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NASDAQ 5863.03 ▲ 0.23%

NIKKEI 18432.20 ▲ 0.07%

STOXX 600 377.24 ▲ 0.24%

BRENT 52.93 ▼ 3.57%

GOLD 1281.40 ▼ 0.80%

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What's News

Business & Finance

Exxon has applied for a waiver from U.S. sanctions on Russia in a bid to resume its joint venture with state oil giant Rosneft. **A1**

◆ **A cybersecurity startup** demonstrated its software in a hospital network without permission, exposing the client's data to outsiders. **A1**

◆ **Akzo boosted** its dividend and set a timeline for the separation of its specialty-chemicals unit as it seeks to fend off PPG. **B1**

◆ **Morgan Stanley's profit** surged 70% to beat analysts' estimates, boosted by strong results from its fixed-income desk. **B5**

◆ **Hollywood is bracing** for a strike by writers over issues that include exclusive contracts with TV shows and health care. **B3**

◆ **Emirates is cutting** flights to five U.S. cities after actions by the Trump administration slowed bookings from the Mideast. **B3**

◆ **Retirement savings** are pouring into fee-based brokerage accounts, a move due in part by the Obama-era fiduciary rule. **B5**

◆ **BlackRock posted** a 14% rise in assets under management as investors sought out passively managed funds. Profit climbed 31%. **B5**

◆ **U.S. bank regulator OCC** blamed itself for failing to catch questionable sales practices at Wells Fargo. **B7**

◆ **Fox News star O'Reilly** is leaving the TV network in the wake of a sexual-harassment scandal. **B3**

World-Wide

◆ **U.K. lawmakers** approved May's call for an early election in June that could increase the prime minister's majority in the House of Commons. **A1**

◆ **Clashes across Venezuela** turned deadly as the opposition took to the streets in its latest bid to force President Maduro to hold elections. **A3**

◆ **The White House told** Congress that Iran is compliant with the 2015 nuclear deal but cast doubt on the U.S.'s continued support. **A3**

◆ **Turkey's electoral panel** rejected petitions from three political parties to annul the results of the constitutional referendum. **A3**

◆ **Interpol issued** an arrest notice for a Chinese businessman who has alleged high-level corruption in the Communist Party. **A5**

◆ **Zambian authorities** charged the main opposition leader with treason, escalating a political crisis. **A3**

◆ **Indonesian voters** ousted a Christian governor, choosing a candidate backed by Islamist groups. **A5**

◆ **Trump's inauguration** was bankrolled by dozens of billionaires and corporations, a report shows. **A7**

◆ **Pence praised** Japanese investment in the U.S. while avoiding criticism of Tokyo's trade practices in a speech to business leaders. **A5**

◆ **Trump said** he wants to change rules for issuing H-1B visas to direct more to the highest-paid applicants. **A6**

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Antigovernment Protests Mount in Venezuela



ECONOMIC CRISIS: Demonstrators took to the streets of Caracas, the Venezuelan capital, and cities across the country in an effort to force President Nicolás Maduro to hold elections. Security forces dispersed opposition supporters marching on government buildings. **A3**

EUROPEAN LEADERS' NEW TACTIC: EMBRACING THE EU

To counter rising nationalism, French and German candidates mount vigorous defense of the bloc

By Stacy Meichtry and Anton Troianovski

When French presidential candidate Emmanuel Macron met with German Chancellor Angela Merkel last month, the conversation turned to a question bedeviling Europe's political establishment. How could they halt the rising tide of nationalism across the Continent?

Mr. Macron, who is fighting right-wing euroskeptic Marine Le Pen for the lead in Sunday's election for France's top office, had an answer. He said the European Union needed more integration, not less.

For years, mainstream leaders, faced with a rising populist movement, relied on a strategy of containment. That involved ignoring its rhetoric, dismissing demands to dismantle the EU as a recipe for turmoil, and at times mimicking its language. The limits of that approach have been laid bare by Britain's decision to leave the EU, Ms. Le Pen's rise in France, and recently the surge of a euroskeptic French candidate on the far left, Jean-Luc Mélenchon.

With elections in France this weekend and in Germany later this year, pro-EU forces are adopting a new ap-

proach: a full-throated defense of the economic bloc and its place in their countries' future.

The shift is embodied by Mr. Macron, who has defined himself in opposition to Ms. Le Pen, figuratively wrapping himself in the blue and gold-starred EU flag she would remove from government buildings.

"Our fight for fraternity will be our fight for Europe," Mr. Macron told a February rally in Lyon organized

Please see EUROPE page A8

◆ Investors fear a French nightmare..... **B1**

Lawmakers Approve U.K. Early Election

By Jenny Gross

LONDON—Prime Minister Theresa May won formal approval from the House of Commons on Wednesday to hold an early election in June, supported by an opposition Labour Party that could be facing one of its worst national defeats in decades.

The 522-13 vote puts the Labour Party in an uncomfortable position as it grapples with waning support from its traditional working-class base and low approval ratings in comparison with Mrs. May's Conservatives. Pollsters and analysts say Mrs. May, in the June 8 election, could increase her majority margin in Commons to more

than 100 from a narrow 17.

But Labour leader Jeremy Corbyn said he supported an early election because it gives the British people an opportunity to vote for a government that puts the national interest first. The prime minister, who took office in July after David Cameron resigned following the U.K. vote to leave the EU, said an early election would give her a stronger hand in coming negotiations with the EU on Britain's exit from the bloc.

Matthew Flinders, politics professor at the University of Sheffield, said it is difficult to understand why the Labour Party would support an early election, given they are likely to

Please see VOTE page A4

INSIDE



YOUR GUIDE TO WRINKLE-FREE TRAVEL

THE MIDDLE SEAT, **A9**

FOX NEWS HOST LEAVES UNDER A CLOUD

BUSINESS NEWS, **B3**

Cybersecurity Firm Exposed Client's Data

By Rolfe Winkler

For years, cybersecurity startup Tanium Inc. pitched its software by showing it working in the network of a hospital it said was a client, according to people familiar with the matter and videos of the demonstrations. That and other efforts helped the company grow quickly, notching a valuation of \$3.5 billion and a big investment from Andreesen Horowitz, one of Silicon Valley's most prominent venture firms.

But Tanium never had permission to present the demos, the hospital said, meaning a company selling security actually was giving outsiders an

unauthorized look at information from inside its customer's system.

Tanium sells software that rapidly maps computer networks and diagnoses companies' vulnerabilities. To drive sales, co-founder and Chief Executive Orion Hindawi designed a presentation that he said showed his company's software running inside a client. The system in the demo belonged to El Camino Hospital, a nonprofit community hospital based in Santa Clara County, Calif. He and his staff gave the presentation hundreds of times, from at least as early as 2012 through mid-2015, according to people

Please see TANIUM page A2



Ex-NFL Star Found Hanged In Cell

STUNNING FALL: Convicted murderer Aaron Hernandez was found hanged the same day his former team visited the White House to celebrate its latest championship. Mr. Hernandez was serving life without parole. **A7**

STEPHAN SAVOIA/ASSOCIATED PRESS

Phony Baloney! These Butcher Shops Are Going Vegan

New breed of markets goes to great lengths to create faux meats

By Erin Ailworth

Michael Abramson has set up his butcher shop in Toronto's Little Italy to look much like any other, with gleaming knives lining the wall, employees prepping cutlets and someone hand-cranking a sausage stuffer.

There's one meaty exception. His choice cut isn't beef, it's beet. He's not proffering lamb, but yam.

Mr. Abramson, a 62-year-old vegan, is the proprietor of Yam-Chops, a faux meat market where every patty, link, and fillet is made from edible plants.

To entice "veg curious" meat eaters as well as vegetarians, he takes great pains to make sure his substitutes look as much like the real thing as possible.

So his ground beet burger—actually a medley of beets, carrots, turnips, and zucchini

Please see VEGGIE page A8

Oracle #1 SaaS Enterprise Applications Revenue

1,000+ Employees Segment, 2015

#1

Oracle Cloud
14.5%

#2

Salesforce Cloud
12.4%

ORACLE®

oracle.com/applications

Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM. Copyright © 2017, Oracle and/or its affiliates. All rights reserved.

WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

Is Trump Turning Globalist? Not So Fast


 In Western capitals and Washington's punditocracy there was shock mixed with approval as President Donald Trump intervened in Syria's war, reaffirmed the importance of the North Atlantic Treaty Organization, and decided not to label China a currency manipulator.

But before anyone concludes Mr. Trump has gone globalist, a reality check is in order. Recent events show that his approach to the world has bifurcated, turning traditionally internationalist on foreign policy while remaining starkly nationalist on economics.

Indeed, as Mr. Trump launched cruise missiles at Syria and rattled sabers at North Korea, he also ordered an examination of abusive foreign actions that contribute to U.S. trade deficits, expanded the categories of illegal immigrants prioritized for deportation, tightened "buy American" requirements for federal spending and clamped down on foreign worker visas.

This bifurcation tracks Mr. Trump's own philosophical priorities and the evolution of the party he now leads. Republicans have long favored a muscular approach to national se-

curity founded on military alliances. As a candidate Mr. Trump defied that consensus with his praise of Russian President Vladimir Putin, suggestions that South Korea and Japan develop nuclear weapons, and his dismissal of NATO as obsolete.

"We've defended other nations' borders while refusing to defend our own," he said in an inaugural address largely written by his most nationalist advisers, Stephen Miller and Steve Bannon.

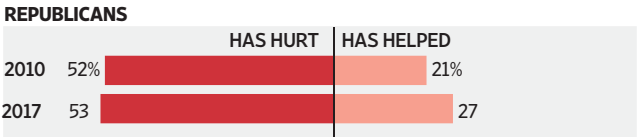
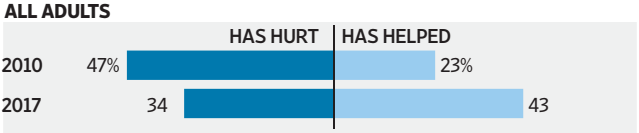
But Mr. Trump's mistrust of foreign entanglements is rooted less in principle than resentment at paying for them. That has left him open to persuasion by traditional foreign policy hawks such as Vice President Mike Pence and Defense Secretary Jim Mattis. Mr. Bannon has been removed from the National Security Council, now headed by the committed internationalist H.R. McMaster.

Economic issues, by contrast, are the foundation of Mr. Trump's worldview and his movement. Since the 1980s the New York businessman has believed other countries use free trade to rip off Americans. His strident attacks on illegal immigrants separated him from his rivals during the Repub-

Two-Track Nationalism

Republican voters have soured on free trade but still favor an activist foreign policy.

Impact of free trade on the U.S.*



Which of the following statements comes closer to what you think' ...



*Question asked in November 2010, February 2017 †Question asked in December 2015
 Source: WSJ/NBC News telephone polls, most recent of 1,000 adults conducted Feb. 18-22; full-sample margin of error: +/-3.1 pct. pts.

THE WALL STREET JOURNAL.

lican primary campaign. His appointments, in part, reflect those views: Jeff Sessions, the attorney general, has spearheaded the crack-down on illegal immigration, while Commerce Secretary Wilbur Ross is studying how to use existing trade tools more aggressively

against imports. Messrs. Miller and Bannon accompanied Mr. Trump on a trip to Wisconsin on Tuesday, where the president railed against Nafta and Canada's protected milk industry and called the World Trade Organization a "disaster" while signing an executive

EXXON

Continued from Page One
 and won't be involved with any decision made by any government agency involving Exxon during this period, a State Department spokesman said.

It isn't clear whether the request with the Treasury Department's Office of Foreign Assets Control was made before Mr. Tillerson joined the Trump administration. A spokesman for the Treasury Department said it doesn't comment on waiver applications. An Exxon spokesman said the company wouldn't discuss government deliberations on sanctions.

The sanctions target operations with Rosneft involving the transfer of technology, banning U.S. companies from deals in the Arctic, Siberia and the Black Sea, areas that would require the sharing of cutting-edge drilling techniques. The sanctions, instituted after the Kremlin's annexation of the Crimea region of Ukraine in 2014, also bar dealings with Rosneft's chief executive, Igor Sechin, saying he "has shown utter loyalty to Vladimir Putin—a key component to his current standing."

Since the fall of the Soviet Union, Russia's oil resources

have been among the most sought-after prizes by U.S. and European oil companies, and multiple U.S. presidential administrations in both parties have worked to help them enter the country. As much as 100 billion barrels of oil remains untapped in the country, although many Western companies have been stymied in their attempts to reach those reserves, often by geopolitical risks.

The 2014 sanctions effectively sidelined a landmark exploration deal Exxon, under Mr. Tillerson's leadership, had signed with Rosneft in 2012. The deal granted Exxon access to explore in Russia's arctic waters, the right to drill with new technology in Siberia and the chance to explore in the deep waters of Russia's portion of the Black Sea.

Mr. Putin said Exxon and Rosneft might invest as much as \$500 billion over the life of the partnership. In 2013, the Russian leader bestowed upon Mr. Tillerson the country's Order of Friendship in part for his role in developing the joint venture.

Exxon has reported it is exposed losses from the Rosneft ventures of up to \$1 billion before taxes, although the company has yet to recognize them on its books given its position that sanctions could be lifted.

Black Sea Frontier

Exxon is seeking a waiver from U.S. sanctions on Russia to drill with Rosneft in the Black Sea.



Source: Rosneft THE WALL STREET JOURNAL.

Exxon received a waiver in September 2014 when the sanctions were first implemented. The company had yet to complete a well in the Russian Arctic; Mr. Tillerson and other Exxon executives asked the Treasury Department and senior Obama administration officials to allow the company to complete the well, saying it wouldn't be safe to leave before it was finished, according to people familiar with the matter. Treasury granted an extension and the company completed drilling in October and eventually withdrew its employees from the project.

Exxon has been seeking U.S. permission to drill in areas af-



In 2012, Vladimir Putin, center, shook hands with then-Exxon Mobil CEO Rex Tillerson at a signing ceremony at a Rosneft refinery.

fected by sanctions since late 2015, according to a person familiar with the matter.

In 2015 and 2016, Exxon received a license from the Treasury Department allowing the company to undertake "limited administrative actions" in its partnership with Rosneft, according to company documents. Such permission would put Exxon in a position to move more quickly if it gets the green light to drill, according to the person familiar with the matter.

The proposal to drill in the Black Sea has been circulated in various federal departments in recent months, several people said. Exxon is arguing that it deserves a waiver there be-

order stiffening "buy American" rules and conditions for H-1B visas.

On immigration and trade, the Republican working-class base is closer to Mr. Trump than its other leaders. That base prevented Republican leaders in Congress from striking a deal legalizing undocumented immigrants. The base now also sees free trade as bad, which has sapped support for it in Congress.

To be sure, Mr. Trump hasn't been the wrecking ball that many feared. The Mexican peso, which plunged after his election, has recouped those losses as Mr. Trump signaled he would seek relatively modest changes to the North American Free Trade Agreement. He has yet to hit any country or company with a punitive import tariff. He didn't name China a currency manipulator.

Yet trade wars and shredded treaties were never the likeliest outcome. The point of Mr. Trump's threats was to extract concessions. On Nafta, he wants the right to hit Mexico and Canada with tariffs if imports from either surge. In declining to name China a currency manipulator Mr. Trump, besides acknowledging reality, concluded like previous presidents that withholding the designation could en-

courage Chinese cooperation on North Korea. Whether that calculus is wise remains to be seen, and the Treasury department hedged, promising to "continue scrutinizing China's trade and currency practices very closely."

Mr. Trump has ample tools for punishing foreign competitors including China without tearing up any existing trade agreement. His nominees as U.S. Trade Representative and commerce undersecretary, Robert Lighthizer and Gilbert Kaplan, are masters of trade law minutiae and how to deploy it against foreign companies and governments. The administration has already signaled a greater readiness to act outside the confines of the WTO.

More unilateral action on trade by itself doesn't spell the end of the global trading system; the world has survived bouts of protectionism before, for example under President Ronald Reagan in the 1980s. But Mr. Reagan was at heart a free trader; Mr. Trump isn't. At a time when protectionism and nationalism are on the rise everywhere, the world economy can't count on the U.S. as a counterweight just because its president is willing to drop bombs on Syria and Afghanistan.

that facilitating the flow of information could help open up the repressive regimes in Damascus and Tehran.

It is unusual for a company to seek a waiver based purely on future business prospects, the officials said.

