzo's dismissal of the request comes a day after paint giant **PPG Industries** Inc. submitted its third bid for the Dutch company, raising its offer to €24.6 billion ($26.7 billion), or €96.75 a share. That is up from a sweetened bid of €88.72 a share last month. PPG called the new proposal "one last invitation" for Akzo's board to engage in talks.

Activist investor Elliott's call for an extraordinary general meeting "does not meet the required standards under Dutch law," the company said in a written statement. The company also reiterated its full backing of Chairman Antony Burgmans. "The request is irresponsible, disproportionate, damaging and not in the best interests of the company," Akzo said.

Elliott called for the extraordinary general meeting two weeks ago, as it was pressuring Akzo to engage in sale talks with rival PPG. Mr. Burgmans is seen as an obstacle to a PPG takeover of the Dutch company.

Elliott and other investors including U.S.-based Causeway Capital Management LLC—Akzo's largest shareholder, with about a 6.7% stake—have been pressuring Akzo's management to negotiate with PPG since the Pittsburgh-based company first made an initial takeover approach of €83 per Akzo share at the start of March.

"We will take a very careful look at this bid," Mr. Burgmans said Tuesday of the latest offer, presiding over Akzo's annual general meeting of shareholders in Amsterdam.

Elliott on Monday warned Akzo that this could be the company's last chance to engage in "friendly discussions" with PPG, suggesting the U.S. company could then launch a hostile takeover. "There can be no assurance that a hostile bid—if one were to materialize—would include the same or improved protections and undertakings for Akzo Nobel stakeholders," Elliott said in a written statement.

The latest offer appeared to address some of Akzo's concerns over how a takeover could affect its stakeholders, including commitments to maintain Dutch jobs. PPG also said it would agree to a so-called reverse breakup fee, as well as a pledge that a future combined company would be listed on the New York and Amsterdam stock exchanges.

"Akzo Nobel has no more room for excuses now and must enter into proper discussions with PPG," said a spokesman for Akzo shareholder **Columbia Threadneedle Investments**.

Analysts at **Evercore Partners** said that if Akzo were to reject PPG's latest offer, the U.S. company could come back with a hostile approach by the start of June.

PPG said the most recent bid values Akzo at a premium of 24% over its closing price of €78.20 a share on April 21, the last full day of trading before the revised offer.

That was just days after Akzo unveiled the details of a new strategy to separate its specialty chemicals unit, which is part of Chief Executive Ton Büchner's continuing effort to ward off PPG.

Regulars Boost McDonald's U.S. Sales

By Julie Jargon

McDonald's Corp.'s focus on regular customers is paying off.

The burger giant recently pledged not to chase customers who rarely eat fast food.

Instead, McDonald's has made more of its hearty breakfast items available all day, priced soda and coffees at $1 and introduced new Big Mac sizes—all at the behest of cost-conscious regulars.

"Our greatest opportunities are at the core of our business," Chief Executive Steve Easterbrook told investors Tuesday. The tighter focus led to better-than-expected sales globally and in its critical U.S. market in the first quarter.

The company is trying to narrow the gap between its prices and those at the grocery store by raising menu prices more slowly than the rate of supermarket inflation.

The company plans to expand a delivery service it has tested in Florida. At the same time, McDonald's wants to improve the quality of its food. Next year it plans to switch to fresh, rather than frozen, beef in Quarter Pounders.

Next week a higher-end, customizable "Signature Crafted" burger menu will debut nationwide. Global same-store sales in the quarter rose 4%, well above the 1.3% increase anticipated by analysts in a Consensus Metrix survey. Same-store sales in the U.S. rose 1.7%, beating the 0.8% decline analysts expected. In all, McDonald's earned $1.21 billion in the quarter, or $1.47 a share, up from $1.12 billion, or $1.25 a share, a year earlier.

MIKE BLAKE/REUTERS

The company also cautioned about 'volatility in commodity prices and weakness in key markets.'

Caterpillar Cites Improvement In Construction, Mining Sales

By Andrew Tangel

Caterpillar Inc. boosted its outlook amid signs of recovery in some construction and mining markets after years of sluggish demand for its yellow-colored heavy machines.

The Peoria, Ill.-based manufacturing giant said Tuesday it expects to take in $38 billion to $41 billion in revenue this year, after previously projecting sales as high as $39 billion. Caterpillar reported $38.5 billion in revenue in 2016, its fourth-straight year of declining sales.

The improved outlook comes as Caterpillar on Monday reported that a measure of retail sales of its machines world-wide had increased for the first time since November 2012.

Among the bright spots Caterpillar cited was a 15% rise in first-quarter revenue for its resource-industries segment, driven by gains in Europe, the Middle East and Africa as well as its Asia/Pacific region.

Much of the increase was tied to aftermarket parts sales, rising commodity prices and increased mining production.

Despite the encouraging signs, Caterpillar Chief Executive Jim Umpleby noted reason for caution. "There continues to be uncertainty across the globe, potential for volatility in commodity prices, and weakness in key markets," he said.

Caterpillar's construction segment saw a 1% increase in revenue in the first quarter, boosted by sales in Asia/Pacific and Latin America. The company also recently cited strong demand in China.

The equipment maker raised its outlook after four years of declining sales.

But the company reported a 7% decline in construction sales in North America. Caterpillar cited used equipment on the market and "weak infrastructure development."

Overall for the first quarter, Caterpillar reported a profit of $192 million, or 32 cents a share, compared with $271 million, or 46 cents a share a year ago.

Excluding restructuring costs, the company said it earned $1.28 a share, compared to 64 cents a year earlier. Total sales and revenue rose to $9.82 billion from $9.46 billion.

Caterpillar shares were ahead 7% at $103.84 in afternoon trading on Tuesday.

In addition to higher sales, Caterpillar expects earnings per-share this year to be $2.10 with sales at the midpoint of projections, or $3.75 excluding restructuring costs. Previously the company said it expected per-share earnings of $2.30, or $2.90 excluding restructuring costs.

Restructuring costs are expected to jump to $1.25 billion this year—the previous projection was $750 million—as Caterpillar closes factories in Aurora, Ill., and Gosselies, Belgium.

Its workforce continues to shrink along with its global manufacturing footprint. Caterpillar had 95,300 full-time employees at the end of the quarter, down from 101,400 a year earlier.

—Joshua Jamerson contributed to this article.

Netflix Clinches Foothold In China

By Liza Lin

SHANGHAI—**Netflix** Inc., which has struggled to win government approval to operate in China, said it had struck a licensing deal with Chinese video-streaming platform **iQiyi** to show the U.S. company's original content here.

IQiyi is a subsidiary of **Baidu** Inc., which made its mark as China's most popular internet search engine and is expanding into areas as diverse as entertainment and self-driving cars.

Terms of the deal weren't disclosed. Representatives of Netflix and iQiyi declined to comment further on the deal, which was first reported by Variety.

Netflix has been pursuing international expansion as its core U.S. market matures. The producer of such shows as "House of Cards" and "Orange Is the New Black" is hoping to sign up new subscribers fast enough to offset growing content costs, as the streaming-video company invests in original programming that could have global appeal.

China, with its rising incomes and an expanding pool of consumers of online entertainment, is regarded by companies as the industry's Holy Grail. The country had 75 million paid subscribers of online video content in 2016, more than triple the 22 million in 2015, according to a recent report by the Beijing-based research company EntGroup.

The Los Gatos, Calif., company said this month U.S. and international subscriber growth slowed in the first quarter of the year.

China was notably absent when Netflix rolled out its global expansion a year ago, adding 130 countries to its service map. China has been a complicated market to enter as the country's censors often block scenes they view as objectionable and have demanded increasing control of imported internet content.

Netflix, which has been trying to find a local partner in China, has held talks with several state-backed broadcast companies, including **Wasu Media Holding** Co., an online-media company backed by a coalition that includes Alibaba Group Holding Ltd. Executive Chairman Jack Ma.

The first two seasons of "House of Cards," an original Netflix series starring Kevin Spacey as scheming U.S. politician Frank Underwood, were a hit in China when the program was streamed on sohu.com.

—Lilian Lin contributed to this article

Waymo Self-Drive Tests Expanded

Hundreds of the autonomous vehicles made available to Phoenix-area families

By Tim Higgins

ERIC RISBERG/ASSOCIATED PRESS

The Waymo self-driving car is displayed during a Google event in December. Testing efforts are being stepped up in Arizona.

Waymo LLC, the autonomous car unit of Google parent Alphabet Inc., will expand its testing efforts by making hundreds of self-driving vehicles available to families and urban commuters in the Phoenix area.

The test, which began on a limited basis in February, marks the first public trial for the company after logging more than 2.5 million miles on city roads since it began working on the technology in 2009.

The Mountain View, Calif., company already has 100 Chrysler Pacifica self-driving minivans on the road and will eventually add another 500 vans equipped with autonomous-vehicle software and hardware to its fleet. Waymo has been testing its vans and Lexus sport-utility vehicles with employees in Arizona, California, Oregon and Texas.

Waymo said that, starting Tuesday, it will begin accepting applications through its website from people who want to be part of the Early Rider program. It isn't clear when people will begin riding in the vans.

In greater Phoenix, Waymo will test the cars in an area that is twice the size of San Francisco, including in the suburbs of Chandler and Tempe. Users can summon the vehicles with a special app at any time of the day. A safety operator will be behind the wheel in case human hands need to take over, as is the case with other test vehicle programs around the country. The vehicles will have steering wheels and brakes.

Waymo said the goal is to see how far people will go to replace their own personal transportation.

"We're getting some sense…that if we can figure out a way to get this right it could be persuasive for folks deciding whether they should add a second or third car to their garages," said John Krafcik, head of Waymo and a former automotive industry executive.

Waymo's prowess with self-driving cars, along with the rise of Uber Technologies Inc. as an alternative to car ownership and the deployment of a semiautonomous system by Tesla Inc., has stoked enthusiasm for a technology attendees of the 1939 New York World's Fair could only dream about.

While the technology is still largely unproven, auto makers and tech giants are fiercely racing to put commercial vehicles on the road and claim a stake in the $2 trillion of revenue tied annually to autos, according to Deloitte Consulting.

General Motors Co., which acquired San Francisco startup Cruise Automation last year, is preparing to add about 300 self-driving Chevrolet Bolts to its 50-car test fleet later this year, according to a person familiar with the effort. Uber, which is battling Waymo over a trade secrets lawsuit, began limited testing of self-driving vehicles with customers last year.

Alphabet's intentions for self-driving cars have always been hazy, with automotive players concerned about sharing data with the search-engine giant. In December, Google's Waymo became a standalone business unit within the sprawling company, signaling the project was evolving into one that is expected to generate revenue. Mr. Krafcik reiterated in the interview that Waymo sees roles for the technology in logistics and licensing to auto makers.

Alphabet's Waymo has logged more than 2.5 million miles on city roads since 2009.

Other developers such as Uber and GM believe robot taxis are a natural way to introduce the technology, in part to spread the cost of the expensive sensors over a money-generating business and to provide a confined area for controlled initial use.

Waymo hinted on its website in December that public test rides would be coming soon, saying the next step "will be to let people trial fully self-driving cars to do everyday things like run errands or commute to work."

Concerns about the safety of self-driving cars abound. A crash by an Uber test car in the Phoenix area in March raised questions about the effort even though police said the tech company wasn't at fault. Federal regulators investigated the crash of a Tesla car last May that was in semiautonomous mode in Florida but found the technology didn't contain a safety defect.

Waymo's Early Rider program will mark a new chapter in testing, one focused on understanding how people communicate with the vehicle and what they do when they're not required to drive. Waymo says it is looking for a diverse group of participants, who won't be charged for the rides, including families and people working late shifts.

Waymo began working with **Fiat Chrysler Automobiles** last year to put its sensors and software into 100 minivans for tests. The outfitted vans were displayed for the first time on the eve of the Detroit auto show in January when Waymo announced it had developed its own hardware.

—Mike Colias contributed to this article.

Venture Aims to Integrate Data for Drug Firms

By Jonathan D. Rockoff

Health-care data and services company **Quintiles IMS Holdings** Inc. is teaming up with **Salesforce.com** Inc. to build a software system to integrate the various data used by drug firms.

The companies announced the agreement on Monday and didn't disclose financial terms.

The tie-up between QuintilesIMS and Salesforce, which provides customer-relationship software, aims to tackle a fundamental information-technology problem for drug companies.

The various systems that they use to manage functions ranging from the clinical testing of new medicines to their marketing are often incompatible.