Exxon opposed how the Obama administration applied sanctions on a number of its projects, according to people familiar with the matter, in part because the European Union granted waivers to its competitors to continue operating, including Norway's Statoil ASA, which has a waiver for arctic drilling in the Barents Sea, and Italy's Eni SpA for arctic drilling in the in Barents and Black seas.

"Exxon is worried it could get boxed out of the Black Sea by the Italians," said a person briefed on the company's waiver application. Eni has been aggressively exploring the region in cooperation with Russia in recent years.

Exxon is seeking a waiver akin to those that have been granted by the EU to its rivals, according to people familiar with the matter.

Exxon needs an oil discovery in the Black Sea by the end of this year to obtain a Russian government license to drill under the terms of the deal Rosneft.

TANIUM

Continued from Page One
 familiar with the matter and three demonstration videos posted online by Tanium and its resellers.

"The hospital did not authorize desktop management data or other information to be used in any product demonstration and was not previously aware of these demonstrations or videos," El Camino Hospital said in a response to inquiries by The Wall Street Journal. "We are dismayed to learn that desktop and server management information was shared. We are thoroughly investigating this matter and take our responsibility to maintain the integrity of our systems very seriously." The hospital said Tanium didn't have access to any patient information.

People familiar with the matter said Tanium's software was installed on El Camino Hospital's network around 2010 by Allscripts Healthcare Solutions Inc., which then managed the hospital's systems. A person familiar with the matter said Tanium no longer has a relationship with the hospital. Details of the past relationship are unclear.

In response to Journal inquiries about El Camino Hospital, Tanium said, "In the early days of our company, Ta-

nium periodically demoed our product using a live customer environment, to which the customer had provided us remote access." Tanium said it attempted to hide the customer's name and sensitive data, "but we recognize that we did not go far enough to ensure that particular customer's operational information was sufficiently anonymized." The company added that it doesn't believe any data it showed put its customer at risk, but "we apologize for any concern that has caused."

The three demonstration videos that had been posted online were removed this week after the Journal's inquiries.

An Allscripts spokeswoman said her company "did not grant Tanium permission to use El Camino Hospital's data for customer demos." El Camino Hospital didn't respond to a question about what type of authorization Mr. Hindawi might have had.

Mr. Hindawi didn't immediately respond to a direct request for comment.

Andreessen Horowitz, which poured around \$150 million into the company in 2014 and 2015, declined to comment.

Tanium is the latest high-flying tech startup to be discovered pushing the envelope to speed growth, in a Silicon Valley environment where ag-



Tanium co-founder Orion Hindawi

gressive tactics often are seen as essential to success. Health-benefits broker Zenefits last year said that its co-founder had written software to complete an insurance-license qualification course in less time than was permitted. He later resigned under pressure, and Zenefits has since cut its staff by two-thirds and its valuation by half. Andreessen is also among the biggest investors in Zenefits.

Tanium has amassed a roster of blue-chip clients, but it also has confronted challenges lately. At least 10 senior executives have left or been fired since the summer. Some cur-

rent and former employees have said that Mr. Hindawi bullies employees—such as by humiliating them in front of colleagues—and that, to lower compensation costs, he has targeted some for termination just before their stock compensation vested, according to people familiar with the complaints. Bloomberg reported those complaints earlier.

"We work incredibly hard and hold ourselves to high ethical and performance standards," a Tanium spokesman told the Journal this week. He said a company investigation had found that "data confirmed that there is no pattern or practice of terminating employees based on their vesting cliff date."

Mr. Hindawi, 37 years old, co-founded Tanium in 2007 with his father. Tanium's software helps companies map their networks much faster than previously possible, telling the companies every computer that needs to have its antivirus software updated, for instance, or that requires the latest Microsoft Windows patch to be installed.

The Tanium demonstrations exposed El Camino Hospital's private network information, including security vulnerabilities, server and computer names, versions of antivirus software that might be out of date and some personnel information, according to the videos. Companies generally

guard such information closely, as someone seeing it could use it to help gain access to the network for malicious purposes.

In one demonstration, captured in a video posted in 2012 on YouTube by a reseller, Mr. Hindawi says he is going to show how Tanium works on a live computer system. "They allow us to demonstrate Tanium in that environment and work through some of the use cases that drive adoption of this tool," he says in the video.

Another video, posted in 2014, identified users who were logged in to specific computers at El Camino Hospital.

The demonstrations stopped in mid-2015, according to people familiar with the matter, when Tanium staff suddenly were unable to log in, and Mr. Hindawi couldn't restore access as he had been able to before, one of the people said. The CEO then instructed employees to stop trying to log into the hospital's network, and Tanium offered a bonus to staff to find a customer willing to give the

company permission to demo its system, the person said.

Tanium's statement said that it can't access customers' systems without permission and that therefore "under no circumstances today can Tanium utilize a customer's installation to collect data from their systems or users without explicit customer permission and interaction."

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WORLD NEWS

Clashes Flare, Then Fizzle, in Venezuela

At least one protester dies as government cracks down on protest; Maduro is unmoved

By ANATOLY KURMANAEV
AND JUAN FORERO

CARACAS, Venezuela—Clashes across Venezuela turned deadly Wednesday as the opposition took to the streets for what it called “the mother of all marches” in its latest, vain attempt to force President Nicolás Maduro to hold elections.

Red-eyed opposition activists made an unsuccessful attempt to keep the demonstrators on the streets as thousands ran from tear gas in eastern Caracas, some even wading into the dirty Guaire River to escape the fumes. Many here hoped Wednesday’s march would be the start of a new and more aggressive street campaign against Mr. Maduro.

“Today was supposed to be the day. Please don’t go,” 22-year-old university student Virginia Correa yelled to mostly indifferent onlookers.

Caracas teenager Carlos Moreno, 17 years old, died from a gunshot to the head at a protest rally in the San Bernardino neighborhood outside central Caracas, a doctor at the local hospital said. Dozens of people across the country received



CARLOS GARCIA RAWLINS/REUTERS

Demonstrators facing off against government riot police during a march against President Nicolás Maduro in Caracas on Wednesday.

lighter injuries from rubber bullets and tear-gas canisters, local health authorities said.

After the protest petered out, Mr. Maduro appeared on state television dancing with his officials and laughing.

“Again, they came out, to break laws, to burn, to carry out violent acts,” he said.

The opposition said the march was supposed to be the culmination of nearly three weeks of political unrest that has posed the biggest challenge to Mr. Maduro since antigovernment protests in 2014 left 43 people dead.

The government on Wednesday brought thousands of its

supporters into Caracas to defend what it calls the “Socialist Revolution.” Security forces swiftly moved on thousands of protesters trying to enter downtown Caracas from all directions, stopping them in their tracks with volleys of tear gas and rubber bullets. Pro-government militias riding motor-

bikes and armed with clubs and live weapons blocked smaller columns of demonstrators, witnesses and opposition leaders said.

Similar tactics played out across Venezuela, from the city of Maracaibo in the west to Puerto Ordaz in the east, as security forces dispersed large

crowds of opposition supporters marching on government buildings.

The teenager, Mr. Moreno, was the sixth Venezuelan to lose his life in the wave of inconclusive protests that have rocked Venezuela since Mr. Maduro tried to dissolve the opposition-controlled congress late last month. Mr. Maduro walked back the measure, but not before it unleashed the pent-up anger many Venezuelans feel over his handling of a crippling economic crisis, which has wiped out a third of the country’s gross domestic product in the past three years.

“The crisis broke up my family,” said protester Yoli de Leal, a Maracaibo teacher. “It can’t be possible that our children abandon the parents and leave the country because they can’t earn a living here.”

Pro-government supporters say the economic crisis is being caused by “the economic war” waged by businessmen and radical opposition leaders against Mr. Maduro. The president says protesters are paid mercenaries and “terrorists” bent on staging a coup.

“We came to defend our country from imperialists who want to dethrone Maduro and take over our resources,” said government supporter Esther Mayora, 60.

—Mayela Armas, Kejal Vyas, Sheyla Urdaneta and Maria Ramirez contributed to this article.



Opponents to the referendum results protested in Istanbul Tuesday.

Turkish Panel Rejects Demand to Annul Vote

By MARGARET COKER

ANKARA—Turkey’s electoral commission rejected petitions submitted by three political parties to annul the results of Sunday’s constitutional referendum, closing one of the last legal options to challenge a vote marred by allegations of widespread irregularities.

In a brief statement Wednesday, the Supreme Election Board said that 10 of its 11 members voted against the petitions, while one ruled in favor of an annulment.

The decision had been expected, as the head of the electoral body had already validated the results of Sunday’s poll, in which voters were asked to approve a constitutional amendment to centralize governing powers in the office of President Recep Tayyip Erdogan and radically alter Turkey’s democracy.

Since Sunday, opposition parties who backed the “no” campaign have accused the board, known by its Turkish initials YSK, of improperly siding with the state during the process of the election.

Turkey’s electoral boards are administered by judges. Three of the 11 members of the high electoral board and the chairmen of 221 lower electoral boards were purged and replaced by the state since July, in the aftermath of last summer’s failed coup. Approximately one-third of all judges have been dismissed or detained by the government in the same period.

The unofficial tallies in the vote showed the pro-Erdogan “yes” campaign winning by a 51%-to-49% margin, with 1.4 million votes separating the two sides. Opposition parties believe as many as 2.5 million ballots were suspect.

The head of the country’s main opposition party, Kemal Kilicdaroglu, told The Wall Street Journal on Tuesday that he had lost faith in the YSK’s impartiality. His Repub-

lican People’s Party was one of three that had filed for an annulment of the vote.

Mr. Kilicdaroglu and his party lawyers have said their next step is likely an appeal to Turkey’s Constitutional Court, the country’s highest legal body. Should that effort fail, the CHP would apply to the European Court of Human Rights, they said.

Opposition parties have documented numerous allegations of voting fraud and intimidation from around the country, and these complaints are being heard by some provincial electoral boards.

However, the opposition’s major focus has been on an unusual decision during the voting day by the YSK to validate irregular ballots cast throughout the country that lacked an official seal.

Meanwhile, more opposition street protests were planned for Wednesday evening around the country.

Prime Minister Binali Yildirim, speaking to reporters before the YSK’s decision, condemned the protests and the politicians urging these actions.

“Calling people to the streets by using various communication channels and refusing to recognize the results is never acceptable,” Mr. Yildirim said. “It is useless to [try to] cast a shadow over the referendum results instead of respecting the nation’s will.”

The country’s legal professionals have joined in the criticism of the YSK. Metin Feyzioğlu, the head of the Union of Turkish Bar Associations, said the body directly violated Law 101 of the 2010 election code, which states that unsealed ballot papers aren’t valid.

On Tuesday afternoon, the YSK published its rationale for the ballot decision, saying its actions were done to insure voters wouldn’t be disenfranchised.

—Yeliz Candemir in Istanbul contributed to this article.

Zambia Opposition Leader Faces Charges of Treason

By NICHOLAS BARIYO
AND JOE PARKINSON

Zambian authorities have charged the country’s main opposition leader with treason, escalating a political crisis that is roiling one of Africa’s most stable democracies.

A Lusaka court late Tuesday charged Hakainde Hichilema with trying to overthrow the government, an offense that carries the death penalty. Mr. Hichilema was arrested last week on allegations that a convoy of his supporters refused to give way to President Edgar Lungu’s motorcade. Zambia’s police say the incident posed a risk to the president’s life.

Mr. Hichilema’s lawyer said the charges are politically motivated and has called for the case to be dropped.

The episode has sparked days of demonstrations by op-



Hakainde Hichilema on Tuesday

AGENCE FRANCE-PRESSE/GETTY IMAGES

position supporters, which police have repelled with tear gas.

The government deployed the army and hundreds of riot police across the country on Wednesday as Mr. Hichilema, known by his initials HH, appeared in court.

The U.S. and European Union have condemned the arrest and expressed concern over escalating political tensions. Opposition-party lead-

ers from across the region called for Mr. Hichilema’s immediate release, with Kenya’s Raila Odinga urging the president to “step back from the brink before irreversible damage is done.”

Mr. Lungu’s office couldn’t be reached for comment. Mr. Hichilema’s lawyer, Jackson Mwiimbu, said the charges were “trumped up,” adding, “This started as traffic violation, it has now been elevated to treason.”

Mr. Lungu, who rose to power following a 2015 snap election after his predecessor, Michael Sata, died in office, has denied any link to the case.

“There is nothing special with this case. I will not interfere with the process and let the law take its course,” he said in remarks broadcast on state television over the weekend.

WORLD WATCH

PALESTINIAN AUTHORITY

Abbas Will Meet Trump in the U.S.

Palestinian Authority President Mahmoud Abbas will meet President Donald Trump in Washington on May 3, the White House said.

Mr. Trump will use the visit to reaffirm the U.S. commitment to reaching a peace agreement in the Israeli-Palestinian conflict, White House press secretary Sean Spicer told reporters in a briefing Wednesday.

Israeli Prime Minister Benjamin Netanyahu already visited the White House this year. During a joint news conference at that time, Mr. Trump abandoned

Washington’s decades-old push for a two-state solution to the Israel-Palestinian conflict, saying the two sides should determine for themselves whether separate states were necessary for peace and hinting at a broader approach to Mideast discord.

Mr. Trump also asked Mr. Netanyahu to “hold back on settlements for a little bit.” Mr. Netanyahu declined to agree to that.

Following Mr. Trump’s remarks, Mr. Abbas didn’t acknowledge the shift, and said he would continue to work with the U.S. administration on establishing two states. He also called on Israel to heed Mr. Trump’s call to hold back on settlements.

—Rebecca Ballhaus

EUROPEAN UNION

Balance of Trade Returns to Surplus

The eurozone’s trade balance with the rest of the world returned to surplus in February after a rare deficit the previous month, a boost to hopes that a modest recovery gathered momentum in the first quarter.

The European Union’s statistics agency Wednesday said the 19 countries that use the euro exported €170.3 billion (\$182.4 billion) of goods to other countries, while importing goods valued at €152.6 billion from the U.S., the U.K. and other economies, leaving a surplus of €17.8 billion.

—Paul Hannon



EUROPEAN PRESSPHOTO AGENCY

HEAVY RAIN: At least 11 people were killed and 20 are missing after a landslide hit several neighborhoods west of the Colombian capital of Bogota on Wednesday following heavy rainfall. Another landslide earlier this month killed more than 320 people.

U.S. Says Iran Obeys Nuclear Agreement

By JAY SOLOMON

WASHINGTON—The Trump administration notified Congress that Iran is compliant with the landmark nuclear agreement reached in 2015, but also cast doubt on the U.S.’s continued support for the deal.

Congress mandates U.S. administrations to report quarterly on whether Tehran is meeting the terms of the agreement, which required Iran to significantly scale back its nuclear capabilities in exchange for the lifting of most international sanctions.

Secretary of State Rex Tillerson certified to House Speaker Paul Ryan (R., Wis.) on Tuesday that Iran remained compliant with the deal as of April 18.

The administration cast doubt on continued support for the nuclear deal.

But he also said President Donald Trump was reviewing whether his administration would continue to roll back sanctions on Iran as required by the deal, given Tehran’s support for groups Washington designates as terrorist organizations.

“Iran remains a leading state sponsor of terror through many platforms and methods,” Mr. Tillerson wrote. “President Donald J. Trump has directed a National Security Council-led interagency review...that will evaluate whether suspension of sanctions related to Iran pursuant to the [nuclear deal] is vital to the national security interests of the United States.”

Mr. Trump harshly criticized the Obama administration’s deal with Iran, describing it as one of the worst U.S. diplomatic agreements in history.

However, Mr. Trump has toned down his criticism of the agreement since taking office. Some of his top aides, including Secretary of Defense Jim Mattis, have indicated they thought the U.S. should continue to support the deal.

The Trump administration has sought to push back Iran’s growing influence in the Middle East and constrain its military programs.

The U.S. has imposed sanctions on Iranian entities for missile development and alleged human-rights abuses in recent weeks.

WORLD NEWS

U.K. Vote Tests Scottish Secessionists

By JASON DOUGLAS

LONDON—A national election in June will give British voters the chance to deliver their verdict on Prime Minister Theresa May's handling of Brexit. In Scotland, it will also be a test of voters' appetite for a second referendum on leaving the U.K.

Scottish leader Nicola Sturgeon says she wants Scots to vote again in 2018 on the issue of independence, a sign of how June's Brexit vote is straining the constitutional bonds that hold the U.K. together.