The alliance aims to build a virtual one-stop data shop, accessible by smartphone, to allow drug-company officials to monitor the progress of drug development and sales and to aid in decision making, said Tal Rosenberg, QuintilesIMS's senior vice president for global technology solutions.

Salesforce said in a statement that the collaboration will "digitally transform" the work of life-sciences companies.

The alliance, if it can deliver on the promise, would also help QuintilesIMS address Wall Street's concern about the company's ability to knit together the various capabilities amassed through years of deal making and use them to attract new clients and improve sales.

The company is the product of an $8.75 billion merger last year between contract-research organization Quintiles, which helped drug companies test experimental drugs, and IMS Health, best known for the drug-prescription data used by pharmaceutical sales forces.

Mr. Rosenberg said drug companies could mine the data in the new platform to identify research sites best for conducting clinical trials for experimental drugs and then monitor the progress of the testing.

Likewise, drug companies developing plans for selling an approved drug could use the platform to identify doctors who treat patients with the targeted disease and the best ways to reach them, as well as determine which health plans would pay for the prescriptions.

BUSINESS WATCH

COCA-COLA

Beverage Company Deepens Cost Cuts

Coca-Cola Co. executives said Tuesday they plan to eliminate roughly 20% of corporate staff, as the beverage giant battles a slump in soda sales and expands a long-running cost-cutting program.

James Quincey, a company veteran who will take over as chief executive from Muhtar Kent next week, said the Atlanta-based company will cut 1,200 jobs to run a "more focused, lean corporate center."

In 2015, Coca-Cola had announced it was cutting at least 1,600 white-collar jobs globally as part of $3 billion of cost-cutting by 2019. The latest job cuts are part of an effort to expand that program by $800 million.

The company employed more than 100,000 people world-wide as of Dec. 31, including 51,000 in the U.S.

For the first quarter, Coke earned $1.18 billion, or 27 cents a share, down from $1.48 billion, or 34 cents a share, a year earlier. Excluding certain items, per-share earnings were 43 cents. Revenue fell 11% to $9.12 billion.

—Jennifer Maloney and Anne Steele

WIPRO

Outsourcer Posts Slight Profit Growth

Wipro Ltd. said Tuesday that profit for the first three months of the year rose marginally amid fears U.S. President Donald Trump will clamp down on the visa program the firm uses to send its workers to the U.S.

The Indian outsourcer said net profit for the quarter ended March stood at 22.67 billion rupees ($351.8 million), up 0.4% from 22.57 billion rupees a year ago. Revenue grew 5% to 150.39 billion rupees.

—Newley Purnell

ARCONIC

Elliott Rejects Offer From Firm's Board

Elliott Management Corp. rejected a deal proposed by **Arconic** Inc. that was meant to defuse the long-running spat between the aerospace-parts maker and its activist investor, extending their proxy battle.

Arconic had offered to give Elliott two additional representatives on the company's board in exchange for abandoning its proxy fight.

Instead, Elliott is pushing ahead with its proposal to Arconic shareholders to elect its slate of four nominees.

Arconic, which on Monday said it would delay its annual meeting, gave the hedge fund until Wednesday to sign off on its proposal. Arconic said it would push the meeting from May 16 to later in the month and was willing to make "certain other concessions."

Elliott said the board's latest offer was insufficient.

Arconic declined to comment.

—Joshua Jamerson

BENOIT TESSIER/REUTERS

Coca-Cola is expanding its cost-cutting program as it faces a continuing slump in soda sales.

STARTUP

Continued from page B1

the right approach.

"I was one of the biggest critics," said retired Rear Adm. David Simpson, who met Mr. Martin several years ago when he was in charge of the FCC's Public Safety and Homeland Security Bureau. Now, Mr. Simpson has joined with RapidSOS as a paid adviser. "They have listened and learned."

An app is a bad idea, Mr. Simpson says, because it would be hard to ensure that the roughly 6,500 answering centers in the U.S.—many using different technologies—could receive the app's calls and other data. If it fails, who would be liable?

The FCC recently sought public comments on 911 apps after the National Association of State 911 Administrators raised alarms about security features app makers offer to consumers that might not work.

Christy Williams, the head of 911 in the area surrounding Dallas, was one of the first to share her skepticism about apps with Mr. Martin. She'll never forget his answer: "We're a bunch of geeks who can make any technology happen and we can make what you need," she recalls.

Mr. Martin refocused RapidSOS on the database, which is now integrating with companies such as Motorola Solutions and Airbus DS Communications that make call-answering software used by 911 operators. Once activated, the 911 answering systems will be able to ping the RapidSOS database for better location and other data, such as health information supplied by the user, after a cellphone call arrives.

The final hurdle is persuading handset makers like Apple Inc. and Alphabet Inc.'s Google to update their smartphones so that when someone dials 911 the device automatically populates the RapidSOS database with the caller's more precise location. Google and Apple declined to comment.

RapidSOS says the database will be free for 911. It hopes to make money by charging car makers or alarm-monitoring companies to integrate with it so those devices could pass rich data to 911 if an emergency is detected.

RapidSOS isn't the only company working on 911 location technology. And wireless carriers hope their solution will be running by 2018. The carriers' plan is to log the location of Wi-Fi hot spots and other devices to augment GPS data.

In trials on test devices late last year in Texas, RapidSOS was able to deliver location information to the 911 center that was more accurate than what the wireless carriers delivered. In one case, RapidSOS targeted the caller within a few feet while the carrier data was off by about 1,000 yards, said Rodger Mann, the 911 mapping expert for the district.

Focusing on HR Before Ping-Pong Tables

Rather than scale hastily, some tech firms work first on getting office culture right

BY VANESSA FUHRMANS


JASON HENRY FOR THE WALL STREET JOURNAL

CodeFights CEO Tigran Sloyan, center, says that 'if you don't get the right culture going early, it's almost impossible to get right later.'

At many tech startups, a human-resources chief arrives long after the ping-pong table and 100-employee milestone. Then there is **CodeFights** Inc., whose founders made a head of talent the first hire at their San Francisco headquarters.

The company, which sets up online coding challenges to help programmers hone skills and get noticed by tech firms, is bucking the startup world's grow-at-all-costs ethos. Rather than scale hastily, CodeFights uses its blind coding battles to avoid hidden biases as it assesses prospective recruits. It also puts job candidates through an interview process aimed to ensure they are team players.

Now with 20 people, CodeFights is hashing out parental leave, harassment and other workforce policies and routinely reviews and rewards employee performance.

Amid recent workplace troubles at Zenefits, Uber Technologies Inc. and elsewhere, a handful of founders are taking a different tack and formalizing their workplace culture as deliberately as they build their products—sometimes before they have enough staff to fill a conference room.

The hope, these founders say, is that a more motivated, well-oiled workforce will attract top talent and avoid troubles down the road.

"Even with five to 10 people, if you don't get the right culture going early, it's almost impossible to get right later," said CodeFights Chief Executive Tigran Sloyan. Quickly adding staff without building the right team can hit, not help, the bottom line of an early startup, he said.

These efforts test the conventional wisdom that spending time on HR policies drags on startups' growth. Uber, for instance, had recruiting staff and a team to handle administrative HR functions in its earlier years but didn't hire its first senior HR chief until 2014, when it had about 600 employees. Uber didn't respond to a request for comment.

When Bhavin Parikh and his co-founders started **Magoosh** Inc., an online test preparation firm, his main worries were keeping the company alive and attracting investment, he said.

A tech-conference panel on diversity a couple of years ago opened the CEO's eyes to the insidiousness of unconscious bias in hiring and diversity's potential competitive advantages.

"We want our team to reflect the customer base because that creates better business decisions," he said.

Research shows women often don't apply for jobs if they don't meet all the listed criteria—so Magoosh decided to head its postings with, "You have many of the following" instead of simply "Requirements." The postings also stated "Please feel comfortable applying, even if you don't meet all the requirements."

The company's 30 full-time staff have a quarterly check-in with Magoosh's HR manager to discuss career development and any workplace issues.

A 2015 McKinsey & Co. report found that ethnically diverse firms are 35% more likely to financially outperform industry peers.

The Stanford Project on Emerging Companies, an multiyear study of Silicon Valley startups during the first dot-com boom, found startups that tended to devote more effort upfront to designing their workplace cultures and employment practices were less likely to fail and more likely to go public than other firms.

Some are testing the conventional wisdom that spending time on HR hinders growth.

Magoosh's approach has trade-offs. Because the company vets candidates so thoroughly, Mr. Parikh said it can sometimes take six months or more to fill a senior or technical position. Some candidates lose interest along the way and, on occasion, some employees want to fill a position faster, he said.

Yet Magoosh has gotten results: Compared with the high churn at many startups, only a handful of employees have decided to leave the company since it began hiring full-time staff in 2011, he said.

Venture capitalists have traditionally stayed out of startups' HR matters, though a newer wave of investors such as 500 Startups, Homebrew Ventures and Lowercase Capital are urging companies they invest in to make diversity a priority.

Kapor Capital, whose investments include Magoosh, requires companies in its portfolio to sign a pledge to set and track employee diversity and inclusion goals.

CodeFights' Mr. Sloyan, who aims to double staff to 40 employees by next year, recently talked to one of his major investors, **Felicis Ventures**, about his growth plans. The venture-capital firm's partners encouraged him to take the time necessary to recruit people in sync with the company's values and integrate them into the company in a thoughtful way, he said.

"As long as we're delivering the results, we're going to be in control of what kind of company we build," Mr. Sloyan said.

Kapor has also invested in **HealthSherpa**, a 19-employee startup whose platform helps people obtain and use health coverage. Cat Perez, cofounder and chief product officer, HealthSherpa said has occasionally put its diversity and inclusion efforts over potential sales: In a couple of instances, it has cut ties to insurance agents who have harassed or made other inappropriate remarks to HealthSherpa team members, she said.

Within a year of stepping up efforts to attract a more-diverse pool of job candidates, the share of Hispanic and black employees more than doubled in 2016 to a third of the staff, including those who work directly with customers.

Ms. Perez said those shifts have helped boost the site's so-called net promoter scores, which measure customers' willingness to recommend a company to others, and may have contributed to its 85% jump in 2016 sales.

How Startups React To HR Stumbles

In the scramble to survive, young companies and their founders often focus on hiring quickly. They tend to be slower to invest in other human-resources functions, such as building a strong work culture or protocols to protect employees. Here is how some Silicon Valley startups have responded:

UBER

Earlier this year, a former **Uber Technologies** Inc. engineer wrote online that the company ignored complaints of sexual harassment and failed to rein in a manager who propositioned female employees. Chief Executive Travis Kalanick condemned the alleged behavior and ordered an investigation into the claims.

He has promised sweeping changes to the company culture and is seeking management help. Uber didn't respond to a request for comment.

GITHUB

The software startup prided itself on a flat hierarchy with few managers or titles—a style that applied to **GitHub** Inc.'s HR department. In 2014, a female developer alleged harassment, calling the company a hostile workplace for women.

A company investigation found no evidence of harassment but determined a lack of workplace boundaries contributed to the problem. Tom Preston-Werner, Github's president and co-founder, stepped down and the company created clearer HR procedures. GitHub declined to comment.

ZENEFITS

Regulatory problems forced the health-benefits brokerage's chief executive to resign last year as details of Zenefits' frat-house-like work culture also surfaced. Its new CEO suggested a freewheeling culture was to blame for both. In a memo to employees, he said Zenefits would instill more integrity in how it dealt with customers and compliance, and in the workplace. Zenefits didn't respond to a request for comment.

College Seniors Are Ill-Prepared for Job Hunt

BY KELSEY GEE

Parents rejoice: 2017 is shaping up to be another healthy year for college hiring.

The latest forecast from the National Association of Colleges and Employers finds that employers expect to hire 5% more graduates than they brought on last year, the eighth year in a row that companies say they are increasing their college hires.

Yet a separate survey of employers and college seniors suggests that, when it comes to courting recruiters, the Class of 2017 has some homework to do.

This year's job-seeking seniors are ill-prepared for the job hunt and many coveted positions, concludes a survey of roughly 400 employers and 400 college students conducted by iCIMS Inc., a recruiting-software company. Among other things, employers reported that one-third of all applications for entry-level roles come from unqualified candidates.

More than 60% of employers in the survey said applicants ought to be more familiar with the company and industry, and must ask better questions in interviews. Plus, those employers say, three out of four applicants fail to send thank-you notes after interviews.

The mismatch extends to hard skills, too. Engineering, business and computer science majors are in highest demand, with at least two-thirds of employers seeking graduates in those fields, according to NACE. But fewer than half of the students surveyed by iCIMS majored in those subjects.