Ms. Sturgeon has already secured the backing of the Scottish Parliament in Edinburgh to hold another vote, but the referendum requires the support of Mrs. May's government to give the result legal weight and, so far, the British prime minister has resisted offering that support. She says the independence question was settled in 2014 and shouldn't be revisited before Britain leaves the EU, expected in early 2019.

Britain's Parliament on Wednesday voted in favor of Mrs. May's call for a nationwide election on June 8. That

election—together with local elections in Scotland on May 4—will test the enthusiasm of Scots for a second referendum on independence. Opinion polls suggest voters are wary of a rerun after the closely fought campaign in 2014, which left battle scars on both sides that haven't fully healed.

Lawmakers in Ms. Sturgeon's Scottish National Party argue that another strong showing in June's election would strengthen their case for a fresh push for secession. But analysts say the party is unlikely to repeat its stunning success of 2015's election, when it swept 56 of 59 Scottish seats at the U.K. Parliament at Westminster in London. They also say that any losses will be seized on by Mrs. May as evidence the nationalist surge that threatens Scotland's 300-year-old place in the U.K. is ebbing.

In September 2014, Scots voted against independence by 55% to 45% in a poll billed at the time by former SNP leader Alex Salmond as a "once-in-a-generation" event.

But Ms. Sturgeon argues that June's Brexit vote means another vote is now necessary. Although the U.K. as a whole opted to leave the EU, Scots



Scottish National Party leader Nicola Sturgeon in London on Wednesday. She wants Scots to vote again on independence next year.

overwhelmingly chose to remain, by 62% to 38%. Ms. Sturgeon says that means Scottish voters should be given the choice between leaving the EU under whatever terms Mrs. May negotiates, or going it alone as an independent country.

Her party, which has in recent years come to dominate Scottish politics, sees the coming election as another chance to demonstrate the Scottish public supports another independence poll.

"I think if the SNP gets a clear majority of the Westminster seats, then that's a mandate for a second referen-

dum," said George Kerevan, SNP member of Parliament for East Lothian, a district that borders Edinburgh.

Yet recent opinion polls suggest that Scots aren't convinced another referendum is a good idea, Brexit notwithstanding.

A February survey of 1,009 voters in Scotland by BMG Research found that 49% opposed a second referendum, with only around a third in favor.

On the question of independence itself, polls suggest support for independence among Scottish voters hasn't changed much since 2014. Of eight sur-

veys gauging support for independence conducted since January, only one gave secessionists the lead, at 47% to 46%, with the remainder undecided, according to polls tracked by the U.K.'s NatCen Social Research, a nonpartisan social-research institute.

The result is the SNP will face a more competitive political landscape when voters go to the polls June 8 than it did when it rode a post-independence referendum wave of support to an unprecedented victory in the 2015 election, analysts say.

The party's anti-independence opponents in Mrs.

May's ruling Conservatives, the main opposition Labour Party and the pro-EU Liberal Democrats are already using the prospect of another referendum to try to sway voters ahead of elections to Scottish councils May 4, analysts say. Even small gains will likely reinforce Mrs. May's resolve to resist Ms. Sturgeon's demand.

"You can't keep repeating landslides," said Peter Lynch, senior lecturer in politics at the University of Stirling in Scotland. "If [the SNP] slip some seats it's going to slightly undermine their position, and Theresa May will use that."

VOTE

Continued from page A1

suffer a disastrous defeat. Mrs. May needed a two-thirds majority to approve her proposal.

"It's totally bizarre," Mr. Flinders said. "There is a sense that they want to be seen supporting the country in the run-up to Brexit negotiations, but it's more of a sign of the almost catastrophic position of the Labour Party at the moment and the complete lack of

any clear strategy."

In Parliament, Desmond Swayne, a Conservative lawmaker, said he never imagined Labour lawmakers would agree to an early ballot and likened the move to turkeys voting for Christmas. "Today, those turkeys will indeed vote for that," Mr. Swayne said in Parliament ahead of the vote.

Mrs. May announced the June 8 election on Tuesday, saying that in recent days she had shifted from her previous opposition to an early ballot out of concern that a divided

Parliament could hinder stability and the government's efforts to get a good deal in the negotiations.

Some British newspapers portrayed the decision as a move designed to neutralize the opposition to Brexit. The headline of the Daily Mail tabloid on Wednesday was "Crush the Saboteurs."

A YouGov poll conducted last week showed her Conservative Party with 44% approval among Britons, compared with Labour's 23%. The pro-EU Liberal Democrats received 12%, and

the rest went to other parties.

With more Conservative support in Parliament, Mrs. May will be less beholden to anti-EU lawmakers in her party who favor a quick break from the EU, regardless of whether the U.K. secures an agreement to protect its trading relationship with member countries. A stronger majority in Parliament also will narrow the chances of Britain failing to reach a deal, a scenario economists see as the most disruptive.

The elections aren't expected to delay EU negotia-

tions. In Brussels, a spokesman for Jean-Claude Juncker, president of the European Commission, said "the real political negotiations" on Brexit will start after the June balloting.

For the Labour Party, the election will be as much a test of its decline as of Mrs. May's Brexit approach.

Political allegiances in the U.K. have fractured over the EU issue. And the Labour Party, which supported staying inside the bloc, has lost some of its traditional supporters, many of whom voted for Brexit.

Mr. Corbyn took office in 2015 after the Labour Party suffered its worst electoral defeat in nearly 30 years. His support came mainly from leftist grass-roots party members who wanted a radical alternative to the Conservative Party's center-right policies.

Many senior Labour Party figures, including former Prime Minister Tony Blair, say Mr. Corbyn's policies are too left-wing to appeal to centrist voters.

—Laurence Norman
in Brussels
contributed to this article.



Frauke Petry gave a keynote speech as the Alternative for Germany campaigned in North Rhine-Westphalia this month.

AfD Leader Declines Next Contest

By ANTON TROIANOVSKI

BERLIN—Germany's most prominent anti-immigrant politician said she wouldn't lead her party's ticket in September's national elections, reflecting disarray in an upstart political movement that is fighting falling poll numbers.

Frauke Petry, the co-chairman of the four-year-old Alternative for Germany party, or AfD, made the announcement Wednesday in the face of heated internal opposition and amid a party dispute over strategy and leadership personnel.

Ms. Petry had been expected to seek the nomination at the party's national convention in Cologne this weekend. But on Wednesday she said a fight over leadership would distract members from the more important debate over the party's future strategy.

"It is important to me that we discuss the urgent, factual questions" at the convention,

Ms. Petry said, "independent of alleged or real questions of personnel."

Ms. Petry's move could further hurt the AfD. The party saw its ratings shoot up in the wake of the net inflow of more than a million migrants to Germany in 2015. But its fortunes dropped this year after the center-left Social Democratic Party nominated a popular candidate, Martin Schulz, to challenge Chancellor Angela Merkel in the September elections. Internal disputes, including over how to treat Germany's Nazi past, have also hobbled the party in recent weeks.

The travails of the AfD offer a contrast to the rise of French nationalist leader Marine Le Pen, whose party is leading French polls and seems on track to emerge as a finalist in the first round of that country's presidential election on Sunday. The AfD now draws 8% support, according to a Forsa poll released Wednesday,

down from 12% in January.

Ms. Petry's common-woman, plain-speaking style—the 41-year-old chemistry Ph.D. married a fellow AfD politician last year and is now pregnant with her fifth child—attracted German voters skeptical of right-wing populism, pollsters say.

"She has been the face of the AfD for people who don't know it so well," said Oskar Niedermayer, a political scientist at the Free University of Berlin. "I don't think this will help the party."

At the same time, Mr. Niedermayer said, AfD voters have been found to be more motivated by issues than personalities. As a result, he said, current events—particularly those related to refugees and Islamist terrorism—are likely to have a greater impact on the party's fate.

The AfD, founded in 2013 mainly to oppose the euro, has since turned its focus against refugees, saying their vast

numbers are threatening Germany's identity. The party calls for strict limits on immigration and says Islam is growing too influential in the country.

But while those positions have struck a chord with some German voters, the AfD has struggled with how far to take its nationalist message. Some of its politicians, including Thuringia state leader Björn Höcke, said Germany needed to overhaul its culture of memory of the Nazi past. Mr. Höcke has come to represent a more-radical wing of the party, while Ms. Petry styled herself as leading the AfD's more moderate wing.

Those two wings were set to collide at this weekend's party convention. After Ms. Petry's announcement, the AfD chapter in the southwestern state of Baden-Württemberg said it would push for Alice Weidel, who is seen as representing pro-business positions, to help lead the ticket.

More Water Flows Seen in Antarctica

By ELLIE KINCAID

Networks of lakes and streams formed from melted ice are more common in Antarctica than previously believed, implying that current models to understand how quickly the continent's ice might melt and raise sea levels are too simple, scientists have found.

Looking at several decades' worth of satellite imagery and aerial photography of the whole continent, researchers saw widespread lakes and streams on the continent's ice shelves for the first time, as well as a meltwater river system and waterfall. They described the findings in two papers published this week in the journal Nature.

Every year during the summer, some of the ice on Antarctica melts and can pool in the old snow on top of the ice shelves and form ponds, before refreezing in the winter.

Meltwater collecting in ponds on the surface of ice shelves acts "as a jackhammer" to fracture the ice, said Robin Bell, a geophysicist at Columbia University's Lamont-Doherty Earth Observatory, lead author on one of the papers. When ice shelves, the edges of Antarctica's ice sheets that float on top of the ocean, break up and collapse as a few on the northern Antarctic Peninsula have done, they allow the ice on land to flow into the water as well, contributing to sea-level rise.

The new research shows that the meltwater doesn't only stand still on Antarctica's ice, as current models of ice-sheet melting assume, said Dr. Bell. She describes a river of meltwater on Antarctica's Nansen Ice Shelf that ends in a waterfall into the ocean. Satellite data show the river formed in six of the eight summer melt seasons between 2006 and 2015, and polar-expedition records from 1909

and 1912 that Dr. Bell examined describe meltwater streams on the ice shelf.

The movement "changes the way we think about the impact of meltwater," Dr. Bell says. "Meltwater is still a bad thing," she said, but it's "not always going to be a death to ice shelves."

Since the river Dr. Bell's paper describes diverts meltwater off the ice shelf instead of letting it collect in ponds, it potentially could mitigate the fracturing effects of meltwater, said Alison Banwell, a glaciologist at the Scott Polar Research Institute at the University of Cambridge who wasn't involved in the research. The ice shelves will "still become more unstable as the climate warms," Dr. Banwell said, but they might not break up as rapidly as otherwise thought. It is unknown whether rivers and waterfalls form on other ice shelves, she said.

In the second paper, which looked more extensively at the entire continent, researchers led by Jonathan Kingslake, a glaciologist at Columbia University's Lamont-Doherty Earth Observatory, also saw more moving meltwater systems, lakes and ponds than previously believed to exist. Previous work has identified individual meltwater drainage systems on Antarctica, but the new research shows they are "very widespread, very large, and have persisted" for decades, Dr. Kingslake said.

The long-term consequences of these extensive meltwater networks for Antarctica's ice sheets, such as the possibility that water could flow from melting areas to vulnerable places on ice shelves and contribute to their breaking up, are an area for future research, Dr. Kingslake said. "What we really want to know is whether drainage systems can contribute to collapse in the future when melt rates increase."

WORLD NEWS

Jakarta Voters Oust Christian Governor

By BEN OTTO
AND ANITA RACHMAN

JAKARTA, Indonesia—Voters in the capital ousted a minority Christian confidant of the president in gubernatorial elections, replacing him with a candidate riding a wave of hard-line Islamist support that has upended politics in the world's largest Muslim-majority nation.

Wednesday's election casts into political exile Basuki Tjahaja Purnama, a brash-talking but visionary politician whose popularity eroded under months of increasingly ranorous attacks from Muslim hard-liners.

Protests against Mr. Purnama, the most prominent politician among Indonesia's long-persecuted Chinese minority, drew crowds of hundreds of thousands of people and showed unexpected strength by elements that were once at the fringe of Indonesia's tolerant traditions of Islam.

Projections of partial vote counts conducted by polling firms showed Mr. Purnama, running under the party of President Joko Widodo, lost handily to Anies Baswedan, a former university rector who won the backing of Islamist groups.

Pollsters said Mr. Baswedan won about 55%-58% of the vote, with Mr. Purnama taking about 42%-45%. Election officials cited by local media estimated voter turnout at about 80%. Official counts are expected in two weeks, but political analysts said the outcome, which will see a handover of power in October, is unlikely to change.



Supporters of Islamist-backed candidate Anies Baswedan celebrated his victory in Jakarta's gubernatorial election on Wednesday.

The loss injects uncertainty into Mr. Widodo's political position, handing a close ally and his party a defeat just as U.S. Vice President Mike Pence arrives in Jakarta for two days of talks with the president and others, including a group of religious leaders at the largest mosque in Southeast Asia.

Indonesia is a key U.S. counterterrorism partner and political anchor of nations bordering the busy trade lanes and fishing grounds of the

South China Sea. Mr. Pence is halfway through a 10-day trip that included stops in South Korea and Japan and will include Australia.

Mr. Purnama's fall was swift. Just a year ago, he seemed a shoo-in to win election to the office that he stepped into as Mr. Widodo's deputy when his boss was elected president in 2014. Mr. Purnama earned high popularity ratings for a no-nonsense style and attempts to overhaul

a sluggish bureaucracy and improve chronic traffic and flood problems that cut into the productivity of the nation's economic engine.

The rise of an ethnic Chinese Christian politician seemed to signal changing times and a demand for competent leadership, qualities also attributed to the rise of Mr. Widodo, the first president to hail from outside the elite or the military.

But late last year, Mr. Purnama made a lighthearted remark in reference to a Quran verse that some religious leaders interpret to mean Muslims shouldn't elect leaders of other faiths. Mr. Purnama has said he intended no offense and apologized, but political opponents reframed the comment as an insult to Islam.

They accused Mr. Purnama of blasphemy and set in motion a criminal prosecution that could see him imprisoned for as long as five years. Court proceedings, briefly suspended ahead of the vote, resume on Thursday.

"The lesson here will be that you don't want to offend radical groups, because they'll kill you in the polls," said Yohanes Sulaiman, a lecturer at the School of Government of Universitas Jenderal Ahmad Yani. "This is a setback to democracy. The entire race was framed by hard-liners."

Mr. Purnama conceded defeat several hours after polls closed in this city of 10 million people, congratulating his rivals and asking citizens to support them. "We all want to improve Jakarta, as Jakarta is our home," he said.

Mr. Baswedan struck a conciliatory tone, saying he would respect the capital's diversity. "For us, the journey is still long," he said. "The endeavor is not only to win the election. It is truly to bring back and bring about justice for the people of Jakarta."

The election was orderly, one sign of the maturity of Indonesia's voting system in the two decades since the democratic era began with the ouster of the dictator Suharto in 1998 at the height of the Asian financial crisis.

But political analysts said the outcome struck a blow to secular democracy in the nation of 250 million people, coming after a campaign in which Mr. Baswedan courted radical Muslims and gave voice to fringe elements that had been relatively quiet since Mr. Widodo's 2014 rise.

—*I Made Sentana contributed to this article.*

U.S. Carrier Tale Sparks Criticism in Asia

The revelation that the Pentagon didn't send the USS Carl Vinson aircraft carrier, as U.S. officials had said, directly toward North Korea as a stern message to Pyongyang over its nuclear and missile programs sparked ridicule in some corners of Asia and wariness in others.

By *Chun Han Wong in Beijing, Jonathan Cheng in Seoul and Alastair Gale aboard the USS Ronald Reagan*

In North Korea, the U.S. Navy's admission that the Carl Vinson was actually thousands of miles away on exercises off Australia's coast and won't arrive at the Korean Peninsula until next week prompted the state-run news service to say Washington "now bluffs that it was a 'warning' act" against the country.

In South Korea, Hong Joon-pyo, the presidential candidate from former leader Park Geun-hye's ruling party, said it was inappropriate to judge before receiving final confirmation of the Carl Vinson's whereabouts.

But, in an interview, he said: "What [President Donald Trump] said was very important for the national security of South Korea. If that was a lie, then during Trump's term, South Korea will not trust whatever Trump says."

He also said that, in light of Mr. Trump's recent military strikes on Syria and Afghanistan, "it seems to me that Trump is a person who takes



The aircraft carrier USS Carl Vinson, left, led two other U.S. ships in the Indian Ocean last week.

responsibility and action based on what he says."

In China, the false Carl Vinson narrative prompted some jibes on social and news media. Some were directed at foreign media and others at the Trump administration's attempt to block Pyongyang from developing the capability of launching a nuclear-armed missile to the U.S. mainland.

"If the U.S. announcement on the Carl Vinson's deployment to the Korean Peninsula is merely bluster and verbal games, then Trump's approach to North Korea would fade into an Obama rerun," a user named Wang Yingrun wrote on his verified Weibo micro-

blog. Without the resolve to use military strength, he wrote, "Fatty the Third"—a Chinese nickname for North Korean leader Kim Jong Un—"will never return to dialogue."

Chinese news portal Guancha.cn declared: "Media around the entire world have been duped by Trump again!" The Global Times, a nationalistic tabloid, took that observation a step further, saying American, South Korean and Japanese media had committed a "major screw-up."

Ni Lexiong, a Shanghai-based commentator on military affairs, said Mr. Trump appeared to use claims of the

Carl Vinson's deployment as a feint in trying to dissuade North Korea from conducting a nuclear test.

"Trump and the media jointly performed a modern-day 'Empty Fort Strategy,'" Mr. Ni wrote on his Weibo microblog, referring to a reverse-psychology ploy described in the ancient Chinese military treatise, "Thirty-Six Stratagems." A Chinese Foreign Ministry spokesman declined to comment on the Carl Vinson, saying only that Beijing is in close contact with the U.S. and that all sides should de-escalate tensions. "We don't want to see any conflict," he said.

In Japan, Prof. Narushige

Michishita of the National Graduate Institute for Policy Studies said regardless of whether the U.S. intended to deceive or the narrative was a miscommunication, it looked bad for the White House.

"At a time of emergency, disinformation could be used as a tactic, but if the U.S. president spreads disinformation in peacetime like now, it would hurt the credibility of the U.S.," he said.

The White House on Wednesday shrugged off any blame for miscommunication and said it didn't mislead U.S. allies about the destination of the Carl Vinson.

White House press secretary Sean Spicer said comments by U.S. officials about the location of the aircraft carrier hadn't been misleading, and referred any questions about the timing of the carrier's voyage to the Pentagon.

"The president said we have an armada going toward the peninsula," Mr. Spicer told reporters. "That's a fact. It happened. It is happening, rather."

Pressed on whether it was misleading last week to say the aircraft carrier was heading toward the Koreans when in fact it was moving in a different direction at the time, Mr. Spicer said: "We answered a question on what signal it sent. I'm not the one who commented on timing."

—*Chieko Tsuneoka in Tokyo and Eva Dou in Beijing contributed to this article.*

Interpol Targets Chinese Tycoon

By CHUN HAN WONG

BEIJING—Interpol has issued an international arrest notice for Guo Wengui, a Chinese businessman who has alleged high-level corruption in the country's ruling Communist Party, a Beijing official said.

Mr. Guo, a real-estate tycoon, vanished from public view about two years ago before emerging on social media in recent months with claims that he has damaging information about corruption by high-ranking party officials and their associates.

He hasn't provided evidence to support his allegations, made as China's ruling party prepares for a twice-a-decade leadership shuffle this fall.

Chinese Foreign Ministry spokesman Lu Kang, speaking at a regular news briefing on Wednesday, said, "We understand that Interpol has already issued a 'red notice' for criminal suspect Guo Wengui."

He confirmed a report by Hong Kong-based South China Morning Post that the notice was issued by the international police organization based in Lyon, France, at China's request, but didn't elaborate.

A red notice puts Interpol's 190 member countries on alert for a wanted person, and acts as a request that they locate and provisionally arrest an individual.

It wasn't clear what wrongdoing China suspects Mr. Guo to have committed. China's Ministry of Public Security didn't immediately respond to a request for comment.

Searches for Mr. Guo's name and his known aliases didn't turn up any results on Interpol's online repository for red notices. The organization declined to comment, saying it doesn't discuss specific cases or publish information about red notices without approval from the relevant member country.

A man claiming to be Mr. Guo said in a brief voice message to The Wall Street Journal that Chinese authorities were trying to "threaten and intimidate" him because they were "scared" of him. He didn't elaborate.

Mr. Guo has spent time in the U.S. and Britain since leaving China about two years ago, according to overseas Chinese media reports and postings on a Twitter account opened in his name. Neither country has an extradition treaty with China.

Pence Calls Japan Ties Healthy

By PETER LANDERS

TOKYO—Vice President Mike Pence praised investment by **Toyota Motor Corp.** and other Japanese companies in the U.S. while avoiding criticism of Tokyo's trade practices, drawing a relieved welcome from business leaders here.

"It went well," said Toyota President Akio Toyoda after meeting Mr. Pence in a small group and hearing the vice president's speech to businesspeople at a Tokyo hotel on Wednesday.

The election of President Donald Trump and some of his tweets thereafter led to concern in Tokyo about the possibility of fundamental change in economic policy in the U.S., which buys some \$130 billion in Japanese-made goods annually. "When did we beat Japan at anything?" Mr. Trump asked in the speech opening his campaign in June 2015, adding:

"They beat us all the time."

Mr. Pence's first trip to Asia as vice president has been dominated not by trade but by the North Korea threat, which he has mentioned at every public appearance in Tokyo. "Rising tensions with North Korea are causing the U.S. to prioritize its defense and security cooperation with Asian allies," said Eurasia Group analyst Scott Seaman in a report. Mr. Pence and his hosts didn't discuss a controversy over the aircraft carrier USS Carl Vinson, which top U.S. officials had suggested was on its way toward the Korean peninsula when in fact it was thousands of miles away on exercises.

Mr. Pence said Wednesday that the U.S. "will continue to deploy our most advanced military assets in the region." Japan's top government spokesman, Yoshihide Suga, who was asked whether Tokyo could trust Mr. Trump's state-

ments, said the two countries "are communicating with each other very well."

In a business speech in Tokyo, Mr. Pence depicted the U.S.-Japan economic relationship as a healthy one that could be improved further through changes advocated by Mr. Trump such as lower corporate taxes and fewer environmental regulations, which would encourage Japanese investment. He praised Toyota by name for its pledge to invest \$10 billion over five years in the U.S., although much of that figure incorporates previous plans to refurbish factories under a global production strategy.

Critics of Japan's trade practices point to the large U.S. trade deficit with Japan—\$69 billion in 2016—as well as Tokyo's tariffs on beef and pork and the low market share of American-made cars in Japan.

President Trump also recently commended Toyota for



U.S. Vice President Mike Pence talks with Toyota Motor Corp. President Akio Toyoda, left, in Tokyo, Wednesday.

its U.S. investment and has refrained from criticizing the company's plans for a Mexico plant.

"President Trump's agenda in America will renew our country's reputation as the premier investment destination in the world," said Mr. Pence, who recalled his experience as governor of Indiana urging Japanese companies to build factories in his state.

At a private meeting with Japanese business leaders, Mr. Pence called for more Japanese investment in the U.S. and didn't discuss the possibility of a two-way trade deal between the U.S. and Japan that might compel Tokyo to lower agricultural tariffs and other barriers, said an attendee, Sadayuki Sakakibara, who heads the **Japan Business Federation.**

U.S. NEWS

Democrats Reload for Georgia Runoff

Candidate falls just short of an outright win for a party where 2016 divisions remain

By Reid J. Epstein
And Natalie Andrews

LOUISVILLE, Ky.—Democrats on Wednesday launched the second phase of their fight to capture a long-held Republican House seat in Georgia, but the party's attempts to unify remain hindered by lingering internal divisions.

First-time candidate Jon Ossoff, who had raised more than \$8 million in a matter of months from Democrats across the country, garnered 48.1% of the vote in a crowded open primary Tuesday, just shy of the 50% threshold needed to capture the seat outright.

Now, he faces a June 20 showdown with Republican Karen Handel, a former Georgia secretary of state whose 19.8% of the vote topped the field of 11 GOP candidates, in an election to fill the seat vacated by newly appointed Health and Human Services Secretary Tom Price.

While Mr. Ossoff's candidacy is drawing national attention and has been a rallying point for many grass-roots activists, he has run as a traditional Democrat without adopting the fiery tone powering the liberal resistance to President Donald Trump across the country.

Vermont Sen. Bernie Sanders, in an interview Tuesday here, said he didn't know much about Mr. Ossoff, a 30-year-old former House staffer. Mr. Sanders said he isn't prepared to back Democrats just because of a party label.

"Some Democrats are progressive and some Democrats are not," he said.

Asked if Mr. Ossoff is a progressive, Mr. Sanders, an independent who challenged Hillary Clinton in the 2016 presidential primary, demurred. "I don't



Democrat Jon Ossoff, left, will face off against Republican Karen Handel, right, in June to fill an open Georgia congressional seat.

know," he said.

The Georgia special election is just one stop on the Democrats' course for a comeback after losing the White House in the November election, and it isn't an easy path.

They need to take 24 seats to regain the House majority. The next contests are in Montana and South Carolina, which are also GOP strongholds.

Democratic National Committee Chairman Tom Perez took the strength of Mr. Ossoff's campaign as the latest signal that Democrats are making headway.

"They've pulled out the heavy artillery, they have Donald Trump making robocalls," Mr. Perez said. "My main message from this is swing the bat, swing it early, swing it often and swing it with your best shot."

Mr. Ossoff did draw more votes on Tuesday than the

Democratic candidate in the 2014 election. About 92,300 people backed him, compared with 71,400 who voted Democratic four years ago.

Still, the runoff with Ms. Handel will be daunting, given the partisan leaning of the district and that Republican votes won't be splintered by multiple candidates. The open primary on Tuesday featured 18 candidates, and most were Republicans.

"Republicans are united," she told CNN Wednesday. "We know this is an important race, and it is going to stay in the hands of a Republican."

Messrs. Perez and Sanders are in the midst of a coast-to-coast tour titled "Come Together and Fight Back," but Mr. Sanders appears just as uninterested in coming together with the Democratic Party as he did while fighting its leaders during last



called the proposal a "positive first step" toward reducing the number of abortions in Nebraska. It became law months later. Eight years later, Mr. Mello remains opposed to abortion, said Nebraska Democratic Party Chairwoman Jane Kleeb, who said abortion hasn't been an issue in Mr. Mello's campaign for Omaha mayor.

"Voters know he's pro-life, but we have a lot of pro-life Democrats in our state," Ms. Kleeb said. "It's not the single issue people vote on anymore."

Mr. Sanders called himself "100% pro-choice" and said that if Mr. Mello wins his May 14 election against an incumbent Republican it will energize Democrats to seek office in other conservative states.

"If this fellow wins in Nebraska, that would be a shot across the board, that in a state like Nebraska a progressive Democrat can win, that will give hope to folks in other conservative states that perhaps they can win as well," Mr. Sanders said.

Mr. Perez said the Democratic Party platform supports abortion rights but doesn't require its candidates to do so. "If you demand fealty on every single issue, then you know it's a challenge," he said.

In Kentucky, a state Mr. Sanders lost to Mrs. Clinton by less than 2,000 votes, the two wings of the Democratic Party have yet to come together, said Mary Nishimuta, a Sanders supporter during the primary who on Monday became the executive director of the Kentucky Democratic Party.

"I'm not going to sit here and sing 'Kumbaya' and say everybody is going to walk down a happy path together," said Ms. Nishimuta, who hosted Messrs. Perez and Sanders on Tuesday at a coffee shop she owns in Frankfort. She called the Perez-Sanders tour "a really important step to rebuild trust and rebuild the belief that the Democratic Party will fight for people."

Trump's Order Calls for Shifts in H-1B Visa Rules

By Eli Stokols
And Laura Meckler

President Donald Trump said he wants to change rules for distributing visas to high-skilled foreign workers, promising to direct more to the highest-paid applicants as he seeks to make good on his "America First" economic promises.

The result stands to benefit high-tech companies in Silicon Valley, with fewer H-1B visas going to outsourcing firms, many based in India, which critics say displace American workers. Under current rules, the visas are distributed at random by a lottery.

"It's America first—you better believe it," Mr. Trump said Tuesday during a speech at Snap-On Inc. in Kenosha, Wis., before signing an executive order that calls for a governmentwide review aimed at stricter enforcement of immigration and other laws governing the entry of workers into the U.S.

The order also initiates a 150-day review across all federal agencies aimed at detecting loopholes and waivers that undercut existing "Buy American" initiatives.

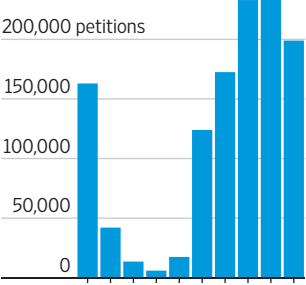
Mr. Trump said his "Buy American, Hire American" directive, coming as his administration nears the 100-day mark, fulfills a central campaign promise and "sends a powerful signal" to the world. "We are going to protect our workers, defend our jobs and finally put America first," he said.

Some congressional Democrats praised the executive order on the whole. Sen. Chris Murphy (D., Conn.) called it "a step in the right direction." Sen. Sherrod Brown (D., Ohio) urged Mr. Trump to go further. "Reviewing Buy America alone won't put construction workers back on the job," Mr. Brown said in a statement.

Mr. Trump called for a change in how the scarce H-1B visas are distributed, but the order isn't specific about policy changes. The order directs

Visa Petitions Down

Measured by activity in the first five days of the application period, petitions for H-1B visas this year fell 16%.



Note: H-1B program is capped at 85,000 visas annually
Source: U.S. Citizenship and Immigration Services
THE WALL STREET JOURNAL.

several cabinet secretaries to suggest changes "as soon as practicable" that would ensure the visas are awarded to "the most skilled and the highest paid" applicants.

Mr. Trump cast the H-1B program, which brings 85,000 high-skilled foreign workers to the U.S. each year, as a victim of "widespread abuse" and promised it would stop.

He didn't say which companies he was talking about, but the firms that have come under the most scrutiny are outsourcing companies that handle technology work for U.S. companies. They rely heavily on foreign workers, who are often paid \$60,000 or slightly more. That is the minimum salary required by law to avoid burdensome regulations.

The president noted the visas are now awarded in a "total random lottery" and said instead, they should go to the "most skilled and highest-paid applicants." That would have the effect of helping high-tech firms such as Microsoft or Google, which seek many H-1B visas but pay higher wages.

Tech firms have long lobbied for an increase in the number of H-1B visas, noting the high demand for the visas far outstrips supply, while oth-

ers advocate a reduction. Either way, changes in the number awarded would need congressional approval.

Visas for next fiscal year were awarded this week after 199,000 applications for 85,000 spots were received in less than a week.

A professional society for U.S. engineers, IEEE-USA, has been lobbying to change the lottery since Mr. Trump took office and expressed frustration that another year's worth of visas were awarded under the existing rules.

Sam Adair, a partner at immigration law firm Graham Adair, who represents technology companies, including those in Silicon Valley, said the initiatives bode well for them. "For a lot of U.S. employers, simply discouraging the number that go to big outsourcing companies would be a good thing," Mr. Adair said.

Talk of changes in the H-1B visa program, though, is making some in Silicon Valley, nervous. "I welcome any changes that will crack down on H-1B abuses or loopholes," said San Jose, Calif., Mayor Sam Liccardo. "However, we must not adopt any policies or rules that would hamper the critical flow of cutting-edge ideas and talent into our country."

The Indian outsourcers have been girding for changes in the program, and on Tuesday, their trade group, Nasscom, said critics of their business model are unfair. "We believe that the current campaign to discredit our sector is driven by persistent myths, such as the ideas that H-1B visa holders are 'cheap labor' and 'train their replacements,' neither of which is accurate."

Nasscom's president, Rentala Chandrashekar, added, "Any new requirements aimed at protecting U.S. workers should be applied to all visa sponsors to ensure a level playing field."

—Rebecca Ballhaus
and Natalie Andrews
contributed to this article.



Members of the MS-13 gang, including 'El Diabólico,' right, in Quezaltepeque, El Salvador, in 2013.

White House Pushes a Link Between Immigrants, Crime

By Beth Reinhard
And Aruna Viswanatha

The Trump administration pressed its case that illegal immigrants are helping fuel a crime wave, singling out a Central America-based international gang it said had flourished under the Obama administration.

In rapid succession, President Donald Trump, Attorney General Jeff Sessions and Homeland Security Secretary John Kelly all promoted a crackdown on illegal immigration they said would improve public safety.

Their approach divides the law-enforcement community, with some officers welcoming stricter immigration enforcement and others concerned a crackdown could deter undocumented residents from cooperating with police.