College seniors feel good about their prospects: more than 90% of the students surveyed by iCIMS reported feeling confident about their interview skills. They also expect to earn over $53,000 in their first job, compared with average salary of $45,000 that recruiters expect to pay for those positions.

While new grads have a "bloated" sense of their abilities, employers, too, have unrealistically high expectations for 21-year-olds, said Susan Vitale, chief marketing officer for the Matawan, N.J.-based iCIMS. "Hiring managers tend to be a little crazy in their experience requirements, speaking as one myself."

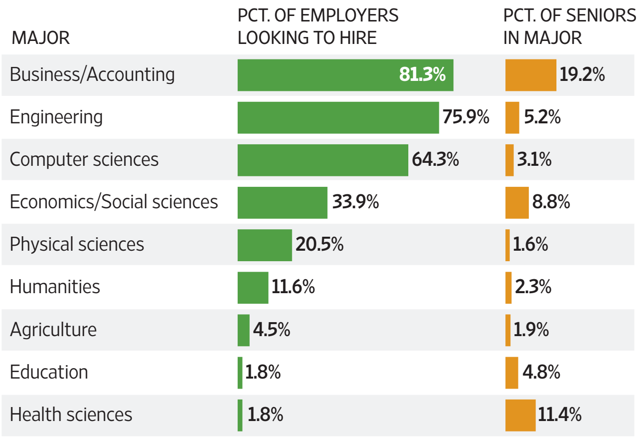
Unlike many employers, **Enterprise Holdings** Inc. doesn't expect college hires to arrive at work with all the exact skills they need.

The car-rental company will hire roughly 10,000 college grads for its entry-level management training program this year. Those management trainees will be put on a two-year career-development program, where they will learn on the job, said Marie Artim, the car-rental firm's head of talent acquisition.

"This is generation that's grown up with syllabuses and structure," which makes them a good fit for such programs, Ms. Artim said.

The College Majors Employers Want

Employers are on the hunt for engineering, business and computer-science graduates; here's how popular those majors are among college seniors.



Note: Current hiring plans compared with degrees conferred in 2015
Sources: National Association of Colleges and Employers; National Center for Education Statistics

THE WALL STREET JOURNAL.

FINANCE & MARKETS

Wells Fargo Board Expected to Prevail

The shareholder vote may hold a rebuke for the bank's standing directors, however

By David Benoit
And Emily Glazer

Wells Fargo & Co.'s shareholders are expected to reelect all of the bank's directors—but at uncomfortably low vote totals—in a pitched contest over the board that resulted from last fall's sales-practices scandal, according to people familiar with the matter.

Shareholders' limited support for the board suggested shareholders seek further changes and explanations following the scandal. Tensions were high at the bank's shareholder meeting Tuesday in Florida as shareholders voiced their complaints, prompting Wells Fargo Chairman Stephen Sanger to halt the meeting for several minutes.

The bank was scheduled to release the results of the shareholder vote at the meeting. The bank and its 15 board directors were on edge through the night and early morning as key institutional shareholders placed their votes, people familiar with the process said.

Some votes were still coming in Tuesday, meaning vote tallies could still shift or shareholders could still change their votes, the people familiar with the matter said. The technical deadline for casting votes is when the meeting ends.

At the meeting, a bank's shareholder refused to stop asking individual directors to explain what they knew about the sales practices scandal. Mr. Sanger and Chief Executive Timothy Sloan repeatedly asked the shareholder to sit down and wait until the question-and-answer period began. The shareholder said the bank and board's response was "not good enough," and he wanted more details from each director.

When the meeting restarted a few minutes later, Mr. Sanger said the shareholder made a "physical approach to our board members and ultimately we removed him from the meeting."

Much of the discontent among shareholders is rooted in the bank's sales-practices scandal that led to a $185 million settlement with regulators last September and a more recent, pending $142 million settlement with customers. Its reputation has been hit hard with two congressional grillings and a spate of state and federal investigations. The bank has said it is cooperating with those.

In an unusual move, Institutional Shareholder Services Inc., one of the largest and most influential proxy advisory services, had recommended earlier this month that shareholders vote against re-electing 12 long-serving directors.

While the re-election of directors, if confirmed, would be a relief for the bank, the likelihood that at least a few board members will receive below 60% of votes cast is concerning. Directors, who usually run unopposed, typically receive more than 95% or more of the votes cast.

Other long-serving directors are expected to receive less than 80% of the vote, which is also worrisome, one of the people familiar with the matter said. The board's two newest directors, appointed in February, are expected to receive more than 90% of the vote, this person said.

The collective low votes for long-serving directors sends a clear message to the bank of "dissatisfaction," one of the people familiar with the matter said.

FREDERIC J BROWN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Some Wells Fargo shareholders still want answers over last fall's sales-practices scandal. That could affect directors' re-election.

Regulators Clear Bank's 'Living Will'

Wells Fargo & Co. got unexpected good news on another front: Regulators signed off on its attempt to fix a blueprint for avoiding a bailout should the bank ever founder.

The Federal Deposit Insurance Corp. and Federal Reserve on Monday said Wells Fargo passed its "living will" for 2015. The regulators had failed the bank early last year and dinged it a second time in December, essentially meaning Wells Fargo had failed a make-up test. A Wells Fargo spokesman didn't have an immediate comment.

Resolution plans, known as living wills, are a requirement of the 2010 Dodd-Frank law, which sought to prevent bailouts partly by forcing big banks to develop a plan for how they could go through bankruptcy without taxpayer assistance. The law directed regulators to judge whether plans are credible and gave them power to sanction, or even break up, firms that are found lacking.

Wells Fargo's December submission marked the first time the Fed and FDIC imposed penalties on a bank under the process, barring Wells Fargo at the time from creating new international banking units or acquiring any nonbank subsidiaries.

—Emily Glazer

Trump Pick for SEC Assembling Top Agency Staff

By Dave Michaels

WASHINGTON—President Donald Trump's choice to run the Securities and Exchange Commission is assembling a cabinet of top staff members who spent their careers on Wall Street or advised companies on big deals, foreshadowing the commission's likely pivot toward a deregulatory agenda.

Aides to Jay Clayton, Mr. Trump's pick as SEC chairman, have interviewed or offered positions to people who would run the divisions that investigate wrongdoing and fraud, regulate public companies and oversee stock exchanges, according to people familiar with the matter. The group of expected hires includes William Hinman, a partner at Simpson & Thacher LLP, who is likely to run the SEC division that writes the rules for public company disclosures.

The full Senate is expected to vote on Mr. Clayton's nomination as soon as early May.

The SEC's six division directors have often come from Wall Street or from law firms that advise or defend financial companies. Mr. Hinman, who donated to Hillary Clinton's presidential campaign, was the top American lawyer advising **Alibaba Group Holding** Ltd. on its $25 billion initial public offering, one of the biggest ever in U.S. markets. He began his career in New York before moving to Silicon Valley in 1994 and becoming a top legal adviser on tech IPOs.

A spokesman for Mr. Clayton declined to comment on any hiring efforts, saying the nominee "remains focused on the Senate confirmation."

The choice reflects Mr. Clayton's commitment to easing rules that could grease the way for more IPOs, which hit a seven-year low in 2016. Mr. Clayton told members of the Senate Banking Committee in March that the government should "reduce the burdens of becoming a public company so that it's more attractive."

Mr. Hinman's work has included deals in which companies offered limited voting rights to shareholders, a practice that is unpopular with many investors. In the March IPO of Snap Inc., investors received zero voting rights with their shares, a move that angered several public pension funds and other long-term investors.

The search for top staff members has been overseen by Robert Stebbins, a partner at Willkie Farr & Gallagher LLP, who was a law-school classmate of Mr. Clayton's at the University of Pennsylvania, according to two other people familiar with the matter.

Mr. Clayton has considered at least two well-known defense attorneys for the role of enforcement director, typically the highest profile staff position at the SEC.

The lawyers include Steven Peikin, a former prosecutor who now works with Mr. Clayton at Sullivan & Cromwell LLP. Mr. Peikin represented Goldman Sachs Group Inc. in its dealings with prosecutors and SEC lawyers over claims a former member of its board of directors, Rajat Gupta, had leaked inside information to a hedge-fund manager.

Sullivan & Cromwell is a longtime legal adviser to Goldman Sachs. Mr. Clayton has also done work for the bank.

Another candidate for the top enforcement job is Matthew Martens, a partner at Wilmer Cutler Pickering Hale and Dorr LLP, who was the SEC's top trial attorney from 2010 to 2013.

While at the SEC, Mr. Martens won a civil-fraud lawsuit against former Goldman trader Fabrice Tourre, who was found to have misled investors about a subprime-mortgage deal that lost $1 billion for some institutions that bet on it.

The SEC's acting director of enforcement, Stephanie Avakian, also has been considered for the permanent role. Ms. Avakian joined the SEC in 2014 and was previously a partner at Wilmer Hale.

The top candidate to run the SEC's trading and markets division is Jamie Selway, an executive at Investment Technology Group Inc., three other people said.

TOM WILLIAMS/CONGRESSIONAL QUARTERLY/NEWSCOM/ZUMA PRESS

Jay Clayton is President Donald Trump's choice to run the SEC.

FINANCE WATCH

EUROPEAN CENTRAL BANK

Negative Rates Encourage Lending

Survey data from the European Central Bank showed Tuesday that its policy of paying negative rates on deposits held with it is encouraging eurozone banks to make loans.

The ECB's Bank Lending Survey, which polls lenders across the currency zone, reported that the negative deposit rate, in place for nearly three years, "while having a negative impact on banks' net interest income, is assessed by banks to have a positive impact on their lending volumes."

The survey also showed that demand for financing from firms is expected to grow in the current quarter.

—Todd Buell

CHINA CITIC BANK

Gains on Trading Boost Net Result

China Citic Bank Corp. said net profit in the first quarter rose 1.7% from a year ago to 11.39 billion yuan ($1.65 billion), buoyed by trading gains.

Net interest income at the commercial lender, which is China's 10th-largest by assets, fell by 8.9% to 25.1 billion yuan. Net fee and commission income fell 2.1% to 10.8 billion yuan, the bank said Tuesday.

The bank also reported 51.32 billion yuan of nonperforming loans at the end of the latest quarter, up from 48.58 billion yuan three months earlier. The lender's bad-loan ratio rose to 1.74% from 1.69% at the end of last year.

—Chuin-Wei Yap

SWEDBANK

Mortgage Lending Props Up Earnings

Swedbank AB, one of the Baltic region's largest lenders, Tuesday posted a rise in net profit for the first quarter, as higher net interest income from strong mortgage lending helped offset a rise in expenses and credit losses.

The bank said its net profit for the three months ending March 31 totaled 5.12 billion Swedish kronor ($577.2 million), compared with 4.31 billion kronor for the same period last year.

The bank said it increased loan-loss provisions for oil-related volumes within its Large Corporates & Institutions business.

"Our Swedish operations saw a high level of activity, mainly in mortgage loans, which generated increased volumes and margins," said Chief Executive Officer Birgitte Bonnesen.

—Dominic Chopping

KAI PFAFFENBACH/REUTERS

The EECB has kept deposit rates negative for almost three years.

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	OT	OT	MUS	04/21	USD	310167.83	2.7	7.3	-5.0
Value Partners *Investing through discipline*									
■ Website: Https://Www.Valuepartners-Group.Com/ Tel: (852) 2143 0688									
China A-Share Fund Cls A AUD H	OT	OT	HKG	04/24	AUD	12.74	8.1	14.4	-5.6
China A-Share Fund Cls A AUD UnH	OT	OT	HKG	04/21	AUD	11.76	7.6	17.1	-5.0
China A-Share Fund Cls A CAD H	OT	OT	HKG	04/24	CAD	11.77	7.8	12.8	-6.7
China A-Share Fund Cls A EUR H	OT	OT	HKG	04/24	EUR	12.33	7.3	11.5	-6.8
China A-Share Fund Cls A EUR UnH	OT	OT	HKG	04/21	EUR	12.53	8.7	17.4	NS
China A-Share Fund Cls A GBP H	OT	OT	HKG	04/24	GBP	12.36	7.3	15.4	-5.6
China A-Share Fund Cls A GBP UnH	OT	OT	HKG	04/24	GBP	14.21	6.0	23.2	-0.1
China A-Share Fund Cls A HKD H	OT	OT	HKG	04/24	HKD	12.56	7.6	13.2	-6.4
China A-Share Fund Cls A HKD UnH	OT	OT	HKG	04/24	HKD	12.49	12.0	10.1	-7.2
China A-Share Fund Cls A NZD H	OT	OT	HKG	04/24	NZD	12.56	8.3	14.8	-5.0
China A-Share Fund Cls A NZD UnH	OT	OT	HKG	04/24	NZD	11.01	10.5	8.8	NS
China A-Share Fund Cls A RMB (CNH)	OT	OT	HKG	04/24	CNH	13.74	9.6	16.9	-3.5
China A-Share Fund Cls A USD	OT	OT	HKG	04/24	USD	12.43	11.7	11.0	-7.2
China A-Share Fund Cls A USD H	OT	OT	HKG	04/24	USD	12.53	7.8	13.5	-6.3
China Greenchip-A Units	AS	EQ	CYM	04/24	HKD	58.18	14.4	19.7	-10.0
China Greenchip-A Units AUD H	AS	EQ	CYM	04/24	AUD	9.84	14.6	20.4	-10.6
China Greenchip-A Units CAD H	AS	EQ	CYM	04/24	CAD	9.55	14.2	18.9	-11.3
China Greenchip-A Units NZD H	AS	EQ	CYM	04/24	NZD	10.10	14.5	21.0	-9.7
China Greenchip-A Units USD	AS	EQ	CYM	04/24	USD	9.60	14.0	19.3	-11.0
China Greenchip-A2 QDIs Units	AS	EQ	CYM	04/24	HKD	10.55	14.3	19.6	-10.2
GC Hi Yield Inc - Cls A MDIs GBP H	OT	OT	CYM	04/24	GBP	9.99	7.2	18.9	11.4
GC Hi Yield Inc-Cls A MDIs AUD H	OT	OT	CYM	04/24	AUD	9.55	7.8	21.0	13.3
GC Hi Yield Inc-Cls A MDIs CAD H	OT	OT	CYM	04/24	CAD	9.61	7.4	19.5	11.8
GC Hi Yield Inc-Cls A MDIs NZD H	OT	OT	CYM	04/24	NZD	9.90	8.0	21.7	14.2
GC Hi Yield Inc-Cls P HKD Acc sh	OT	OT	CYM	04/24	HKD	15.22	7.9	20.4	12.2
GC Hi Yield Inc-Cls P HKD MDIs sh	OT	OT	CYM	04/24	HKD	9.52	7.9	20.3	12.2
GC Hi Yield Inc-Cls P MDIs SGD H	OT	OT	CYM	04/24	SGD	10.44	7.4	19.8	12.3
GC Hi Yield Inc-Cls P USD Acc sh	OT	OT	CYM	04/24	USD	15.30	7.7	20.1	12.0
GC Hi Yield Inc-Cls P USD MDIs sh	OT	OT	CYM	04/21	USD	9.50	7.0	19.8	11.9
GC Hi Yield Inc-ClsA MDIs EUR H	OT	OT	CYM	04/24	EUR	10.43	6.9	17.9	10.7
Hi-Div Stk Cls A RMB H Acc	OT	OT	HKG	04/24	CNH	11.25	12.5	15.9	-1.0
Hi-Div Stk Cls A RMB UnH Acc	OT	OT	HKG	04/24	CNH	13.39	9.3	18.9	1.5
Hi-Div Stk Cls A1	OT	OT	HKG	04/24	USD	79.68	11.1	13.4	-3.1
Hi-Div Stk Cls A2 AUD H MDIs	OT	OT	HKG	04/24	AUD	9.54	11.0	13.4	-2.9
Hi-Div Stk Cls A2 CAD H MDIs	OT	OT	HKG	04/24	CAD	9.65	10.9	12.3	-4.2
Hi-Div Stk Cls A2 GBP H MDIs	OT	OT	HKG	04/24	GBP	9.11	11.7	12.3	-4.6
Hi-Div Stk Cls A2 HKD MDIs	OT	OT	HKG	04/24	HKD	9.95	11.5	13.8	-3.1
Hi-Div Stk Cls A2 MDIs	OT	OT	HKG	04/24	USD	10.86	10.9	13.2	-3.3
Hi-Div Stk Cls A2 NZD H MDIs	OT	OT	HKG	04/24	NZD	9.76	11.1	14.0	-1.9
Hi-Div Stk Cls A2 RMB H MDIs	OT	OT	HKG	04/24	CNH	9.49	13.0	16.2	-1.1
Hi-Div Stk Cls A2 RMB UnH MDIs	OT	OT	HKG	04/24	CNH	9.89	9.6	20.2	1.8
Hi-Div Stk Cls A2 SGD H MDIs	OT	OT	HKG	04/24	SGD	10.47	NS	NS	NS
Intel-China Converg Fund-A AUD H	AS	EQ	CYM	04/24	AUD	10.13	15.1	14.9	NS
Intel-China Converg Fund-A CAD H	AS	EQ	CYM	04/24	CAD	11.12	9.3	10.2	NS
Intel-China Converg Fund-A NZD H	AS	EQ	CYM	04/24	NZD	11.37	10.8	10.5	NS
Intel-China Converg Fund-A Units	AS	EQ	CYM	04/24	USD	150.96	13.1	14.1	-11.6
Intel-Chinese Mainland Foc Fund	AS	EQ	CYM	04/24	USD	42.99	16.0	17.8	-8.6
VP Classic-A Units	AS	EQ	HKG	04/24	USD	289.11	13.6	21.0	-6.2
VP Classic-B Units	AS	EQ	HKG	04/24	USD	129.91	13.4	20.4	-6.7
VP Classic-C Units	AS	EQ	HKG	04/24	USD	16.40	13.5	20.6	-6.8
VP Classic-C Units AUD H	AS	EQ	HKG	04/24	AUD	13.53	13.3	21.5	-6.1
VP Classic-C Units CAD H	AS	EQ	HKG	04/24	CAD	13.10	13.1	20.8	-7.6
VP Classic-C Units HKD H	AS	EQ	HKG	04/24	HKD	11.13	13.0	19.3	NS
VP Classic-C Units NZD H	AS	EQ	HKG	04/24	NZD	13.62	12.9	20.6	-5.0
VP Classic-C Units RMB	AS	EQ	HKG	04/24	CNH	11.48	10.2	25.1	NS
VP Classic-C Units RMB H	AS	EQ	HKG	04/24	CNH	11.10	15.5	23.3	NS
VP Multi-Asset Fund Cls A HKD	OT	OT	HKG	04/24	HKD	10.16	5.6	NS	NS
VP Multi-Asset Fund Cls A USD	OT	OT	HKG	04/24	USD	10.28	5.2	7.1	NS
VP Taiwan Fund	AS	EQ	CYM	04/24	USD	18.50	10.4	25.3	5.6

Rising Rates Hit Students

By AnnaMaria Andriotis

Mortgage refinancing isn't the only lending business that could face pressure from rising short-term rates.

Interest-rate savings on student-loan refinancing are also shrinking as short-term rates have started to rise, according to a new report.

Refinancing student loans has taken off in the past five years as financial-technology lenders, led by **Social Finance** Inc., or SoFi, have been offering to replace borrowers' federal student loans with new loans that have lower interest rates.

Until recent years, rates on many federal student loans weren't based on market rates, but a higher uniform rate set by the government.

Now, the savings are declining for some of the most creditworthy borrowers. Those with the highest credit scores who refinanced early this year received an interest rate that on average was about 2.2 percentage points lower than the rate on their original loan, according to **LendKey Technologies** Inc., which tracks student loans at credit unions and community banks. In 2014 and 2015, the average interest-rate savings exceeded three percentage points.

Rates on private student loans are usually pegged to the one-month or three-month London interbank offered rate, which have been moving up in recent months with the Federal Reserve's short-term interest-rate target.

Meanwhile, interest rates on newly issued federal student loans are down. Unsubsidized Stafford loans given to undergraduate students for the current academic year have a fixed rate of 3.76%, compared with 4.66% two years before and 6.8% four years prior.

The decline in federal student-loan pricing is largely the result of a repricing strategy implemented by the federal government starting for the 2013-14 academic year. Since then, federal student-loan rates have been based on a rate from the last 10-year Treasury auction that occurs each May. Between 2006 and this change, federal student-loan rates had been set in advance by federal law.

LendKey says student-loan refinances topped $200 million in 2016 for the institutions on its platform, up 80% from a year earlier. It says the savings borrowers receive remain substantial, adding that the decline in savings is likely due to the small number of borrowers in some of its credit-score brackets.

But the dip in savings among certain credit scores points to a broader issue for the student-loan refinance industry. Sustaining growth for these lenders has been largely based on how long they can offer rate savings that are large enough to give consumers the incentive to refinance.

SoFi's chief executive, Mike Cagney, has been vocal about the limited time span on this market, warning that lenders who enter the market just to focus on student-loan refinances aren't pursuing a good strategy. SoFi has in recent years expanded to other loans, including mortgages and personal loans.


DAVID PAUL MORRIS/BLOOMBERG NEWS

Social Finance, under CEO Make Cagney, has expanded to other loans, including mortgages.

Nasdaq Composite Is More Than Tech

By Ben Eisen

Today's Nasdaq Composite Index isn't quite the same as the one often associated with the dot-com boom and bust.

Once known as the benchmark that tracked young technology companies, the Nasdaq is now more diversified than it typically gets credit for. That is one reason why investors aren't too concerned about a tech bubble as the index passed 6000 for the first time ever on Tuesday.

Sure, the most heavily weighted names in the index are still the tech giants you would expect, such as **Apple** Inc. and **Microsoft** Corp., but tech makes up only 44% of the index, down from about 60% when the dot-com bubble burst early in the last decade.

The index has diversified into other sectors, particularly consumer companies. Consumer-goods stocks, which made up 3.2% of the index at the end of 2011, made up 5.3% at the end of March. And consumer services accounted for 21% at the end of last month, up from 18% at the end of 2011.

Even the big part of the index that is made up of tech stocks is different than it used to be.

Amid the dot-com bubble of 1999 and 2000, the index was chock-full of companies that had gone public recently in a bid to cash in on investors' hearty—if often ill-advised—appetite for technology shares. Many of those companies had no earnings. Many others, including many more-established Nasdaq-traded firms, had only modest earnings relative to their share prices.

Accordingly, the price/earnings ratio on the index exceeded 70 as the Nasdaq was near its peak in 2000, a condition that traders and analysts agreed set the stage for what would become a historic rout. These days, it is trading at about 27.5 times the earnings of the past 12 months, according to Thomson DataStream.

Now, the Nasdaq includes companies such as Apple, which has been transformed over the past 15 years into arguably the world's most successful company. It makes up more than 8% of the index by weighting. Microsoft makes up 5.7%. **Facebook** Inc. and **Alphabet** Inc.'s Class C shares both make up more than 3% of the index.

The shrinking of the Nasdaq's tech sector stands out at a time in which tech stocks have been rising sharply, making up an increasingly large share of other benchmarks, such as the S&P 500 index.

BOB RIHA/LIAISON/GETTY IMAGES

The pets.com puppet became a symbol of the dot-com bubble.

BOJ's Message: Don't Expect Tightening

By Takashi Nakamichi

TOKYO—Japanese central-bank officials have lately emphasized that Japanese inflation is weak, a calculated move to reduce expectations of a rate increase this year, say people familiar with their thinking.

One of the Bank of Japan's chief messages ahead of a policy meeting on Wednesday and Thursday is that any talk of tightening measures is premature because prices aren't recovering as strongly as the economy. That stance suggests the bank will keep both its main policy rates unchanged, while possibly lowering its view on prices to offset an improved outlook for the economy.

"The most important thing now is to keep a low profile," one of the people said, emphasizing the need to tamp down any speculation of a rate increase.

The bank's attitude highlights the rapid change of direction in global central banking. The Federal Reserve raised rates in March for the second time in three months and signaled further increases ahead in a sign of confidence in the U.S. economy, while other central banks around the world also look set to tighten rather than loosen policy as their next step.

But BOJ officials are worried that if expectations for an early rate increase strengthen, the yen could bounce back in a blow to Japan's exports, according to the people. The export-driven nature of Japan's recent economic growth means that the bank will want to avoid any sharp gains in the yen as long as domestic consumption remains weak, they said.