Early Tuesday, Mr. Trump said on Twitter: "The weak illegal immigration policies of the Obama Admin. allowed bad MS 13 gangs to form in cities across U.S. We are removing them fast!" MS-13 is an international gang, made up largely of immigrants from El Salvador or their descendants, that

the Justice Department says has been operating since at least the 1980s.

Former President Barack Obama's backers sharply dispute the notion that his policies were weak, illegal or contributed to crime, and some criminal-justice advocates say the Trump administration is exaggerating the threats to public safety. Crime rates remain near historic lows, despite surges in violence in a handful of large cities, and some studies show immigrants commit less crime than native-born Americans.

The debate over immigration and crime is heavily shaping the new administration as it approaches the closely watched 100-day marker. While Mr. Trump has backed away from some campaign promises, he has followed through on putting law and order at the forefront of his agenda.

Mr. Sessions on Tuesday echoed the president's tweet in remarks to federal law-enforcement officials, blaming "an open border and years of lax immigration enforcement" for recent growth of the Central American gang. Police sus-

pect MS-13 members murdered four men last week in a park in Long Island, N.Y., in addition to killing two teenage girls last month in Los Angeles with machetes and baseball bats, Mr. Sessions said.

Mr. Kelly used his first major speech to drive a similar message, saying there is "no better argument for secure borders than the transnational criminal organizations we face."

Wes McBride, executive director of the California Gang Investigators Association, a law enforcement group, agreed that tighter border security would curb gang activity, though he was hesitant to blame the Obama administration for growth of MS-13.

Under Mr. Obama, the Treasury Department imposed sanctions on MS-13 in 2012, and the Justice Department prosecuted dozens of members. Last year, 56 members in the Boston area were indicted on racketeering, murder and other charges, while eight were convicted in New Jersey and four were sentenced in Atlanta. An FBI task force to target the group dates back to 2004.

U.S. NEWS

Big Donors Bankrolled Inauguration

By **REBECCA BALLHAUS**

After a campaign in which Donald Trump touted his success among small-dollar donors, his inauguration as president was bankrolled by dozens of billionaires and corporations, a new campaign-finance report shows.

Mr. Trump raised more than \$106 million for his inauguration festivities, doubling what former President Barack Obama raised for each of his two inaugurations—\$53 million in 2009 and \$44 million four years later.

Roughly half of the funds Mr. Trump raised came from about three dozen wealthy donors and corporations, which each gave \$1 million or more. They include billionaire casino owner Sheldon Adelson, who gave \$5 million; hedge-fund executive Robert Mercer, who gave \$1 million; Marlene Ricketts, a member of the family that owns the Chicago Cubs, who gave \$1 million; and Robert Kraft, owner of the New England Patriots, who gave \$1 million.

Hedge-fund billionaire Paul Singer gave \$1 million to the inauguration fund in December, after criticizing Mr. Trump frequently during the campaign. Mr. Singer, a Republican megadonor, had backed Florida Sen. Marco Rubio's presidential campaign

and didn't support Mr. Trump after he won the nomination. Mr. Trump said at a news conference in February that Mr. Singer had visited him at the White House, saying, "He's given us his total support and it's all about unification."

Ken Griffin, another hedge-fund billionaire and Republican megadonor who resisted giving to Mr. Trump's campaign, gave \$100,000 to the inaugural fund in December.

At least six owners of National Football League teams each gave \$1 million, including Houston Texans owner Bob McNair and Washington Redskins owner Dan Snyder.

Peter Thiel, the billionaire co-founder of PayPal Holdings Inc. who has advised Mr. Trump, gave \$100,000 in January.

Among the major corporations that donated to the committee were Pfizer Inc., Boeing Co., AT&T Inc. and Qualcomm Inc., which each gave \$1 million. Corporate donations have come under scrutiny as Mr. Trump has often singled out companies for praise or criticism in recent months. Boeing's donation, for instance, came about a month after Mr. Trump took to Twitter in December to criticize Boeing's price tag for its new 747 Air Force One as "out of control."

A Boeing spokesman had



President Donald Trump raised more for his inauguration festivities than Barack Obama did for his two inaugurations combined.

ALEX WONG/GETTY IMAGES

previously said the donation was made before Mr. Trump's tweet. The spokesman on Wednesday said the company had committed to the donation before the tweet.

The concentration of donations of \$1 million or more threatens to undercut the message Mr. Trump delivered during the inauguration that he wasn't beholden to special interests or wealthy donors. Mr. Trump's inaugural committee elected not to ban corporate funding, as Mr. Obama did in 2009.

In some instances, corporate donations came shortly after Mr. Trump tapped executives who worked at those companies to serve in his ad-

ministration.

Exxon Mobil Corp. donated \$500,000 to the fund on Dec. 19, less than a week after Mr. Trump officially tapped then-Exxon chief executive Rex Tillerson to serve as secretary of state. In 2013, the company gave half that amount to Mr. Obama's inauguration fund.

Dow Chemical Co., which didn't donate to Mr. Obama in 2013, gave \$1 million to the inaugural fund about two weeks after Mr. Trump tapped the company's CEO, Andrew Liveris, to head a manufacturing council.

The donations from major companies follow a campaign in which corporations were wary of linking themselves to

the Republican candidate. At least four corporations that declined to support, or reduced their donations to, the Republican convention in July subsequently gave to Mr. Trump's inauguration.

Donors who gave \$500,000 or more to the inaugural fund were invited to a "candlelight dinner" during inauguration weekend with Mr. Trump and his wife, Melania, and Vice President Mike Pence and his wife, Karen. They could also attend a separate "intimate dinner" with the Pences and lunch alongside "select cabinet appointees."

Thomas Barrack, chairman of the inaugural committee and a longtime friend of Mr.

Trump's, said in a statement that the haul offered Americans "a chance to experience the incredible moment in our democracy where we witness the peaceful transition of power."

The committee will now decide to which charities it will send the funds it has left over after the inauguration, and it will disclose that information "when the organization's books are fully closed," according to a statement.

Inaugural committees aren't required to report their spending to the Federal Election Commission or to disclose how much money they have left over after the January event.

Ex-NFL Star Found Hanged in Cell

By **JENNIFER LEVITZ AND JON KAMP**

Former pro-football star and convicted murderer Aaron Hernandez hanged himself early Wednesday in his prison cell in Massachusetts, authorities said, five days after a jury in Boston acquitted the onetime New England Patriot of two additional murder charges.

Officers at the Souza Baranowski Correctional Center in Shirley, Mass., discovered Mr. Hernandez hanging from a bed sheet in his cell at around 3:05 a.m. Wednesday, according to a statement from the Massachusetts Department of Correction.

Authorities attempted to save Mr. Hernandez's life and transported him to a hospital, where he was pronounced dead around 4 a.m., the statement said.

His death happened on the same day the New England Patriots, last season's Super Bowl champions, were honored by President Donald Trump at the White House.

Patriots spokesman Stacey James declined to comment on the former tight end's death.

Mr. Hernandez, who was 27, was already serving life with-



Aaron Hernandez in 2012 in the days before Super Bowl XLVI.

BRENT SMITH/REUTERS

out parole in state prison after he was convicted two years ago for the 2013 slaying of a former friend. A jury in Boston on Friday found him not guilty on murder charges stemming from a drive-by shooting that left two men dead in 2012.

One of his defense lawyers, Jose Baez, said Wednesday that there were no signs in conversations or correspondence with Mr. Hernandez to suggest he was suicidal. "The family and legal team is shocked and surprised at the news of Aaron's death," Mr. Baez said in a statement.

He said his law firm will in-

vestigate the death independently.

A onetime National Football League standout who scored a touchdown in the 2012 Super Bowl, Mr. Hernandez had a stunning fall. He was cut from the Patriots after his arrest in 2013, a year after he signed a five-year contract extension worth up to \$40 million.

The state corrections department said Mr. Hernandez was living in a single cell in the general population unit, and hanged himself by attaching a bed sheet to his cell window. "Mr. Hernandez also attempted to block his door from the in-

side by jamming the door with various items," the agency said in a statement.

The Massachusetts State Police were on the scene Wednesday morning and an investigation was under way, authorities said.

The Office of the Chief Medical Examiner is conducting an autopsy in Boston to determine the cause and manner of death, according to the district attorney's office in Worcester County.

In the recent double-murder trial, Mr. Hernandez had been accused of killing two Boston men as they sat in a car at a stoplight in Boston's South End in July 2012. Authorities alleged the slaying came after one of the men bumped into Mr. Hernandez at a local nightclub.

Mr. Hernandez's defense team cast doubt on a key prosecution witness who had been granted immunity by prosecutors.

In court Friday as the verdict acquitting him was read, Mr. Hernandez seemed emotional, nodding and wiping his eyes, and hugging his lawyers afterward. His fiancée, with whom he has a daughter, was also in court.

House Oversight Chairman Won't Run Again

By **BYRON TAU**

Rep. Jason Chaffetz, chairman of the powerful House Oversight and Government Reform Committee, said he won't run for re-election.

The Utah Republican, long seen as a rising star in both national and Utah GOP politics, wrote on Facebook that he had made "a personal decision to return to the private sector" when his term in the U.S. House of Representatives expires in January 2019.

"I have long advocated public service should be for a limited time and not a lifetime or full career. Many of you have

heard me advocate, 'Get in, serve, and get out.' After more than 1,500 nights away from my home, it is time," wrote Mr. Chaffetz, 50 years old.

"For those that would speculate otherwise, let me be clear that I have no ulterior motives. I am healthy. I am confident I would continue to be re-elected by large margins. I have the full support of Speaker [Paul] Ryan to continue as chairman of the Oversight and Government Reform Committee," Mr. Chaffetz said.

As panel chairman and the House's watchdog, Mr. Chaffetz has primary responsibility over any waste, fraud, abuse

or mismanagement within President Donald Trump's administration and civil servants in the federal government. Many critics, including congressional Democrats, have urged him to be more aggressive about investigating conflicts of interest around the president's businesses.

During the 2016 election, Mr. Chaffetz held a number of hearings on Democratic presidential candidate Hillary Clinton's use of a private email server while serving as secretary of state, drawing protests from Democrats who said he was using a congressional committee for partisan politi-

cal purposes.

Mr. Chaffetz had been mentioned as a possible candidate for Senate in Utah. But Republican Sen. Orrin Hatch, 83, has indicated he is likely to run for an eighth term instead of retiring after his term ends in 2019.

First elected to the House in 2008, Mr. Chaffetz has indicated he could be interested in a run for Utah governor in 2020. Gov. Gary Herbert has been in office since 2009, but isn't term-limited and could run again. In his statement announcing his decision not to seek re-election, Mr. Chaffetz acknowledged he may run for office again, "but not in 2018."

U.S. WATCH

ECONOMY

Fed: Modest Wage Growth Broadening

A tightening labor market is putting broader pressure on wages as U.S. firms increasingly report trouble filling low-skilled jobs, according to a new Federal Reserve report.

In a couple of regions, "worker

shortages and increased labor costs were restraining growth in some sectors," the Fed said in a roundup of anecdotal information on regional economic conditions, known as the beige book.

The report found that "modest wage increases broadened" and "employers in most districts had more difficulty filling low-skilled positions, although labor demand was stronger for higher

skilled workers."

—Ben Leubsdorf

CLIMATE

Global Temperatures Rose in March

Earth's temperatures in March were the most above normal on record without an El Niño spiking temperatures. The

National Oceanic and Atmospheric Administration calculated that the average global temperature in March was 56.8 degrees Fahrenheit, only behind last year's El Niño-aided record. France, Germany and other parts of Europe saw record heat while most of the Arctic—except Alaska and Canada—was unusually warm, the agency said.

—Associated Press



The Supreme Court in Washington, shown last month.

J. SCOTT APPLEWHITE/ASSOCIATED PRESS

IN DEPTH

EUROPE

Continued from Page One
across town from where Ms. Le Pen was declaring her candidacy. “Europe! Europe!” the crowd of thousands chanted.

Where Ms. Le Pen wants to reinforce France’s national borders, Mr. Macron says the solution to its terrorism fears is to bolster the frontiers of the EU. She wants a more independent defense policy for France; he wants tighter military coordination across the bloc.

And where Ms. Le Pen sees the euro as the root of France’s economic woes, Mr. Macron touts the EU’s single market as the key to French prosperity.

Supporters of Ms. Le Pen say Mr. Macron is playing into her hands by squaring off on the future of Europe. Ms. Le Pen has spent years spoiling for that fight.

“This is Marine Le Pen’s issue. By attacking her on it, he’s going to get slapped,” said Raphael Ricci, a gendarme from the Champagne-region city of Reims.

Mr. Macron’s love of the EU isn’t unconditional. He says serious changes are needed if the bloc is to mount an enduring electoral defense against euroskeptics.

One of his more controversial proposals is that the strongest of the 19 countries using the euro should help shoulder fiscal burdens of the weaker ones. That stance puts him at odds with Ms. Merkel and some other pro-EU leaders, especially in northern Europe.

The election in France will be the first major test of whether a political strategy of direct confrontation with anti-EU forces works.

A poll the EU conducted of its member countries in November shows the share of EU citizens with a positive image of the bloc has declined to 35% from about 50% 10 years ago, with one-quarter now viewing it negatively. The EU’s image has recovered somewhat from a low point in 2011-2013.

In the poll, 37% of Germans saw the EU positively—an 8-percentage-point jump from last spring—while in France 29% saw the EU positively, a 7-percentage-point decline.

In Dutch elections last month, two parties firmly supporting European integration more than doubled their share from a 2012 vote, and anti-Islam nativist Geert Wilders lost his bid to become prime minister.

The latest polling for the French election shows four contenders clustering near the top. Mr. Macron has vaulted ahead of candidates from France’s tra-

ditional parties to pull even with Ms. Le Pen for the lead. It is difficult to pinpoint how much of his support is due to his European-unity stance and how much is primarily opposition to the far right and far left. If Mr. Macron and Ms. Le Pen make it to a decisive second round, the polls indicate he would come out ahead.

In Germany, which votes for chancellor in September, Martin Schulz, a staunchly pro-EU candidate, has energized centrist voters and knocked the wind out of the populist right. The anti-immigrant, anti-euro Alternative for Germany has fallen sharply in the polls since late January as Mr. Schulz has climbed, although the four-year-old AfD is still polling well above the 5% support it would need to enter the federal parliament for the first time.

Pro-EU candidates are increasingly looking across borders as they seek to energize their electorates. The goal is to create a groundswell of electoral support that might one day allow France and Germany to agree on steps to improve the bloc’s functioning.

“Dear friends in France,” Mr. Schulz said, suddenly switching to French at a recent gathering of center-left politicians. “We are sending you today, from Berlin, a sign of our unshakable solidarity. Together, we will defeat the enemies of tolerance and cooperation.”

Mr. Macron has met with Mr. Schulz, the nominee of Germany’s Social Democrats, as well as with Ms. Merkel, pushing the idea that the EU needs to deepen its integration so it can function more like a sovereign state.

“I cannot accept leaving the idea of sovereignty to the far-right or the far-left populists,” Mr. Macron told an auditorium

Pro-EU forces are adopting a new approach: a full-throated defense of the economic bloc.

of German dignitaries while visiting Berlin in January. He spoke in English, drawing a barb from Ms. Le Pen, who said he should have used French.

The pro-Europe forces have their own ideological divisions to bridge, a north-south split deepened by fallout from the 2008 financial crisis, terror attacks and waves of migrants from Africa and the Middle East.

The north and south are split over how to repair what many economists regard as the Achilles’ heel of the eurozone: its inability to deal with the debt burdens of weaker mem-



Emmanuel Macron, above in Paris on Monday, is seeking France’s presidency by calling for greater European Union integration.

bers such as Greece. German-imposed austerity has damaged fragile economies, many economists say, but loosening fiscal rules could put northern European taxpayers on the hook for what many of them see as the profligacy of the south.

Southern EU countries, for their part, blame the north both for imposing austerity on them and for leaving peripheral countries to fend for themselves in enforcing border controls to stem the migrant flood.

France, facing security and economic challenges, has retreated from its traditional role as a bridge over the north-south divide. President Fran-

cois Hollande flouted eurozone budget-deficit rules and bucked the EU’s call to deeply overhaul rigid French labor rules. His government has refused to accept large numbers of refugees. After Islamic State’s attacks in Paris on Nov. 13, 2015, Mr. Hollande proposed amending the constitution so some French nationals convicted of terrorism could be stripped of citizenship. The proposal scrambled French politics, with parts of his majority joining the opposition to block it.