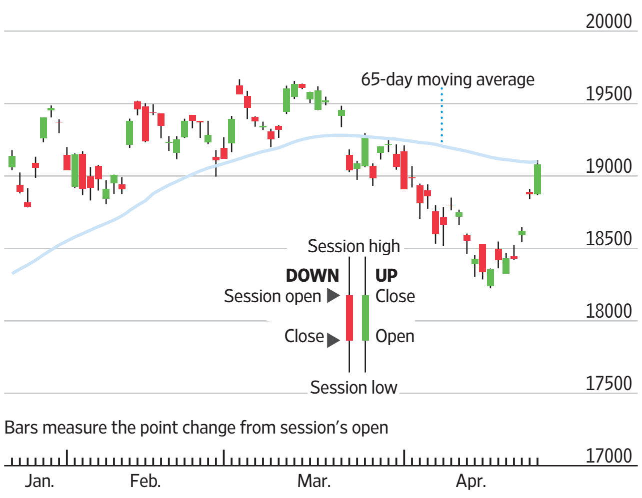
MARKETS DIGEST

Nikkei 225 Index

19079.33 ▲203.45, or 1.08%

High, low, open and close for each trading day of the past three months.

Year-to-date		▼0.18%
52-wk high/low	19633.75	14952.02
All-time high	38915.87	12/29/89



STOXX 600 Index

386.91 ▲0.82, or 0.21%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲7.05%
52-wk high/low	386.91	308.75
All-time high		414.06 4/15/15

S&P 500 Index

Data as of 12 p.m. New York time

2389.21 ▲15.06, or 0.63%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.39	24.11
P/E estimate *	18.24	17.80
Dividend yield	1.98	2.17
All-time high:	2395.96, 03/01/17	

* P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2737.90	23.08	0.85	2193.75	2739.28	8.3
	MSCI EAFE	1836.97	11.20	0.61	1471.88	1956.39	7.0
	MSCI EM USD	981.37	10.01	1.03	691.21	1044.05	23.6
Americas	**DJ Americas**	575.83	3.07	0.54	480.90	577.65	6.6
Brazil	**Sao Paulo Bovespa**	64445.75	56.74	0.09	48066.67	69487.58	7.0
Canada	**S&P/TSX Comp**	15776.80	64.34	0.41	13535.54	15943.09	3.2
Mexico	**IPC All-Share**	49677.49	264.23	0.53	43902.25	49821.47	8.8
Chile	**Santiago IPSA**	3732.95	1.18	0.03	2998.64	3786.05	15.8
U.S.	**DJIA**	21007.69	243.80	1.17	17063.08	21169.11	6.3
	Nasdaq Composite	6025.55	41.73	0.70	4574.25	6025.82	11.9
	S&P 500	2389.21	15.06	0.63	1991.68	2400.98	6.7
	CBOE Volatility	10.47	−0.37	−3.41	9.97	26.72	−25.4
EMEA	**Stoxx Europe 600**	386.91	0.82	0.21	308.75	386.91	7.1
	Stoxx Europe 50	3186.76	7.62	0.24	2626.52	3198.41	5.9
France	**CAC 40**	5277.88	9.03	0.17	3955.98	5295.47	8.5
Germany	**DAX**	12467.04	12.06	0.10	9214.10	12482.90	8.6
Israel	**Tel Aviv**	1402.91	0.38	0.03	1372.23	1490.23	−4.6
Italy	**FTSE MIB**	20805.52	121.11	0.59	15017.42	20883.66	8.2
Netherlands	**AEX**	524.05	0.32	0.06	409.23	526.25	8.5
Russia	**RTS Index**	1120.89	4.31	0.39	873.58	1196.99	−2.7
Spain	**IBEX 35**	10783.10	16.30	0.15	7579.80	10828.80	15.3
Switzerland	**Swiss Market**	8775.24	63.92	0.73	7475.54	8787.37	6.8
South Africa	**Johannesburg All Share**	53257.44	336.03	0.63	48935.90	54704.22	5.1
Turkey	**BIST 100**	94634.91	832.10	0.89	70426.16	94634.91	21.1
U.K.	**FTSE 100**	7275.64	10.96	0.15	5788.74	7447.00	1.9
Asia-Pacific	**DJ Asia-Pacific TSM**	1564.74	9.22	0.59	1308.52	1570.38	10.0
Australia	**S&P/ASX 200**	5871.80	...	Closed	5103.30	5934.00	3.6
China	**Shanghai Composite**	3134.57	5.04	0.16	2806.91	3288.97	1.0
Hong Kong	**Hang Seng**	24455.94	316.46	1.31	19694.33	24593.12	11.2
India	**S&P BSE Sensex**	29943.24	287.40	0.97	25101.73	29974.24	12.5
Indonesia	**Jakarta Composite**	5680.80	16.32	0.29	4704.22	5680.80	7.3
Japan	**Nikkei Stock Avg**	19079.33	203.45	1.08	14952.02	19633.75	−0.2
Malaysia	**Kuala Lumpur Composite**	1765.80	9.75	0.56	1614.90	1765.80	7.6
New Zealand	**S&P/NZX 50**	7222.94	...	Closed	6664.21	7571.11	5.0
Pakistan	**KSE 100**	49785.17	−326.50	−0.65	33847.74	50192.36	4.1
Philippines	**PSEi**	7700.46	111.58	1.47	6563.67	8102.30	12.6
Singapore	**Straits Times**	3163.93	19.90	0.63	2729.85	3187.51	9.8
South Korea	**Kospi**	2196.85	23.11	1.06	1925.24	2196.85	8.4
Taiwan	**Weighted**	9841.71	123.76	1.27	8053.69	9972.49	6.4
Thailand	**SET**	1562.27	−2.39	−0.15	1381.69	1591.00	1.3

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	1.669	40.6	43.5	51.5	122.1	1.669	1.767	2.059
4.750	10	2.607	30.0	33.2	34.8	72.7	2.607	2.761	2.643
3.000	**Belgium** 2	-0.496	-175.8	-175.2	-175.8	-131.0	-0.519	-0.505	-0.472
0.800	10	0.825	-148.1	-150.1	-152.9	-142.9	0.774	0.883	0.488
0.000	**France** 2	-0.402	-166.4	-167.8	-174.6	-128.9	-0.444	-0.493	-0.451
1.000	10	0.891	-141.6	-144.2	-141.7	-130.8	0.833	0.996	0.608
0.000	**Germany** 2	-0.682	-194.4	-192.9	-199.2	-133.0	-0.696	-0.739	-0.492
0.250	10	0.376	-193.1	-194.5	-200.6	-165.0	0.330	0.406	0.266
0.300	**Italy** 2	-0.057	-131.9	-130.0	-133.1	-83.4	-0.067	-0.078	0.004
2.200	10	2.263	-4.4	-8.6	-18.5	-38.0	2.190	2.228	1.537
0.100	**Japan** 2	-0.208	-147.0	-144.2	-151.2	-110.8	-0.209	-0.259	-0.270
0.100	10	0.021	-228.5	-225.3	-234.8	-198.7	0.022	0.065	-0.071
4.000	**Netherlands** 2	-0.600	-186.2	-186.4	-199.0	-132.4	-0.631	-0.738	-0.486
0.750	10	0.605	-170.2	-170.9	-176.2	-156.8	0.566	0.651	0.349
4.750	**Portugal** 2	0.371	-89.2	-89.1	-133.6	-57.6	0.343	-0.084	0.263
4.125	10	3.576	127.0	126.5	138.6	120.1	3.540	3.799	3.117
2.750	**Spain** 2	-0.225	-148.7	-145.6	-145.0	-86.2	-0.223	-0.197	-0.023
1.500	10	1.656	-65.1	-67.0	-71.7	-27.3	1.605	1.696	1.644
4.250	**Sweden** 2	-0.628	-189.1	-188.7	-180.8	-122.3	-0.653	-0.556	-0.385
1.000	10	0.649	-165.8	-168.1	-173.6	-97.2	0.595	0.676	0.945
1.750	**U.K.** 2	0.112	-115.0	-115.0	-110.0	-30.5	0.083	0.153	0.533
4.250	10	1.080	-122.6	-122.4	-121.5	-30.6	1.051	1.198	1.611
1.250	**U.S.** 2	1.262	...	...	...	...	1.234	1.253	0.838
2.250	10	2.307	...	...	...	...	2.275	2.413	1.917

Commodities

Prices of futures contracts with the most open interest — 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 4/24/2017

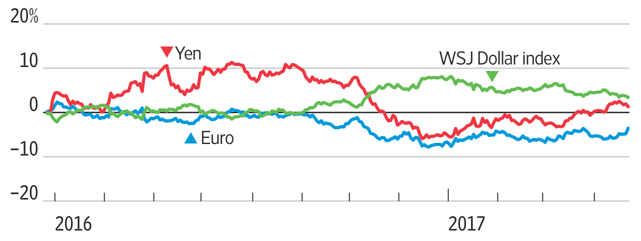
Commodity	Exchange	Last price	One-Day Change: Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	372.25	6.75	1.85%	393.75	360.75
Soybeans (cents/bu.)	CBOT	967.50	-4.25	-0.44%	1,092.50	941.25
Wheat (cents/bu.)	CBOT	424.25	5.00	1.19	488.75	416.00
Live cattle (cents/lb.)	CME	114.925	0.075	0.07	117.575	103.150
Cocoa ($/ton)	ICE-US	1,854	38	2.09	2,270	1,756
Coffee (cents/lb.)	ICE-US	132.65	0.75	0.57	161.55	130.50
Sugar (cents/lb.)	ICE-US	16.29	-0.03	-0.18	20.81	16.17
Cotton (cents/lb.)	ICE-US	78.78	-0.01	-0.01	80.27	71.86
Robusta coffee ($/ton)	ICE-EU	1913.00	-23.00	-1.19	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.5910	0.0260	1.01	2.8400	2.4905
Gold ($/troy oz.)	COMEX	1268.60	-8.90	-0.70	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	17.745	-0.187	-1.04	18.725	16.100
Aluminum ($/mt)*	LME	1,933.50	-6.00	-0.31	1,972.00	1,688.50
Tin ($/mt)*	LME	19,550.00	-350.00	-1.76	21,225.00	18,760.00
Copper ($/mt)*	LME	5,644.00	11.00	0.20	6,156.00	5,518.00
Lead ($/mt)*	LME	2,159.00	18.00	0.84	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,612.00	7.00	0.27	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,350.00	-110.00	-1.16	11,095.00	9,350.00
Rubber (Y.01/ton)	TCE	220.90	3.70	1.70	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2486.00	-44.00	-1.74	3,004.00	2,450.00
Crude oil ($/bbl.)	NYMEX	49.07	-0.16	-0.33	57.95	47.58
NY Harbor ULSD ($/gal.)	NYMEX	1.5403	-0.0075	-0.48	1.7833	1.4910
RBOB gasoline ($/gal.)	NYMEX	1.6128	-0.0130	-0.80	1.9012	1.5908
Natural gas ($/mmBtu)	NYMEX	3.136	-0.024	-0.76	3.5410	2.8170
Brent crude ($/bbl.)	ICE-EU	52.01	-0.12	-0.23	60.09	50.29
Gas oil ($/ton)	ICE-EU	465.00	-2.00	-0.43	526.50	448.00

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on April 25

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0648	15.4271	−2.8
Brazil real	0.3161	3.1634	−2.8
Canada dollar	0.7346	1.3613	1.3
Chile peso	0.001510	662.20	−1.1
Colombia peso	0.0003445	2902.92	−3.3
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0528	18.9238	−8.7
Peru sol	0.3081	3.2458	−3.2
Uruguay peso-e	0.0353	28.330	−3.5
Venezuela bolivar	0.099227	10.08	0.8
Asia-Pacific			
Australia dollar	0.7533	1.3275	−4.4
China yuan	0.1452	6.8858	−0.8
Hong Kong dollar	0.1285	7.7797	0.3
India rupee	0.0155	64.3249	−5.3
Indonesia rupiah	0.0000753	13286	−1.8
Japan yen	0.009008	111.01	−5.1
Kazakhstan tenge	0.003203	312.19	−6.4
Macau pataca	0.1251	7.9914	0.9
Malaysia ringgit-c	0.2291	4.3643	−2.7
New Zealand dollar	0.6944	1.4401	−0.3
Pakistan rupee	0.0095	104.725	0.3
Philippines peso	0.0201	49.655	0.1
Singapore dollar	0.7178	1.3932	−3.7
South Korea won	0.0008865	1127.97	−6.6
Sri Lanka rupee	0.0065815	151.94	2.4
Taiwan dollar	0.03325	30.071	−7.3
Thailand baht	0.02906	34.410	−3.9
Europe			
Bulgaria lev	0.5586	1.7903	−3.7
Croatia kuna	0.1465	6.824	−4.9
Euro zone euro	1.0941	0.9140	−3.8
Czech Rep. koruna-b	0.0407	24.565	−4.4
Denmark krone	0.1470	6.8010	−3.8
Hungary forint	0.003510	284.87	−3.2
Iceland krona	0.009406	106.31	−5.9
Norway krone	0.1169	8.5515	−1.1
Poland zloty	0.2588	3.8633	−7.7
Russia ruble-d	0.01780	56.195	−8.3
Sweden krona	0.1141	8.7675	−3.7
Switzerland franc	1.0069	0.9931	−2.5
Turkey lira	0.2792	3.5823	1.7
Ukraine hryvnia	0.0376	26.6190	−1.7
U.K. pound	1.2837	0.7790	−3.8
Middle East/Africa			
Bahrain dinar	2.6527	0.3770	−0.05
Egypt pound-a	0.0555	18.0035	−0.7
Israel shekel	0.2746	3.6417	−5.4
Kuwait dinar	3.2835	0.3046	−0.3
Oman sul rial	2.5970	0.3851	0.02
Qatar rial	0.2747	3.641	0.02
Saudi Arabia riyal	0.2666	3.7505	−0.01
South Africa rand	0.0763	13.1074	−4.3

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.51	0.10	0.11	−3.69

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Apr 25

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3275	1.6973	1.3364	0.0120	0.1706	1.4521	0.9751	...
Canada	1.3613	1.7473	1.3706	0.0123	0.1750	1.4892	...	1.0255
Euro	0.9140	1.1733	0.9203	0.0082	0.1175	...	0.6715	0.6887
Hong Kong	7.7797	9.9860	7.8337	0.0701	...	8.5105	5.7152	5.8612
Japan	111.0080	142.5000	111.7700	...	14.2690	121.4400	81.5500	83.6200
Switzerland	0.9931	1.2748	...	0.0089	0.1277	1.0867	0.7296	0.7483
U.K.	0.7790	...	0.7844	0.0070	0.1001	0.8524	0.5723	0.5869
U.S.	...	1.2837	1.0069	0.0090	0.1285	1.0941	0.7346	0.7533

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	0.99222%	0.43770%
Three month	1.17039	0.63435
Six month	1.42361	0.91190
One year	1.77483	1.24260
Euro Libor		
One month	-0.39571%	-0.34914%
Three month	-0.36143	-0.27286
Six month	-0.25871	-0.15643
One year	-0.14329	-0.03014
Euribor		
One month	-0.37100%	-0.34300%
Three month	-0.32900	-0.25200
Six month	-0.24800	-0.14300
One year	-0.12100	-0.01400
Yen Libor		
One month	-0.01507%	-0.06600%
Three month	0.00850	-0.03864
Six month	0.03357	-0.01143
One year	0.13500	0.07579
	Offer	Bid
Eurodollars		
One month	1.1000%	1.0000%
Three month	1.2000	1.1000
Six month	1.3500	1.2500
One year	1.6000	1.5000
	Latest	52 wks ago
Prime rates		
U.S.	4.00%	3.50%
Canada	2.70	2.70
Japan	1.475	1.475
Hong Kong	5.00	5.00
Policy rates		
ECB	0.00%	0.00%
Britain	0.25	0.50
Switzerland	0.50	0.50
Australia	1.50	2.00
U.S. discount	1.50	1.00
Fed-funds target	0.75-1.00	0.25-0.50
Call money	2.75	2.25
Overnight repurchase rates		
U.S.	0.91%	0.39%
Euro zone	n.a.	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

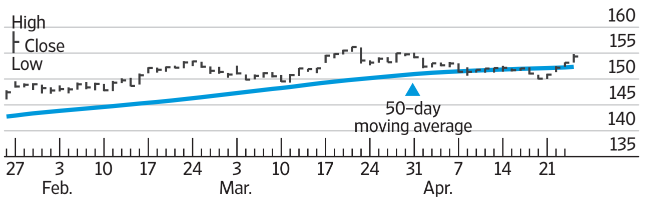
Top Stock Listings

12 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	50.35	1.10	15.09
¥	AstellasPharma	4503	1552.50	0.16	-4.37
AU$	AustNZBk	ANZ	31.98	0.53	5.13
AU$	BHP	BHP	23.94	-0.42	-4.47
HK$	BankofChina	3988	3.77	1.89	9.59
HK$	CKHutchison	0001	96.85	1.89	10.18
HK$	CNOOC	0883	9.08	0.22	-6.39
AU$	CSL	CSL	128.59	0.13	28.06
¥	Canon	7751	3560.00	1.69	8.04
¥	CentralJapanRwy	9022	19000	2.29	-1.20
HK$	ChinaConstructnBk	0939	6.35	1.93	6.37
HK$	ChinaLifeInsurance	2628	23.45	1.96	16.09
HK$	ChinaMobile	0941	83.20	0.48	1.22
HK$	ChinaPetro&Chem	0386	6.43	2.06	16.91
AU$	CmwlthBkAust	CBA	86.23	0.69	4.64
¥	EastJapanRailway	9020	9938.00	1.18	-1.60
¥	Fanuc	6954	22835	0.20	15.24
¥	Hitachi	6501	596.90	1.08	-5.55
TW$	Hon Hai Precisn	2317	97.90	0.93	16.27
¥	HondaMotor	7267	3189.00	0.76	-6.62
KRW	HyundaiMtr	005380	144500	2.12	-1.03
HK$	Ind&Comml	1398	5.10	2.20	9.68
¥	JapanTobacco	2914	3762.00	0.70	-2.13
¥	KDDI	9433	2893.50	-1.55	-2.23
¥	Mitsubishi	8058	2356.00	1.73	-5.38
¥	MitsubishiElectric	6503	1508.00	1.45	-7.46
¥	MitsubishiUFJFin	8306	703.10	2.19	-2.37
¥	Mitsui	8031	1552.00	1.77	-3.42
¥	Mizuho Fin	8411	202.10	2.02	-3.67
¥	NTTDoCoMo	9437	2580.00	-2.14	-3.12
AU$	NatAustBnk	NAB	33.37	0.91	8.80
¥	NipponTeleg	9432	4778.00	-1.57	-2.73
¥	NissanMotor	7201	1057.00	1.68	-10.08
¥	Panasonic	6752	1334.50	2.03	12.19
HK$	PingAnInsofChina	2318	43.20	1.89	11.34
$	RelianceIndsGDR	RIGD	44.55	0.68	41.20
KRW	SamsungElectronics	005930	2135000	3.54	18.48
¥	Seven&I Hldgs	3382	4601.00	0.83	3.32
¥	SoftBankGroup	9984	8342.00	2.06	7.43
¥	Sony	6758	3715.00	-0.40	13.44
¥	Sumitomo Mitsui	8316	4101.00	1.21	-8.05
HK$	SunHngKaiPrp	0016	116.20	1.04	18.57
TW$	TaiwanSemiMfg	2330	192.00	1.05	5.79
¥	TakedaPharm	4502	5334.00	0.30	10.32
HK$	TencentHoldings	0700	242.80	2.02	27.99
¥	TokioMarineHldg	8766	4696.00	1.78	-2.09
¥	ToyotaMtr	7203	6000.00	1.92	-12.77
AU$	Wesfarmers	WES	43.75	-0.32	3.82
AU$	WestpacBanking	WBC	34.61	0.76	6.17
AU$	Woolworths	WOW	26.67	0.60	10.66
	Stoxx 50				
CHF	ABB	ABBN	23.96	0.84	11.55
€	ASMLHolding	ASML	123.10	0.37	15.42
€	AXA	CS	25.00	-0.12	4.23
€	AirLiquide	AI	110.95	0.18	5.02
€	Allianz	ALV	175.50	0.20	11.78
€	AB InBev	ABI	104.50	0.63	3.93
£	AstraZeneca	AZN	4688.00	0.55	5.65
€	BASF	BAS	92.16	-0.40	4.36
€	BNP Paribas	BNP	66.95	0.44	10.57
£	BT Group	BT.A	313.45	-0.18	-14.57
€	BancoBilVizAr	BBVA	7.63	0.21	20.15
€	BancoSantander	SAN	6.04	0.67	21.80
£	Barclays	BARC	222.80	1.64	-0.29
€	Bayer	BAYN	108.45	-0.23	9.40
£	BP	BP.	449.25	-0.01	-11.84
£	BritishAmTob	BATS	5290.00	-0.71	14.47
€	Daimler	DAI	68.70	1.36	-2.86
€	DeutscheTelekom	DTE	16.46	0.64	0.64
£	Diageo	DGE	2259.00	-0.09	7.06
€	ENI	ENI	14.48	-0.41	-6.40
£	GlaxoSmithKline	GSK	1599.00	0.88	2.37
£	HSBC Hldgs	HSBA	642.50	0.66	-2.19
€	INGGroep	INGA	14.98	-0.53	12.08
£	ImperialBrands	IMB	3817.00	-0.50	7.75
€	IntesaSanpaolo	ISP	2.76	2.00	13.60
€	LVMHMoetHennessy	MC	223.15	3.94	23.02
£	LloydsBankingGroup	LLOY	66.95	1.07	7.10
€	LOreal	OR	184.65	-0.49	6.49
£	NationalGrid	NG.	1010.50	-0.69	6.19
CHF	Nestle	NESN	77.20	-0.13	5.68
CHF	Novartis	NOVN	75.70	2.16	2.16
DKK	NovoNordiskB	NOVO-B	253.70	1.48	-0.39
£	Prudential	PRU	1694.00	0.15	4.09
£	ReckittBenckiser	RB.	7305.00	...	6.08
£	RioTinto	RIO	3099.50	-0.42	-1.87
CHF	RocheHldgctf	ROG	257.00	0.78	10.49
£	RoyDtchShell A	RDSA	2044.50	0.57	-8.83
€	SAP	SAP	93.13	0.15	12.46
€	Sanofi	SAN	85.09	0.29	10.65
€	SchneiderElectric	SU	73.92	-0.38	11.81
€	Siemens	SIE	132.70	-0.04	13.61
CHF	Syngenta	SYNN	456.80	0.82	13.49
€	Telefonica	TEF	10.52	0.29	19.22
€	Total	FP	47.83	...	-0.86
CHF	UBSGroup	UBSG	16.53	1.22	3.64
€	Unilever	UNA	48.00	-0.50	22.72
£	Unilever	ULVR	4014.50	-0.16	21.93
€	Vinci	DG	77.72	0.90	20.12
£	VodafoneGroup	VOD	202.50	-0.05	1.33
CHF	ZurichInsurance	ZURN	273.00	0.66	-2.64
	DJIA				
$	AmericanExpress	AXP	80.72	0.34	8.97
$	Apple	AAPL	144.63	0.69	24.87
$	Boeing	BA	183.25	0.66	17.71
$	Caterpillar	CAT	103.16	6.55	11.23
$	Chevron	CVX	106.54	0.58	-9.48
$	CiscoSystems	CSCO	33.42	0.44	10.61
$	Coca-Cola	KO	43.30	0.06	4.45
$	Disney	DIS	115.19	1.31	10.53
$	DuPont	DD	81.43	2.60	10.94
$	ExxonMobil	XOM	81.71	0.74	-9.47
$	GeneralElec	GE	29.45	-0.36	-6.82
$	GoldmanSachs	GS	226.40	1.42	-5.45
$	HomeDepot	HD	153.30	0.93	14.33
$	Intel	INTC	36.91	0.45	1.78
$	IBM	IBM	161.46	0.44	-2.73
$	JPMorganChase	JPM	88.58	1.23	2.65
$	J&J	JNJ	123.60	0.58	7.28
$	McDonalds	MCD	140.66	4.79	15.56
$	Merck	MRK	62.67	0.85	6.45
$	Microsoft	MSFT	67.95	0.63	9.36
$	Nike	NKE	55.50	0.05	9.19
$	Pfizer	PFE	33.91	0.49	4.39
$	Procter&Gamble	PG	89.97	0.47	7.01
$	3M	MMM	194.94	0.37	9.17
$	Travelers	TRV	121.53	0.80	-0.72
$	UnitedTech	UTX	116.77	0.39	6.52
$	UnitedHealth	UNH	174.40	1.20	8.97
$	Visa	V	92.17	0.35	18.14
$	Verizon	VZ	46.95	-0.20	-12.04
$	Wal-Mart	WMT	75.00	0.30	8.51

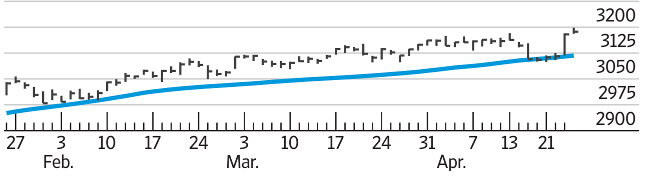
Asia Titans 50

Last: **154.35** ▲ 1.20, or 0.79% — YTD ▲ **9.5%**



Stoxx 50

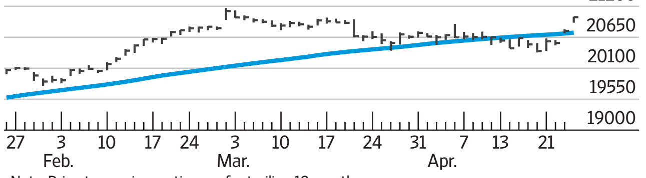
Last: **3186.76** ▲ 7.62, or 0.24% — YTD ▲ **5.9%**



Dow Jones Industrial Average

P/E: 21

Last: **21007.69** ▲ 243.80, or 1.17% — YTD ▲ **6.3%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

WeWork Plans 'Co-Working' for Giants

Communal-office pioneer for startups now wants to oversee facilities at big firms

BY PETER GRANT

PEI XIN/XINHUA/ZUMA PRESS

A WeWork branch in Shanghai, shown last year. WeWork says it can manage facilities for large firms at a lower cost than traditional real-estate firms can.