Mr. Macron, who was then the economy minister, began charting a different course. He declared his “philosophical unease” with taking away citizenship, a proposal that looked to critics like borrowing from Ms. Le Pen’s National Front playbook. Unhappy, too, that his proposals to loosen labor rules were shelved by Mr. Hollande, Mr. Macron founded his own movement, called En Marche, or On the Move, and quit the government.

Like Mr. Hollande, Ms. Merkel came under pressure last year to move rightward, in her case to compete with the anti-immigrant AfD following two attacks by Islamist migrants. At the time, it looked as if fending off the AfD would be her biggest task in her 2017 bid for re-election. The Social Democrats’ surprise nomination of Mr. Schulz in January changed the equation.

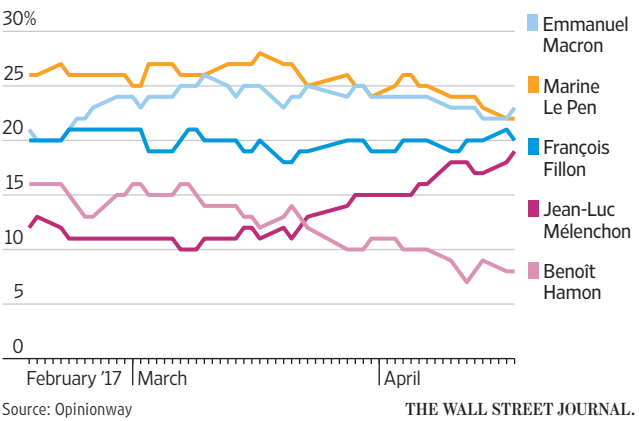
The Social Democrats this year have added more than 16,000 new members, or nearly 4% of the total, and more than the additions in all of last year. The main reason people give for joining is to defend the EU and fight the far right, a party spokesman said.

At Mr. Schulz’s raucous rallies—by modern German standards—he has given those new members red meat, assailing the AfD as well as U.S. President Donald Trump. In a speech last month, Schulz called the AfD “a disgrace to Germany” and accused Mr. Trump of “laying an ax to the roots of democracy” through his treatment of the news media.

While Ms. Merkel also sup-

Tight Race

Leading up to France’s presidential election, polls show nationalist Le Pen and pro-EU candidate Macron are close



Source: Opinionway THE WALL STREET JOURNAL.

ports a strong EU, Mr. Schulz makes the case with what critics say the chancellor often lacks: emotion. His rise to close to her in the polling provides a further disincentive for the chancellor to move rightward in the coming campaign, because doing so would increase her risk of losing centrist voters.

In France, Mr. Macron’s camp reached out to Ms. Merkel in February to request a meeting. The French politician, just 39 years old and never having won elective office, was under pressure to show he could go toe-to-toe with world leaders, and landing an audience with the German chancellor was a boon for him. In taking the meeting, Ms. Merkel departed from her decision in France’s 2012 election to meet only with then-President Nicolas Sarkozy, who was seeking re-election, and not with Mr. Hollande.

Mr. Macron needed to navigate some policy differences with her, however. He had just delivered a speech complaining that the euro unduly benefits German trade and hurts some other EU countries’ trade.

The idea, often heard in southern Europe, is that Germany’s exports would suffer if it still used a strong deutsche mark. Instead, its exports have benefited from sharing a weaker currency with 18 other countries.

“The dysfunctioning of the euro is good news for Germany, I have to say. You benefit from this dysfunctioning,” he told a

crowd at Humboldt University of Berlin. German officials counter that economic weakness in the eurozone, the country’s biggest export market, is bad for Germany, too.

Mr. Macron called for a “new deal” in the eurozone, anchored by a common budget that would be able to issue bonds and step in when countries experience large economic shocks.

Such proposals cross what many in the Merkel government consider a red line: forcing German taxpayers to underwrite other countries’ debt. Mr. Macron skirted this issue when he met Ms. Merkel on March 16.

A Macron aide said the conversation centered on the rise of nationalist movements and the need to deepen EU cooperation, but Mr. Macron also said the common currency needed a shake-up to address economic imbalances between Germany and its poorer neighbors. A Merkel aide said the meeting was confidential.

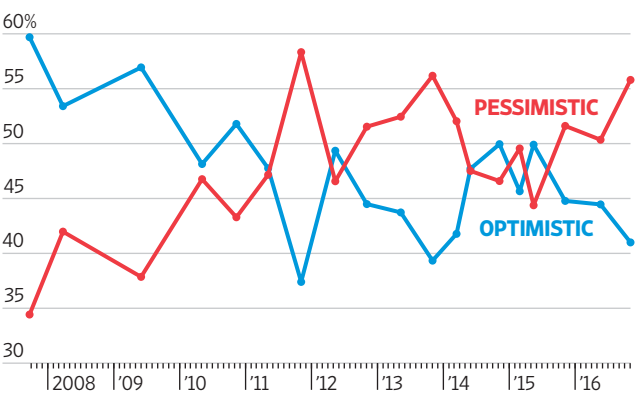
When Ms. Merkel asked how the French election was going, according to Mr. Macron’s aide, he told her he was taking a risk in campaigning as such a staunchly pro-Europe candidate.

Leaving the chancellery, Mr. Macron told reporters he and Ms. Merkel were in a celebratory mood. A day earlier, Dutch voters had handed Mr. Wilders and his anti-immigrant party a resounding defeat.

“We congratulated each other,” Mr. Macron said.

Worried

The French have been growing more pessimistic about the EU’s future.



Source: Eurobarometer phone survey of some 1,000 respondents by the European Commission, Nov. 1-3, 2016 THE WALL STREET JOURNAL.

VEGGIE

Continued from Page One
bonded with brown rice and mashed potatoes—doesn’t just resemble a beef burger. It oozes a reddish-pink juice, to appeal to those who like it when their burger “bleeds a little bit,” he says.

The beet burger came in a flash of inspiration, taking Mr. Abramson just a weekend to perfect. Some of his other concoctions required patience: He says he tinkered with chick’n schnitzel, a recipe based on chickpeas, for at least seven months.

“I needed to get to the point where it had a good ‘grain’ and chew/tear factor,” he says. Legumes were the answer.

Mr. Abramson is part of a small but growing community of “vegetable butchers” opening shop from Northern California to Sydney to The Hague, hoping to wow discerning diners with substitute lox crafted from carrots and jerky fashioned from wheat gluten.

World-wide, the market for meat substitutes sold to grocery stores and restaurants by manu-

facturers or distributors is anything but ersatz; even with small producers excluded, it is projected to hit nearly \$6 billion by 2022, according to Market-sandMarkets, a research firm.

Vegetable butchers represent the high end of the business, artisans trying to build on the culinary traditions of butchery, sans the flesh and blood.

Most started out hoping to re-create flavors they missed from their pre-vegan childhoods. For Aubry Walch, 35, and her aptly named brother, Kale, co-owners of the Herbivorous Butcher in Minneapolis, those were bologna, pepperoni and teriyaki jerky.

It took roughly 150 attempts, Mr. Walch says, to re-create the taste and texture of the barbecue ribs he used to eat with his dad. As in other vegan kitchens, the backbone of many of their mock meats is a wheat dough, called seitan after it is cooked, that “looks like muscle in the mixing,” says Mr. Walch, 23.

The Walches initially thought of opening their butchery as a joke, but their meat-free meats pleased palates at a local farmers market in 2014.

“So many people just saw the words free meat,” Ms.

Walch recalls, that they rushed over to try samples—with some thinking meat was being given away and wondering whether the vital wheat gluten jerky was actually venison. “We’re getting the last laugh now.”

Well, up to a point. Some staunch vegans and vegetarians say the word butcher should be verboten because it describes the killing of animals. Some traditional butchers and meat lovers are rankled by the co-opting of a term they view as theirs. Many are just confused about the point of it all.

“Like fine be vegan,” Raven Dakota, a 23-year-old Floridian, wrote on Twitter. “But why on earth would you call it a butcher shop?”

Michael Whiteman, president of Baum+Whiteman International Restaurant Consultants, which identified vegetable butcher shops as a trendlet, thinks he has the answer.

“Why do soldiers in the anti-meat brigade want food that looks like a hot dog and tastes like a hot dog and smells like a hot dog, but isn’t a hot dog?” Mr. Whiteman asked. “The answer is, of course, they like hot dogs!”

Peter Fikaris admits that is

partly how he got started: After he went vegan, he wanted a tasty bacon cheeseburger—without the beef and bacon.

He and his sister now operate the Butcher’s Son, a Berkeley, Calif.-based delicatessen where they remain faithful to the New York delis of yesteryear, with cases stuffed with substitute sandwich meats such as pseudo-salami and imitation cracked-pepper turkey.

Mr. Fikaris wanted to hang cured salamis from the ceiling like a traditional butcher. He found the vegan versions didn’t



The deli case at the Herbivorous Butcher in Minneapolis.

says it took him about a year to fine-tune the technique. “We do all the things that you would do to a piece of beef to turn it into pastrami,” he says.

His first attempts at brisket were “laughable by barbecue person standards,” but Mr. Kim was undeterred. He spent a year chatting up local pitmasters and boning up on YouTube videos to make a seitan-based brisket, cooked over a mesquite wood fire, that approximates the bark-like crust and flavors of the real thing.

“It’s still a delicate art of temperature and time and smoke to get it to come out flavorful and juicy,” he says.

To put his creations to the ultimate test—whether they are tasty—Mr. Kim turns to meat-eating friends like Josh Karant, who teaches about the politics of food at the Pratt Institute, a private liberal arts school.

He says Mr. Kim’s meats won’t fool many carnivores, but he finds the flavors faithful to the food traditions they’re mimicking. “It’s totally its own thing: nothing bloody or Texan about it, but nice and smoky and salty and toothsome,” he says of the brisket. “Great with the slaw and pickles too.”

LIFE & ARTS

THE MIDDLE SEAT

Your Guide to Wrinkle-Free Travel

Flying can be tough on suits and dresses, but savvy travelers know the tricks to staying sharp on the road

BY SCOTT MCCARTNEY AND
RAY A. SMITH

EXPERIENCED TRAVELERS have a million and one strategies for one of the most persistent hassles of travel: wrinkled clothes. “People who travel a lot like me have to have a system,” says David Lax, a Boston-based corporate negotiations adviser. He keeps suits at hotels in Frankfurt and London so he has unwrinkled clothes for client meetings.

The war on wrinkles is also a constant point of emphasis for luggage makers. Suitcases come with flat boards, pouches and straps to hold clothes in place and prevent creases, yet often create their own creases. One new brand called Vocier has a C-shaped interior construction so clothes are rolled rather than folded. Some travelers say it works by eliminating tight corners; others say it’s hard to stuff in shoes and shirts with your wrinkle-free suits.

Clothing manufacturers market wrinkle-resistant travel with fabrics that are tightly woven, chemically treated or made with stretchy materials. Travelers report mixed results.

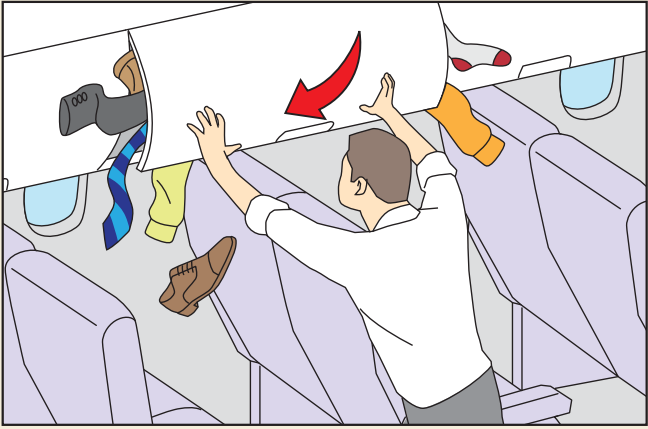
Airlines also sell wrinkle-busting—for their premium passengers. Some arrivals lounges offer pressing service while you shower.

But airlines are more part of the problem than the solution. Airline luggage restrictions and limited space on planes promote rumples and leave passengers steaming. Baggage size limits leave fewer cubic inches in carry-ons. Planes used to have more closets. In many parts of the world, seat backs have hooks for jackets. But those are rare in the U.S. And good luck keeping clothes crisp in crammed overhead bins.

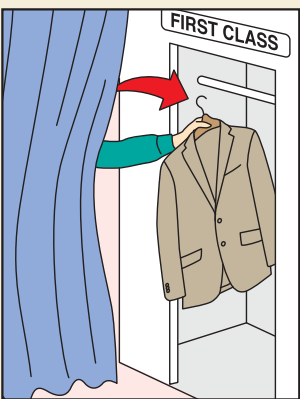
Amy Carrier of New York, a university development officer, hates wrinkles so much she wears jeans on her commuter train and changes clothes when she gets to work. When traveling, she uses an Eagle Creek folding pouch—a hard, plastic piece with Velcro straps about the size of a Manila envelope. But her best crease-buster is her portable steamer.

“The only thing I’ve found that it doesn’t work on is heavy cotton khaki,” she says. “I’ve used it on everything from my wedding dress to suits.”

Eugene Tong, a fashion consultant, fashion-show stylist and former style director at Details magazine, recommends suit jackets or sport coats and blazers that are unstructured, with little or no lining and soft shoulders. “They’re easier to pack than a structured shoulder, and that kind of soft shoulder Italian suit is kind of



To expedite boarding, please cram your belongings into overhead bins as tightly as possible, like all the other travelers who don’t care about appearance or courtesy. Beware of falling shoes. Consider luggage designed to keep your clothes relatively presentable.



Ask a flight attendant to hang garments in the closet at the front of the airplane. If you are a first-class passenger, ask nicely. If you are in coach, beg.

Proper transport of your clothes will determine whether you arrive ready-to-wear or end up looking like most everyone else.



trendy now,” he says.

He says turning an overcoat or suit jacket, sport coat or blazer inside out can help protect the exterior from getting wrinkled. And he suggests waiting until the last minute to put a folded jacket in an overhead bin.

Luggage makers say neatness counts—separate sections inside bags for suits and tailored jackets and pants prevent wrinkles, along with tie-down straps to keep clothes from moving around and bunching up.

High-end bag maker Tumi claims its removable garment guard keeps a suit or pair of pants fresh because of the way it is constructed. Its foam “prevents that hard crease from happening,” says Victor Sanz, Tumi’s creative director.

How tight your clothing’s fabric is woven can determine whether it will wrinkle or not. And blending materials can help it stay crisp.

“If you want mostly cotton, then find something that has some spandex, rayon or polyester in it

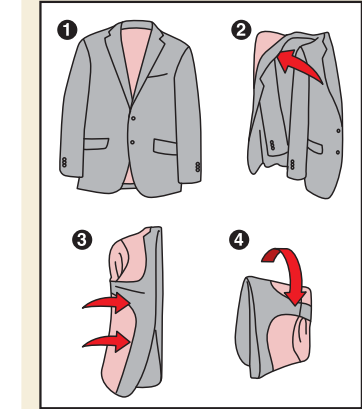
also. They will help create some flexibility in the fabric,” says Megan M. Evans, founder of the Well Coiffed Closet, a personal wardrobe styling company based in Nashville, Tenn.

High-end men’s clothier Ermene-gildo Zegna sells suits and jackets

One frequent world traveler leaves suits at his favorite hotels in London and Frankfurt.

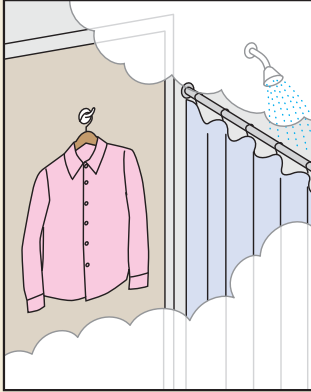
of superfine wool with high-twist yarns that it describes as high performance. The more times a yarn is twisted, the more it springs back in shape from any creasing. Zegna also sells a Trofeo dress shirt made of extra-long staple cotton fibers that are double-twisted.

With wrinkle-resistant clothing, just stand up and “shake it out a



To avoid wrinkles, experts suggest folding your jacket inside out, as shown. Fold your own jacket first, then assist others with their folding.

Use the hot water in the shower at your hotel to steam out other wrinkles. Keep bathroom door closed while steaming takes place.



Do not use hotel dry cleaning unless you need to launder money. Use an app to find good local cleaners, or ask colleagues or the concierge desk for recommendations.