WeWork Cos., the startup that caters to entrepreneurs and small companies looking for communal office space and short-term commitments, is launching a new business that will put it into direct competition with **CBRE Group** Inc., **JLL** and other established giants in the commercial real-estate services industry.

WeWork, a pioneer of the "co-working" office-space trend popular in the technology and startup worlds, wants to take over the design, development and management of major facilities for some of the world's top companies. WeWork executives say they can do this at lower cost and with better workplace results than traditional real-estate firms.

WeWork, which is valued at about $17 billion and has more than 135 locations in 14 countries, is offering to create personalized WeWork centers for big companies that employ hundreds or even thousands of workers.

Many of these centers will resemble WeWork facilities, which use food, beverages, events, games and new concepts in design to encourage interaction and creativity.

David Fano, WeWork's chief product officer, said the difference between traditional offerings and WeWork is like the difference between Barnum & Bailey and Cirque du Soleil.

"We're trying to be entirely different: It's the hospitality, it's the amenities, it's the data and the analysis and truly understanding how you're leveraging your real estate," he said.

Executives at traditional real-estate companies say they don't think WeWork is a big threat, partly because they offer a much wider range of designs and workplace concepts than WeWork does.

"One vibe doesn't fit all," said Laura Whelan, senior managing director at Savills Studley, a real-estate services firm.

WeWork's business until now has focused on leasing big blocks of space in urban settings and converting it into trendy co-working centers available to entrepreneurs, tech firms, startups and other companies. Customers can rent a desk, an office or entire floors on a month-to-month basis.

The new centers will be leased by the companies but managed by WeWork for fees. There likely will be a modest "powered by WeWork" logo somewhere on the site, but the branding will mostly be of the companies leasing the space. WeWork will make most of its money on the monthly service contracts.

"We're not going to just do design and construction services," Mr. Fano said. "What we really want to do is help them with their culture and their environment and reinvigorate the business."

WeWork plans to add dozens of people for the new business, which it calls Onsite Solutions.

WeWork executives say they will be able to build installations at lower costs than competitors because WeWork is expanding rapidly, adding new facilities throughout the world. "We get volume discounts and we can pass those through," Mr. Fano said.

But real-estate industry executives predict WeWork will have a hard time convincing many companies to hand over soup-to-nuts development and management of new office space. Most major space users have in-house departments with long-term relationships with architects, brokers, construction companies and others that they will be reluctant to give up.

Mr. Fano acknowledged this is an issue. "We're trying to tread lightly," he said.

Commercial real-estate firms also can be expected to fight fiercely to protect their turf in the facilities development and management business. In recent years, they have invested heavily in the business as they have tried to diversify beyond commissions, which fluctuate widely. In 2015, for example, CBRE purchased Johnson Controls' facility management business, named Global Workplace Solutions, for $1.48 billion.

Major commercial real-estate services firms now make about 50% to 70% of their revenue from recurring sources like facility management, compared with 25% to 35% a decade ago, according to Brandon Dobell, an analyst at William Blair.

Of JLL's $6.8 billion in revenue last year, $3.1 billion was revenue from managing projects and properties. Because it also has a huge brokerage business, JLL gets involved with tenants even before they are looking for space.

JLL began working on co-working concepts long before they became fashionable, said Maureen Ehrenberg, president of JLL's Global Integrated Facilities Management division. New workplace designs "aren't something that just happened," she said.

Analysts say it will take a few years to determine how much of a threat WeWork poses to traditional firms. "You're at the start of something that's evolving," said Mitchell Germain, an analyst at JMP Securities.

Call Centers Are Going to the Mall

BY ESTHER FUNG

A giant home-goods retailer is moving into an indoor mall west of Orlando this summer, but it isn't opening a store.

Instead, **Bed Bath & Beyond** Inc. is leasing roughly 75,000 square feet at West Oaks Mall for a call center, taking up about a third of the space that was formerly occupied by a Belk department store.

While retailers look to pare back traditional brick-and-mortar retail space, some landlords are looking to repurpose struggling centers by offering portions of them for back-office facilities to support orders placed online.

Malls could also meet a rising industrial real-estate demand from e-tailers and logistics companies that are scouting for locations closer to where people live as they compete to offer speedier delivery to customers.

The moves also show how internet retailing and changing shopping preferences are beginning to reshape real estate and local labor markets. By walling off sections of previously vacant retail space, landlords are making more efficient use of their properties even as they create new employment centers and alter the look and feel of venues that have been centerpieces of communities.

Private-equity firm Moonbeam Capital Investments LLC, which owns West Oaks Mall, said it is transforming the 1.1-million-square-foot property—which has a 14-screen AMC movie-theater complex and anchor tenants such as J.C. Penney and Dillard's—into a mixed-use office and retail building.

Before the recent deal with Bed Bath & Beyond, Conduent Inc., formerly the services business of Xerox Corp., leased almost half of the 144,907 square feet previously occupied by Sears for a back-office customer-service center to process toll transactions for the Florida Department of Transportation. Together with Bed Bath's center, these offices will employ as many as 1,000 people when fully staffed, Moonbeam said.

"It's a little more reassuring that we're going to get paid regardless of how well they are doing," said Steven Maksin, founder and chief executive officer of Moonbeam Capital.

The firm owns eight enclosed malls across the U.S., as well as open-air shopping centers, outlets, residential and hotel assets, and specializes in buying and repositioning distressed properties.

Moonbeam had bought the struggling mall from foreclosure proceedings in 2012 for $15.9 million and had been weighing options for the property. At that time, the single-story mall was 60% occupied.

Mall landlords need to provide renderings to help prospective office tenants view how doors, walls and windows might look in a space that is still a store, said Casey Barnes, vice president of business development at Orlando Economic Partnership, a not-for-profit, public/private partnership in Central Florida.

Mr. Barnes said he had toured the Sears store at West Oaks Mall years ago with a firm that was looking for space for its software engineers but in the end decided on a regular office building. "There were lawn mowers in the store," said Mr. Barnes, who added that the tenant couldn't visualize the space for office use.

Apart from West Oaks, the arrival of office workers, in particular from the technology sectors, has helped revitalize once-bustling retail spots such as Church Street Station in Orlando that had suffered in the 2000s after Disney and its surrounding real estate took a lot of business, Mr. Barnes said.

West Oaks Mall opened in 1996 with four department-store anchors. It was the dominant shopping mall for a while, but suffered during the recession and from competition from a newer, open-air shopping center about a 17-minute drive away.

"Is it better for me to find 20 3,000-square-foot tenants or is it better to find one tenant to take the whole space that would pay more money?" asked Mr. Maksin. "Retailers are not earning as much as before."

Mr. Maksin says businesses like the idea of call centers in malls because the centers have big parking lots and food and beverage options already available for the staff. Office towers often have tighter configurations that can pack more people, but that also triggers greater demand for parking.

Bed Bath & Beyond, which also has a call center in a building next to Layton Hills Mall near Salt Lake City, didn't respond to requests to comment.

Some real-estate consultants say putting a call center in a mall to fill up space is generally seen as a short-term fix that hurts the long-term viability of the building as a retail center, because stores live off each other.

"It's like pulling roof shingles off your house to put in a fireplace," said Jim Fagan, senior managing director at Cushman & Wakefield of Connecticut Inc., overseeing the Stamford, Conn., Westchester County and New York offices.

MOONBEAM CAPITAL INVESTMENTS

West Oaks Mall in Ocoee, Fla., will be getting a Bed Bath & Beyond call center soon.

New Jersey's Office Market Is in a Slump

BY KEIKO MORRIS

Office leasing in New Jersey hit its lowest levels in years in the first quarter, as aging, underused buildings and corporate consolidation weighed on activity, according to market reports and brokers.

Landlords of top-quality buildings in transit-rich areas and those investing in significant upgrades or major redevelopments signed some significant lease deals. But they weren't enough to turn the overall tide.

A report from real-estate services firm JLL said the New Jersey office market posted 1.75 million square feet of new and renewed lease deals—the lowest quarterly leasing activity since the second quarter of 2008, when leasing totaled 1.7 million square feet. The vacancy rate rose to 24.9%, up 0.3 percentage point from the same time last year.

An analysis from real-estate services firm Colliers International showed the first quarter's office leasing slowing, with 2.4 million square feet of leases, the lowest quarterly total since the second quarter of 2014, when the total was 1.86 million square feet. Colliers's data include the three quality levels of office buildings—Classes A, B and C—while JLL tracks only the highest and midtier buildings, known as Class A and B office space.

"Most of the demand was fueled by smaller-sized leases rather than the 100,000-square-foot-plus transactions needed to put a significant dent in the state's vacancy rate," Stephen Jenco, vice president of Suburban Research at JLL, said in the report.

Over the years, mergers and consolidations of large firms, especially pharmaceutical companies, have left big vacancies and empty, obsolete suburban campuses that fell out of favor with tenants looking for urban conveniences and amenities.

In recent years, companies nationwide often have opted for open-office layouts and communal workspaces, cutting the average amount of space allotted per worker to 150 square feet from 250 square feet, brokers said.

But many said the statewide leasing activity was only one part of a more complex picture. The highest-quality buildings, with locations near easily accessible transportation options and highways, leased space quickly and at higher rents, brokers said. And owners of suburban properties who are adding downtown conveniences such as restaurants, fitness centers and coffee bars are emerging as winners in the market.

The vacancy rate likely will improve as empty office properties are redeveloped for residential and other uses. Mack-Cali Realty Corp., for example, has been pursuing a strategy to repurpose obsolete office properties and focus its office portfolio in urban and transit-oriented areas.

Consolidations of large firms have left vacancies and empty suburban campuses.

Quarterly leasing for new deals averaged 2.49 million square feet from 2005 to 2007, said Will Forcello, research manager for the tri-state suburbs at real-estate services firm CBRE Group Inc. But a "new normal" began to unfold in 2008, he said, and since then quarterly leasing has averaged 1.69 million square feet. By comparison, the 2.3 million square feet of leasing CBRE tracked for the first quarter was strong, he said.

Big redevelopments such as Bell Works, a revitalization of the historic Bell Labs building in Holmdel, has drawn a number of companies. The average age of New Jersey's office buildings is 37 years old, Mr. Forcello said.

"Suburban destinations can and will pull demand if landlords can provide what is undersupplied in New Jersey—cool space and modern infrastructure," Mr. Forcello said.

Aramco Valuation Is Questioned

People working on IPO think Saudi prince's $2 trillion estimate is far too high

RIYADH—Officials at **Saudi Arabian Oil** Co. have told their superiors there is a hitch in the plans to take the state-owned oil company public: It is likely worth at least $500 billion less than the government previously suggested.

By Summer Said, Bradley Hope and Justin Scheck

The country's deputy crown prince, who is leading a push to overhaul the economy, has pegged the value of the company known as Saudi Aramco at $2 trillion. But officials working on the deal have struggled to come up with a scenario under which Saudi Aramco is worth more than $1.5 trillion, according to people familiar with the matter, even after factoring in a recent tax cut and other tools the government has to make it more attractive investors.

By selling up to 5% of shares in an initial public offering targeted for next year, the government plans to raise billions of dollars that it can use to invest in other industries as part of a plan to reduce its dependence on oil.