ILLUSTRATION BY JASON LEE

TELEVISION

FAILURE SUCCEEDS ON ‘SILICON VALLEY’

BY JOHN JURGENSEN

ROUGHLY SIX MONTHS have passed in the fictional world of “Silicon Valley,” the HBO comedy about brilliant programmers who stumble repeatedly in their efforts to launch a startup.

But three years have gone by in the real Silicon Valley since the premiere of the satire, which returns for a fourth season Sunday. That’s a dog’s age in tech time, during which Facebook’s annual profit grew nearly tenfold, Google changed its corporate name to Alphabet, and Uber and Airbnb became part of the vernacular as verbs.

Silicon Valley and “Silicon Valley” merge in the show’s 10-second title sequence, featuring corporate logos in a cartoon cityscape. The animation is tweaked every season to riff on tech’s who’s-up, who’s-down economy. Season 1’s opener had a shrinking MySpace headquarters and a crashing Napster hot air balloon. The new season 4 opener shows FBI trucks pulling up to a Theranos building, a reference to a scandal that shook the blood-testing tech company, as well as an Uber balloon getting jostled by a Lyft balloon (and spawning a smaller one labeled Didi, which took on Uber’s operation in China).

“We don’t change the title sequence within the season. At some point maybe we’ll start doing that,” says executive producer Alec Berg, referring to rapid shifts in the industry’s competitive landscape. Mr. Berg, who runs “Silicon Valley” with “Office



Left to right, Kumail Nanjiani, Thomas Middleditch, Martin Starr and Zach Woods in ‘Silicon Valley.’

Space” and “Idiocracy” director Mike Judge, notes that only companies located in the Valley are eligible for a title cameo, hence the absence of, say, Snapchat, whose Los Angeles-based parent company recently went public.

The show takes aim at the way greed and innovation can overlap in the tech sector. In a coming episode, a character played by comedian T.J. Miller namechecks Oculus, the virtual-reality company Facebook bought for \$2 billion in 2014 (around the time “Silicon Valley” premiered). Smoking a bong on the

eve of a pitch meeting with a venture-capital firm, he says, “any f—ing idiot can walk into a room and utter the letters ‘V’ and ‘R’ and VCs will hurl bricks of cash at him.”

“Silicon Valley” has loyal followers in the industry it skewers, including coders who analyze the show’s tech references for accuracy. “There’s so much pressure on every frame of this show because you know there is a subset of the population that is going to freeze-frame and zoom in on everything,” Mr. Berg says.

Consulting with engineers and Valley vet-

erans, the show’s writers came up with a fictional invention for Pied Piper, the hapless startup in “Silicon Valley.” It was an algorithm that radically compresses data, a concept that any viewer could grasp, including everyday web users. But it didn’t help the writers solve a lingering story-telling problem: what would happen to the show if or when Pied Piper actually takes off?

“I would love for these guys to succeed, but the reality is that watching people win and get everything they want is not entertaining,” Mr. Berg says. In the climax of season 1, Pied Piper (led by main brain programmer Richard Hendricks, played by Thomas Middleditch) won a big tech competition and turned into the hottest property in town. In season 2, the writers tried running with Pied Piper’s status as the “belle of the ball,” Mr. Berg recalls, but it was “boring,” so they sent the startup into a downward spiral instead.

The halting progress continues in season 4 as Richard starts experimenting with a potentially disruptive new use for his algorithm, even as the writers “keep throwing ricks under their tires to make their journey requires ingenuity and hard work and strife,” the producer says.

However, just as loyalties to real ventures in the Valley rise and fall, “Silicon Valley” producers worry that the audience might give up on the characters if they continue to blow it. “That’s the perpetual challenge of the show,” Mr. Berg says. “How do you keep them striving without giving them the brass ring?”

OPINION

REVIEW & OUTLOOK

French Political Roulette

Europe continues its rousing election year on Sunday with a first round of the French presidential contest that will decide if the center can hold or a blood-and-soil nationalist will square off against a throwback socialist. What could go wrong?

For months the smart money thought the first round would set up a final match pitting Marine Le Pen of the right-wing National Front against a reform-minded centrist. That could still happen if the other leading finisher is François Fillon of the center-right Republicans, who touts a free-market platform; or center-left, independent Emmanuel Macron, who doesn't go as far as Mr. Fillon but still promises to reform labor and tax laws. Either would be favored against Ms. Le Pen in a runoff.

But suddenly the two reformers might be surpassed by far-left independent Jean-Luc Mélenchon, who is telling the French they can grow richer by working less and spend more by earning less.

He'd cut the work week to 32 hours from 35, cut the retirement age to 60 from 66, prevent companies that have laid off workers from paying dividends, and ignore European Union limits on fiscal deficits. On foreign policy he is anti-American, anti-NATO and pro-Vladimir Putin, and he has written a book subtitled "The German Poison," which should make for pleasant summits in Berlin.

Ms. Le Pen is hoping to vindicate her long-running effort to transform her father's National Front into a respectable party. Her views on Europe, America, Russia and the state role in the French economy are distinguishable from Mr. Mélenchon's only by nuances.

The National Front's toxic history of anti-Semitism and its continuing hostility to minorities and immigrants has traditionally put a ceiling on Ms. Le Pen's vote, especially on the left. But that might not hold if Mr. Mélenchon doesn't make it to the final round and his supporters must choose

The radical right and left square off against two centrist reformers.

between Ms. Le Pen and one of the two centrists.

Mr. Fillon's reform agenda comes closest to what France needs to revive its stagnant economy, notwithstanding his affinity for Mr. Putin's Russia. He promises to balance the budget within five years, cut €100 billion (\$106.72 billion) in spending, slash the corporate-tax rate to 25% from nearly 35%, end the 35-hour work week and liberalize labor laws to encourage hiring. All of this is a hard sell in France at any time, but Mr. Fillon's credibility has been compromised by news that he put family members on the public payroll.

Mr. Macron's reforms don't go as far as Mr. Fillon's, but they are significant, such as cutting the corporate-tax rate to 25%, reforming the work week and reducing labor-related taxes for entrepreneurs. But the 39-year-old has never held elected office and failed to sell this program to the National Assembly and voters when he was appointed economy minister by current Socialist President François Hollande.

All four major candidates are polling at around 20%, but Mr. Mélenchon has momentum and the highest personal favorability. A Le Pen-Mélenchon finale would be a political shock to markets and perhaps to the future of the EU and eurozone. The best result would be for one or both centrists to make it through, but the fact that both could lose to the radicals is an indictment of the main political parties.

Mr. Hollande's Socialists have made France the sickest of Europe's large economies, with growth of merely 1.1% in 2016, a jobless rate above 10% for most of the past five years, and youth unemployment at nearly 25%. His predecessor Nicolas Sarkozy and the Republicans talked a good reform game but never delivered. Add the threats of Islamist terror and mass Syrian migration, and the stage is set for candidates who appeal to nativism or a cost-free welfare state. Let's hope that a French majority steps back from the political brink.

Offshore Drilling Blowout Preventer

President Trump is filling out his Administration, but too slowly, and an offshore-drilling proposal shows why having personnel to mind the store is so important. Barring a late reversal, Mr. Trump may abet his predecessor's goal of undermining American energy production.

Two days before President Obama left office—the encyclopedia definition of a midnight regulation—U.S. Customs and Border Protection (CBP) rolled out a new rule on the Jones Act. Under this 1920 law, all ships transporting goods between U.S. ports must be U.S.-flagged, constructed in the U.S., owned by U.S. citizens and crewed by U.S. citizens.

Most ships in the offshore oil-and-gas industry, such as crewboats or platform-supply vessels, already comply with the Jones Act in Alaska, the Gulf of Mexico and elsewhere. But Customs now wants to extend the mandate to certain specialized drilling, construction and engineering vessels. Currently, about 30 CBP regulatory precedents stretching back 40 years exempt these ships from the Jones Act.

The reason is that the drilling industry is global and mobile. Heavy-lift construction vessels, for example, are used to install moorings in deep water and perform other specific, limited tasks. There are 76 in the world—and none of them comply with the Jones Act. The international fleet of crane barges tops out at 173, only 17 of which qualify.

If the CBP reverses historic precedent, the

A new rule would damage Trump's plans for more U.S. energy.

damage will be immediate and disorderly. Current development will be delayed or the rule could even become a de facto moratorium. Removing foreign-flagged vessels from the U.S. supply chain will make future projects riskier and more expensive. Proponents claim U.S. fleets can simply buy new equipment, but that takes time and in any case

is a misallocation of resources to satisfy an arbitrary regulation. The motives of Mr. Obama and career CBP staff are obvious: to reduce oil-and-gas investment. Less obvious is the support of some Republicans in Congress, especially the Louisiana delegation led by Majority Whip Steve Scalise. They're cheering because they think blocking foreign competition will benefit the local maritime trade.

Perhaps Mr. Trump even buys into this America-first logic. But deep-water operations in particular don't have the scale to support a purely domestic business. Any short-term boon to boat building or shipyards will be exceeded by the disruption to jobs and investment, and the larger economy will lose to the extent there is less oil-and-gas development.

Mr. Trump only recently nominated a permanent CBP commissioner, and in the meantime the bureaucracy seems to be riding herd. The new rule could be finalized as soon as this month. Mr. Trump is otherwise committed to domestic energy and economic deregulation, and he could serve both goals by ordering a top-to-bottom review of Mr. Obama's destructive parting gifts.

An Islamist Upset in Jakarta

When Mike Pence stops in Jakarta on Thursday, the American Vice President will land following an election whose outcome threatens Indonesia's political stability along with the reform program of President Joko Widodo.

The election is for the governorship of Jakarta. The incumbent is Basuki Tjahaja Purnama, who is Christian, ethnically Chinese and known for being forthright, even abrasive. He is being challenged by Anies Baswedan, a Muslim backed by Islamist groups. With more than half the ballots counted in Wednesday's run-off, Mr. Baswedan leads by 14 percentage points, and Mr. Purnama has conceded defeat.

This is a surprise because Mr. Purnawa had enjoyed high approval ratings for his program of fighting corruption and trying to improve city services. But he faces keen opposition from Indonesian Islamists, who organized a series of rallies that at times turned violent.

The trouble began in November after some Islamist groups doctored a video of Mr. Purnama in which he criticized some clerics' interpretation of the Quran to make it appear he attacked the Quran itself. Prosecutors have brought a dubious blasphemy case against him, but a sign of the political mood is that Mr. Widodo allowed the case to go forward.

The speed at which the Islamists were able to transform this governor's race is a reminder that Indonesia's democracy remains young and volatile. The consolation is that this is less about radical change in the beliefs of Indonesian voters than a reflection of the bitter battle between two groups of secular politicians—Mr. Widodo's reformers and

Muslim groups are proving they can be political kingmakers.

more traditional elites. Radical groups were able to exploit this clash for their own purposes.

Mr. Baswedan was previously known as a moderate Muslim and served as Mr. Widodo's education minister until he was replaced in a July 2016 reshuffle. His removal was largely driven by Mr. Widodo's need to consolidate Muslim support in advance of the 2019 elections. This helps explain why Mr. Baswedan was replaced by a member of the Muhammadiyah, the country's second-largest Muslim organization.

Mr. Baswedan was then recruited by the secular Gerindra Party, run by the son-in-law of the Indonesian dictator Suharto. Only after the Islamists began to attack Governor Purnama did Mr. Baswedan begin to advertise himself as a religious conservative. In January he gave a speech to the hardline Islamic Defenders Front and claimed the Quran prohibits voting for non-Muslims.

This opportunism could backfire on Mr. Baswedan, as his reformist views are unlikely to appeal to his new religious allies. Meanwhile the new governor will face pressure to help his backer General Prabowo gather support for the 2019 election, an agenda that is unlikely to be popular in Jakarta.

But Indonesians can't afford to be complacent because Jakarta often sets the direction for national politics. The Islamist groups that threaten minorities and burn Christian churches have now proved they can be political kingmakers. As the election for governor shows, the danger is that moderate politicians like Mr. Baswedan who seek to exploit communal tensions for short-term gain will end up setting back the country's development.

Behold America's Master Conspirators



BUSINESS WORLD
By Holman W. Jenkins, Jr.

It was the bombshell that bombed. The Washington Post reported last week that a Trump campaign adviser, in the middle of last year's election campaign, had indeed been singled out by the FBI for surveillance as a potential Russian agent.

Unfortunately for the conspiracy theorists, it was Carter Page, the Walter Mitty of Trump world.

Far be it from me to suggest the FBI was just looking for an easy way to fob off Obama-administration pressure to validate its Trump-Russia talking points. Mr. Page had been the target four years earlier of a sad little recruitment effort by Russian spies in New York, who eventually were prosecuted and whose monitored communications referred to Mr. Page as an "idiot."

He later gave an incoherent speech in Moscow in the middle of the campaign decrying U.S. sanctions. Most of all, he was singularly devoid of influence with either Donald Trump or the Russians, though perhaps not the least likely contender to say something foolish on a "wiretap."

Most media accounts take for granted his self-description as a player in Russian energy deals, but a lengthy Politico investigation as far back as September found that "nobody in Russia seems to have heard of him."

So this is the man the FBI selected as the most likely spy in the Trump midst. Which explains a lot—like the deafening silence last week of media organs that so recently had been wetting themselves over tenuous Trump-Russia theories.

Silent was the New York Times columnist who a couple weeks ago jabbered about a "smell of treason."

Silent was House Intelligence Committee ranking Democrat Adam Schiff, who not long earlier had noisily detected "circumstantial evidence" and "more than circumstantial evidence" of a Trump-Kremlin conspiracy.

But then a lot of pundits and others have lately demonstrated their inability to reason about evidence or even understand what is truly a "coincidence" in the sense of an unlikely confluence of events.

The only really interesting evidence has now been debunked by Byron York of the Washington Examiner, who shows that the claim that the Trump forces had weakened a GOP platform critique of Russian actions in Ukraine was simply misinformed.

Messrs. Schiff and Page are fitting sharers of the stage in this episode, with a certain indefinable insubstantiality in common.

Mr. Page attached himself to Candidate Trump, promoter of better relations with Russia, after apparently spending the past decade—since leaving a junior job with Merrill

Lynch in Moscow—seeking to insert himself in energy deals in Russia in hopes, as his would-be spy recruiter put it, of "making a lot of money." If he ever did make any money, it hasn't shown up in an obvious place—campaign donations. Mr. Page's one recorded contribution was to John McCain back when Mr. Page still had a job with Merrill.

As for Mr. Schiff, he got the three-time's-a-charm job back in 1990 of prosecuting a hapless FBI agent for his affair with a Russian spy after two previous attempts ended in a hung jury and a mistrial. Mr. Schiff clearly hopes today to raise his meager profile as one of 53 California congressmen by riding his party's Trump neurosis to a shot at a U.S. Senate seat.

Adam Schiff and Carter Page both have cluelessness and ambition in common.

Appearing recently on the same ABC News show as Mr. Schiff, Sen. Marco Rubio noted puckishly of the Senate's own investigation: "No one's out there trying to turn this into a way to get famous."

Uh huh. No one also doubted Mr. Rubio was accurately summarizing Washington's fast-hardening consensus on Mr. Schiff.

Few memes have died so sudden a death as the Trump-is-a-Russian-mole meme, with his Syria strike, with his administration publicly accusing Russia of "complicity" in the nerve-gassing of civilians.

The Trump presidency is coming into focus. Astonishing are the headlines pronouncing it "astonishing" that Mr. Trump, facing the pressures, constraints and opportunities that other presidents face, is acting more or less like other presidents. Isn't this where his admittedly steep learning curve was always likely to lead?

If the House Intelligence Committee wishes to continue its descent into circushood, by all means accommodate Mr. Page—now styling himself a pro-Russia "dissident" whom the Obama administration sought to persecute—and his desire "eagerly" to testify. At least his offending Moscow speech took place after the Crimea grab, when it was no longer U.S. policy to promote business dealings with Russia, an important threshold that Democrats anachronistically refuse to acknowledge (and which never applied to Paul Manafort but does apply to the completely ignored Russia dealings of the Podesta brothers).

Then again, the committee might resume its original mission of investigating Russia's shamolic propaganda efforts in the U.S. election, rather than peddling conspiracy theories about minor members of the Trump entourage.

LETTERS TO THE EDITOR

A Swedish Blacklist Finds the Perfect Victim

Regarding Sohrab Ahmari's "Sweden Blacklists an Antiabortion Midwife" (op-ed, April 11): In his theory of violence, René Girard (1923-2015) says the unanimity of the crowd transfers their societal sins on a single victim, or a scapegoat, and then lynches or exiles their victim, thereby restoring order and harmony to the group. It is popular to obtain this status of victimhood.