The valuation discrepancy raises new challenges for a deal that is already fraught with complexity and facing opposition within the ranks of the kingdom's government bureaucracy, according to people familiar with the matter.

About two dozen employees have been working since last year to try and figure how to take Aramco public, and have been exploring ways to restructure Aramco to maximize its value, say people familiar with the process.

The team has determined several variables—or what some call "levers"—likely to affect the price investors will pay for shares of the world's largest oil producer, according to internal documents reviewed by The Wall Street Journal and people familiar with the process.

But no matter how they pull those levers, which include the price of oil and Saudi tax policy, Aramco's projected value tops out at about $1.5 trillion, these people say.

The Saudi government last month said it is reducing Aramco's tax rate to 50% from 85%, bringing its tax rate closer to the level of the world's biggest oil companies such as **Exxon Mobil** and Royal Dutch Shell.

That move would result in higher dividends for potential shareholders, and it brought Aramco's internal value estimates to $1.3 trillion to $1.5 trillion from about half a trillion dollars, say people involved in the process.

Members of the internal Aramco IPO team took their figures to the company's chairman, Khalid al-Falih, who is also Saudi Arabia's energy minister, say people familiar with the matter.

One of those people said some of the Aramco team members are concerned because their calculations have consistently yielded lower numbers than the one the prince disclosed.

Saudi government officials say Aramco's high reserves and low costs should make the company attractive to investors. "Our profitability is higher than others and the interest we have received so far is huge," said one official who defended the $2 trillion number.

Some of the banks pitching for a role in the advising and underwriting of the deal have been given minimal information on the company's financials, one person familiar with the pitching process said.

Bankers have offered company executives advice on how they might position the offering to investors to garner the highest valuation and how Aramco would compare with other oil and gas companies, this person said.

Yet even absent the specific financial information, this person said that it appeared highly unlikely that Aramco could achieve a valuation anywhere near $2 trillion unless it paid no taxes or royalties.

Since Deputy Crown Prince Mohammed bin Salman announced the stock-offering plan and his $2 trillion estimate early last year, insiders and outsiders have questioned how he arrived at that number.

One Aramco official called the figure "unrealistic and mind blowing."

A lower valuation means the IPO would fetch less money for the kingdom to invest under the Vision 2030 plan championed by the deputy crown prince.

Also, the remaining Aramco shares in Saudi hands would be less valuable than the prince forecasts, lowering the amount of money the kingdom could borrow against those shares to fund economic diversification.

Of course, regardless of where the company sells shares to the public in an IPO, its market cap or valuation will change as soon as it starts trading as investors make daily determinations of its current and future value.

Aramco produces nearly 10 million barrels of oil a day, more than twice the output of Exxon Mobil, which is valued at $337 billion. Aramco has among the world's lowest production costs—Saudi oil tends to be cheap to pump—and says its reserves total about 260 billion barrels.

But shares in state-controlled oil companies tend to trade at a discount to their independent peers, largely out of investor concern that a controlling regime could make decisions that don't benefit minority investors.

For example, there is no way to be assured the tax rate will remain at 50%, said Nat Kern, president of Washington-based consulting firm Foreign Reports, which focuses on the Middle East and oil. "Most oil-producing countries are taking about 90% of crude sales" in taxes and other payments, he said.

Questions about Aramco's valuation surfaced earlier this year when a report for potential investors prepared by oil-industry consultant **Wood Mackenzie** Ltd. put Aramco's value at around $400 billion, according to a client who attended a private Wood Mackenzie briefing. The estimate, based on the 85% tax rate, surfaced in other media.

That number was also close to an internal estimate Aramco's IPO team came up with before the tax rate was reduced, say people familiar with the matter.

Now, some officials inside the company and in government have privately suggested reevaluating the listing, say people familiar with the matter, and perhaps reducing its size or delaying it.

So far, Prince Mohammed and his staff seem unlikely to do so, say people familiar with the matter. "This IPO will happen regardless of the valuation they may receive," according to the government official who called the $2 trillion-dollar number "mind-blowing."

—Maureen Farrell contributed to this article.


BANDAR ALGALOUD/SAUDI ROYAL COURT//REUTERS
Saudi Deputy Crown Prince Mohammed bin Salman has said the state oil firm is worth $2 trillion.

Oil Price Declines For 7th Session

By Sarah McFarlane And Jenny W. Hsu

Oil prices continued their slide amid continued doubt that the global glut of the fuel is being drained.

U.S. crude futures were down 16 cents, or 0.3%, to $49.07 a barrel in morning trading on the New York Mercantile Exchange. Brent, the global benchmark, was down 10 cents, or 0.19%, at $51.50 a barrel on ICE Futures Europe.

COMMODITIES

The slide followed six consecutive days of declines in the price, reflecting recent investor concern about the strength of rebounding U.S. oil production and ebbing faith that the **Organization of the Petroleum Exporting Countries** can effectively lead the market back into balance after several years of oversupply.

"Without signs that the overhang in the market is being eliminated, the market is showing real trouble justifying plus-$50 oil," said Gene McGillian, research manager for Tradition Energy.

OPEC and other major producers have agreed to cut production by 1.8 million barrels a day in the first half of 2017. But because stocks have remained high, traders and investors are now watching to see whether the cartel will extend the deal when it meets in May.

"Until OPEC announces an official decision on whether to extend the production cuts, the main focus of the market will be on that," said Nelson Wang, an energy analyst at **CLSA**.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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A Bubble Bursts in Hong Kong

Hong Kong's stock market is becoming a byword for dangerous bubble-blowing.

The latest stock to burst is **Fullshare Holdings**, a Chinese property developer valued at around $7 billion. Its stock slumped 12% on Tuesday, before the company suspended trading in its shares. The plunge came after California-based short seller **Glaucus Research**, which has shorted Fullshare, published a report claiming the stock is "one of the largest stock manipulation schemes trading on any exchange anywhere in the world."

Fullshare declined to comment, but said it would release a statement at a later point.

Glaucus's claim, which is based on analysis of trading patterns and Chinese filings, may be hard to prove. But in truth, investors should have spotted problems at Fullshare a while back. The company, which was valued at an eye-watering 10 times book value as recently as last autumn, has generated most of its profits recently from paper gains on its 8.2% stake in another developer, **Zall Group**, whose share price tripled last year. The problem: Zall earns most of its profit from a 3.5% stake in Fullshare, whose shares doubled last year. The bubbles in both companies' stocks have fed on each other. Zall declined to comment.

If that weren't enough, trading in Fullshare has also shown some unusual patterns. Glaucus says the stock has shown abnormally high returns in the final hour of trading—a pattern that was seen in previous Hong Kong stock bubbles. A look at trading data from FactSet from January to April this year seems to confirm the thesis. An investor buying Fullshare's stock one hour before the market close and selling it at close, would have made a 44% return over the period. A buy-and-hold strategy, however, would have lost the investor 14%.

Riskier still is the way both Fullshare and Zall have loaded up on debt using their overpriced stocks. As of December, Zall had pledged all its Fullshare stocks in return for a loan. Fullshare had likewise pledged a large portion of its financial assets, which are mainly Zall shares. Zall's chairman has pledged 8% of the company's shares to borrow money. If lenders to the companies are worried about the value of their collateral, they could dump the shares into the market, potentially leading to a stampede.

Who could suffer when the bubble finally pops? Passive funds that were forced to buy the company when MSCI added the stock to its indexes in November. **Vanguard**, for example, owns 1.4% while **BlackRock** has 0.9%, according to FactSet.

Fullshare's stock price has never been sustainable given its high valuation and lack of a strong underlying business, but the latest report could be the final straw.

—Jacky Wong

Emptying Out

Fullshare's stock price

10 $HK = $1.29
Sources: FactSet; SIPA via Zuma Press (photo)
THE WALL STREET JOURNAL.

Fullshare is based in Nanjing, China.

OVERHEARD

Exchange-traded funds have been by far the fastest-growing part of the financial-services industry.

It was only a matter of time, then, before there was an ETF designed to benefit from the boom.

Dubbed the **ETF Industry Exposure & Financial Services ETF** (yes, ETF appears in the name twice), the fund follows a booming sector of the industry.

According to Merrill Lynch, $2.9 trillion has flowed into ETFs in the past decade at the expense of traditional active mutual funds.

The fund includes shares of big ETF companies like **BlackRock**, but also names like **Nasdaq**, **Goldman Sachs** and **Morningstar** that only have a small portion of their businesses tied to ETFs.

But rest assured, the index that was created for the ETF to track was designed by a group of "finance industry thought leaders."

Merrill is less confident, dubbing the fund's launch as "Peak ETF."

Don't Fret At High Price Of Bard Buy

Look past the large numbers on the latest blockbuster health-care deal.

There is no doubt that medical supplier **Becton Dickinson**'s acquisition of **C.R. Bard** is a pricey one. Becton Dickinson is paying $24 billion in cash and stock to make the deal, which amounts to a 25% premium to C.R. Bard's previous closing price. That will leave a mark on the balance sheet: Combined company debt amounts to nearly five times trailing earnings before interest, taxes, depreciation and amortization.

The deal has a solid and simple strategic rationale. Years of hospital mergers mean more negotiating power among buyers of medical supplies and devices.

Consolidation on the supplier side is a natural response to that trend. Bard's portfolio of catheters and heart devices has minimal overlap with that of Becton Dickinson.

Becton Dickinson said that the transaction will boost gross margins by 3 percentage points once the deal closes. That should mean a boost to profits and lends credence to Becton Dickinson's deleveraging forecast—down to three times Ebitda over three years.

Making forecasts and delivering on those promises are two different things, of course, but on this front Becton Dickinson deserves more trust than most. The integration of CareFusion, Becton Dickinson's last major acquisition for $12 billion has exceeded management's forecasts.

Anxiety over the latest big splash gives management another chance to pleasantly surprise its investors.

—Charley Grant

Good Deal for LVMH at a High Price for Bernard Arnault

LVMH shares were too expensive for buybacks, the French luxury group's boss and controlling shareholder opined back in January.

Bernard Arnault has apparently changed his mind: Rationalizing his holdings in Christian Dior and LVMH will involve plowing more than €5.5 billion ($6 billion) of his family's capital into the companies.

Mr. Arnault bought the storied French fashion house Dior out of bankruptcy in 1985 and then used it to amass a stake in LVMH. This shareholding structure remains in place today: The Arnaults own 74% of Dior, which in turn owns 41% of LVMH. The family also owns about 6% of LVMH directly, taking their stake to roughly 36%, with voting rights well over 50%.

Now, Mr. Arnault wants to buy out the minority shareholders in Dior, which will cost over €12 billion. At the same time Dior is selling its eponymous fashion house to LVMH for €6.5 billion.

Why do this now, with LVMH and Christian Dior stock at record highs? The prospect of a victory by Emmanuel Macron in the French presidential election may have helped: The politician has promised to cut corporate tax to 25% from 33.3%.

Plus, Mr. Arnault is funding a third of the deal with shares from another independent company—Hermès International, maker of the Birkin and other ultra-expensive handbags. Trading for an eye-watering 37 times prospective earnings, Hermès shares are a potent acquisition currency. Mr. Arnault's €4.5 billion stake dates back to the 2014 treaty signed after the so-called handbag wars that pitched Hermès against LVMH in successive takeover attempts.

Hermès shares plunged Tuesday as the announcement dashed any lingering takeover expectations. This could inspire Dior's minority shareholders to push for more: Under European law, a squeeze-out of minorities is possible only once the Arnaults own 95%.

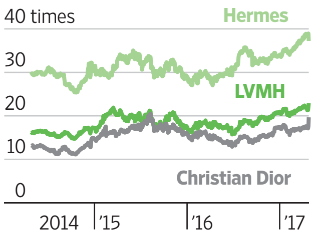
For all the tensions inherent when a business magnate sells an operation from one holding company to another, bagging Christian Dior looks positive for LVMH's independent shareholders. The company is paying a little over three times the brand's sales—hardly cheap, but in line with the multiple it paid in 2011 for jewelry brand Bulgari. LVMH said the deal would immediately boost earnings by roughly 3%, which explains the jump in its shares. There should also be scope to boost Dior's margins, which are low by LVMH standards.

On 23 times earnings, LVMH shares remain expensive, but Mr. Arnault has given shareholders a new reason to hang on to them.

—Stephen Wilmot

Luxury Pricing

Forward price-to-earnings ratios



Source: FactSet
THE WALL STREET JOURNAL.