The midwife in this case is the perfect scapegoat, one in whom the Swedes under her can attack for her sin of voicing a countercultural opinion. She has essentially had her career murdered and peer pressured into "expelling" or banishing herself from the country by moving to Norway.

The second scapegoat is the unborn child, voiceless and readily available to bear the sins of society,

especially the sins of restraining "choice," and being an overall inconvenience and burden to the mother.

In ancient Rome, the father had the complete "right" of life or death over every member in his household, including newly born children. In our time, it is now the mother who has this complete "right" over her household, in this case her body, and this right triumphs over any outlier voice like that of the midwife, or other voices with pesky religious and moral qualms.

It will be interesting to watch Sweden in the future, considering that they have another group claiming victim status: the new Muslim immigration population. This population has a very different perspective on abortion than the secular Swede.

KRISTIN A. VARGAS
Fort Worth, Texas

Fighting Fuel Economy Will Cost Car Makers

The president's reopening of the fuel-economy standards is a slam dunk for the future of international auto makers ("Auto Makers Face Emissions Fight," Business News, April 10). By joining forces with the American domestics to fight MPG standards, more-efficient foreign brands will dominate the market when consumers flock to their higher-mileage vehicles while Detroit pulls back on fuel efficiency. Over the years, American car makers' myopic actions and planning have contributed to the evisceration of the U.S. auto industry. Rolling back standards isn't a boon for American auto jobs.

The fleet-footed, consumer-centric Asian and European manufacturers, soon to be followed by the Chinese, will put the nail in the coffin of U.S. auto dominance as they continue to innovate. The "can't do"

philosophy of the U.S. auto makers isn't only un-American, but sadly serves as a testament of the technological dominance of foreign manufacturers.

It's too bad for the American worker that the Detroit Three don't believe in themselves. More important, it's too bad for already hard-hit, hardworking Americans who can't afford to pay more at the pump as gas prices creep back up.

JACK GILLIS
Consumer Federation of America
Washington

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OPINION

U.S. Power Can Bring Lasting Peace

By Abdullah Al-Saud

President Trump’s decision to order missile strikes in Syria earlier this month, along with his statement that the country’s future cannot include Bashar Assad, shows that the U.S. will not give the Assad regime and its allies a free hand. These moves instead have encouraged America’s allies, including my country, Saudi Arabia.

The U.S. has been working closely with us for a long time to combat terror groups and to deter Iran and Hezbollah, often in ways

Any apparent lack of resolve only encourages those who do not share America’s noble values.

the public doesn’t see. Our support has been critical, but there are certain definitive actions that only the U.S. can take, certain voids that only the U.S. can fill.

The Kingdom of Saudi Arabia stands by our American ally, as we invariably have. We appreciate the many sacrifices the American people have made in our part of the world, and we understand their fatigue with combat. But the region is still very dangerous. Any perception that the U.S. lacks the resolve to act when necessary only encour-

ages those who do not share America’s noble values to step in.

This happened in Syria, where the Assad regime has waged unrelenting warfare on its people for six years. The Syrian government—supported by Russia, Iran and its terrorist proxies in Hezbollah—has killed hundreds of thousands of Syrians, created one of the worst refugee crises the world has ever witnessed and facilitated the growth of Islamic State.

Iran continues to destabilize the region, both by stoking sectarian tensions and by aiding extremist groups. It is supporting subversive and terrorist activities in the Middle East and beyond, and it has even given sanctuary to the top-ranking leaders of al Qaeda.

Saudi Arabia is sandwiched between Iraq and Yemen, both of which are fighting to determine their future despite Iranian meddling. Iraq is in a struggle against Islamic State while still trying to bridge the sectarian divides Tehran has been exploiting and provoking since the 1979 Iranian revolution. Yemen has been a base for attacks against Saudi Arabia. Its civil war—provoked, fueled and sustained by Iran—has cost thousands of lives while generating political and economic chaos.

Saudi Arabia and the U.S. have a shared view of the situation in the Middle East, and the major elements of our policies largely coincide. This augurs well for the possi-



President Trump with Saudi Deputy Crown Prince Mohammed bin Salman at the White House on March 14.

bility of bringing stability and peace to the region, but we are in for a long slog.

In Syria, our policy is to ensure a diplomatic solution to the crisis through the implementation of the 2012 Geneva I Declaration, which calls for a “transitional government body” with full executive powers that would include members of the present Syrian government and the opposition. Saudi Arabia believes that a political solution and a peaceful transition of power cannot be obtained without the removal of

Mr. Assad. The Syrian people cannot accept or believe in a peace with him in power.

Last year, we stated our willingness to commit ground forces to Syria should the U.S. decide to lead a ground campaign against Islamic State. Our objective would be to liberate territory from these terrorists and ensure that such areas do not fall under the control of Iranian-backed sectarian militias or the Assad regime. Saudi Royal Air Force jets operating out of the Incirlik air base in southern Turkey

have conducted more than 340 strikes against Islamic State targets in Syria as of February.

In Yemen we have rolled back Iran’s attempt to gain a foothold in the region and supported the forces of the elected government. We want the Houthis to commit to a political solution based on United Nations Security Council Resolution 2216. This resolution requires the Houthis to withdraw from areas they have seized, relinquish their arms and cease all activities that properly belong to the government of Yemen.

Saudi Arabia is in the midst of a period of rapid modernization, and the quality of life of our people is our foremost concern. But that quality of life is at risk if we cannot make our region more secure. We will gladly bring our resources to bear on efforts to bring that about, but we have seen that it is only in working closely with the U.S. that our contribution can be truly effective.

We value our alliance with the U.S., and we believe that American power—and the demonstrated willingness to use it judiciously—can change the dynamics in the Middle East for the better. In the end, it is American power, reinforcing and complementing the work of America’s allies in the region, that will bring stability and lasting peace.

Mr. Al-Saud is Saudi Arabia’s ambassador to the U.S.

We Need a New Global Economic Goal: Resilience

By Wolfgang Schäuble

When the financial community gathers for its traditional meetings this weekend in Washington, inclusive growth will be the talk of the town. That economic growth must benefit more people than before has emerged as the answer to rising populism and disappointment with elites.

As a politician from the country with the lowest inequality among large industrial nations, it has always been clear to me that we must prevent societies from growing too far apart. This is now a concern for economic elites as well.

While there is increasing agreement on the goal, there are, as usual, differences on how to get there. I believe we should prioritize enhancing resilience. This is the ability to withstand shocks and to recover from adversity and unforeseen events, and it applies not just to individuals but to countries as well.

Strengthening resilience is a global challenge. And it isn’t just

a concern for economists. Economic, financial, social and political aspects are interlinked. Citizens and companies enjoy better and safer job opportunities and a more conducive business climate when they live in a sustainable environment. Growing confidence and prosperity provide strong foundations against protectionism, populism and nationalism.

Resilience, therefore, is essential to bolstering our free and open market economies for the benefit of all.

Germany, as the current president of the G-20, has made resilience one of its main objectives. At the meeting of G-20 finance ministers and central-bank governors last month in Baden-Baden, we agreed on a set of “resilience principles.” Now it’s up to each member to work up its own specific agenda.

The timing for this is good. The global economic outlook is brighter. Growth prospects in many advanced and emerging economies have improved. There is no need to deliberate further fiscal or mone-

etary stimuli. We can now start tackling all the unresolved issues on our way to sustainable, long-term growth, to improve the fundamentals that deliver better opportunities for all.

Empowering people to bounce back after a crisis is the best response to rising populism.

Increased spending now would achieve the opposite result. Only structural reforms would unlock the potential for innovation and the efficiency gains of competition, locally and globally. Let’s not put them on the back burner again.

To achieve financial resilience, we must tackle the unresolved debt overhang. Public and private debt around the globe is too high and progress on debt reduction is too slow. High debt is mirrored by asset-price bubbles that pose increasing systemic risks.

In many advanced economies, public indebtedness is the most pressing issue. In some emerging markets, private debt is the main problem. Some countries have both. National governments must implement country-specific measures to tackle these risks. Deleveraging will enhance resilience everywhere.

For monetary resilience, it’s important to realize that monetary policy has reached its limits. In many countries, fiscal consolidation and reform efforts have slowed down. In turn, monetary policy has taken on too much of the burden of dealing with too-high debt and structural shortcomings. Negative side effects continue to grow so long as ultraloose policies persist. Monetary normalization should not be unduly delayed.

Social resilience may be the trickiest of all. There are some core ingredients that would help us succeed.

Sound public finances would allow a political system to cope with unforeseen events. This means concentrating on core services that en-

hance people’s opportunities and their ability to deal with change. Good infrastructure, strong public-education systems and adaptable labor-market institutions would also help bring people into work and to provide opportunities.

We also need a tax system where everyone pays their fair share. This requires international cooperation. Our work against large corporations taking advantage of tax havens is one example of this.

With sound public finances and fair taxation, you don’t need another social-welfare debate on more redistribution. In most Western countries, we already have a heavy burden of welfare spending that undermines productive spending and the government’s ability to support social resilience.

People want opportunities and participation, not alms. A political system that enhances opportunities is the best precondition to achieve sustainable growth for all in the long run.

Mr. Schäuble is Germany’s federal minister of finance.

Turkey Leads a Global Authoritarian Trend

It has been another bad week for liberal democracy.

In France, a late surge by Jean-Luc Mélenchon raised the hitherto unthinkable prospect of a presidential runoff between the candidates of the hard left and the far right, both of whom have pledged to withdraw from NATO and institute a pro-Russian foreign policy.

Meanwhile, Turkey’s President Recep Tayyip Erdogan narrowly prevailed in a referendum that would amend the constitution to grant him sweeping new powers, opening the door to authoritarianism with a thin democratic veneer.

The conduct of the referendum illustrated the difference between mere majoritarianism and real liberal democracy. The Organization for Security and Cooperation in Europe declared Monday that the vote took place on an “uneven playing field.” The referendum was

held under the state of emergency declared after the failed July 2016 coup, which led to the arrest and prosecution of more than 100,000 citizens, the dismissal of more than 150,000 civil servants, and the dissolution of nearly 1,600 civil-society organizations. Since then, 150 journalists have been jailed and 158 media outlets have been closed, including 60 radio and television stations and 19 newspapers.

During the referendum campaign, government authorities used emergency powers to curtail freedom of expression, assembly and association. Many “no” campaigners were assaulted, the OSCE reports, and large numbers were arrested on flimsy charges such as insulting the president.

As the vote was under way, Turkey’s election authorities announced they would accept ballots that didn’t meet the normal standard for validation.

The Turkish judiciary has primary responsibility for administering referendums. But in the nine months since the attempted coup,

almost a third of the country’s judges and prosecutors have been dismissed on allegations of harboring sympathy for Fethullah Gülen, the exiled religious leader that the Erdogan government has fingered as the coup’s mastermind.

A leaked document from the European Union’s intelligence unit found that Mr. Gülen hadn’t ordered the coup and that President Erdogan had used the postcoup purge to tighten his grip on power.

The referendum’s content was no more compatible with democratic principles than its process. In a Brookings report, Sinan Ekim and Kemal Kirisci concluded that the constitutional changes will “institutionalize a populist, one-man system that jeopardizes legislative and judicial independence and consolidates them in the office of the president.”

The new constitution abolishes the prime minister’s office and transfers his duties to the president, who may issue decrees carrying the force of law on political, economic and social issues. The president will also have the power to establish and abolish ministries and appoint and fire ministers, all without legislative review.

Other changes significantly increase the president’s power to select senior members of the judiciary

and ram measures through the legislature with a simple majority.

Turkey exemplifies the process by which populist democracy can turn authoritarian. Begin with a charismatic leader whose blend of assertive nationalism and traditional values mobilizes rural conservatives against the more liberal

Today Erdogan. Tomorrow Orban in Hungary. What happens the day after that?

cities. Chip away at constraints in government and civil society. Attack enemies, foreign and domestic, to divert attention from inevitable political and policy failures. Seize on security threats to purge the opposition and legitimize hard-to-reverse constitutional changes concentrating power in the leader’s hands.

Today Mr. Erdogan of Turkey. Tomorrow Viktor Orbán in Hungary. And the day after?

This said, the West bears a measure of responsibility for what transpired. The EU had a historic opportunity to bring Turkey more securely into the democratic fold. Early in the accession process, Mr. Erdogan’s government took con-

crete steps to make its institutions and policies compatible with European democratic norms.

But European leaders dragged their feet, signaling reluctance to bring the talks to a successful conclusion. Many Europeans, I believe, were hesitant to admit a Muslim nation into their club. Beneath the surface of secularism lies a civilization that has not shed its Christian roots.

When Mr. Erdogan decided that Turkey was unlikely ever to be allowed to enter the EU, his incentive to restrain his authoritarian impulses waned. From then on, he was a motive waiting for an opportunity, which the tragically stupid leaders of the 2016 putsch gave him.

Completing the circle of enablement is the U.S. If President Obama was ambivalent about democracy promotion, President Trump is indifferent to it. His warm embrace of Egyptian President Abdel Fattah Al Sisi during his visit signaled this attitude, and Mr. Trump’s congratulatory postelection telephone call to Mr. Erdogan confirmed it.

International pro-democratic forces must now rally to the defense of democracy wherever it is threatened. For the foreseeable future, they must do so without the support of the U.S. government.

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LIFE & ARTS

MUSIC REVIEW

Expanding New Orleans Jazz

BY LARRY BLUMENFELD

THE MUSICAL LEGACY of New Orleans leans on contradictory truths. Certain things that have happened—a snare-drum figure, a familiar call-and-response—will always happen. Yet nothing stays the same. The city’s sonic signature is clear, but this identity can’t be reduced to a single style.

Four new releases from New Orleans musicians, all recorded in the city, build upon celebrated traditions in both subtle ways and as springboards for new concepts.

“So It Is” (Legacy), out April 21, represents the second release of all-original music from the Preservation Hall Jazz Band, long known for playing classic repertoire in its historic French Quarter hall. Bassist Ben Jaffe, who plays tuba on one track here, and whose parents, Allan and Sandra Jaffe, established the hall, has experimented with this septet’s possibilities for a decade. This album was inspired by the band’s 2015 trip to Cuba, yet that influence is overt only through the rollicking beats and blaring horns of “Santiago,” and on “One Hundred Fires,” which infuses a dirge, the slow crawl of New Orleans jazz funerals, with a habanera rhythm. The Preservation Hall band didn’t Cubanize its concept. Rather, the Cuban experience deepened the band’s focus on rhythm, and its intensity. Thus, for instance, the deep groove from cowbell and hand percussion that begins “Convergence,” which ultimately sounds like fiery soul-jazz.

Few traditions are as elemental to New Orleans life as Sunday second-line parades, during which brass bands lead finely attired Social Aid & Pleasure Club members and followers for hours at a stretch. “On the Spot” (Tru Thoughts) displays why, 20 years after the group’s founding, the Hot 8 Brass Band remains heroic in those streets. Buoyed by the rippling authority of founder Bennie Pete’s sousaphone, the band’s rhythms are loose-limbed, hard-hit-



‘Parking Lot Symphony’ (Blue Note), due April 28, is the new album by Troy Andrews, better known as Trombone Shorty.

ting and informed by modern funk and hip-hop. Like forebears such as the Dirty Dozen and Rebirth brass bands, the Hot 8 bridges past with present. The classic dirge “St. James Infirmary” features clarinetist Michael White, a New Orleans traditionalist with whom the band began collaborating a decade ago, in the wake of citywide devastation. Crowd-pleasing pop-song covers include a cleverly syncopated “Annie Mae,” dedicated to the late singer Natalie Cole. Best are the originals, such as the title track, composed during a break during a recent parade. Here, rhythms shimmy like a savvy street dancer and the horns play tight harmonies that glow like strong sunshine.

Trombone Shorty earned his nickname as a boy in the Tremé neighborhood, mastering an in-

strument he could barely lift during parades. Back then, Troy Andrews (his real name) played sousaphone, too, as he does during “Tripped Out Slim,” a brief but bracing track on his new album, “Parking Lot Symphony” (Blue Note), due April 28. If that sousaphone nods to second-line tradition, it also undergirds a sound Mr. Andrews created—gleaming, graceful, slightly gritty and distinctly modern. He is a seductive singer, but Mr. Andrews’s most compelling voice still comes via brass instruments (he’s equally skilled on trumpet and trombone). On this album, multi-tracked, he plays several instruments, including keyboard and guitar, tracing forms that get boldly colored in by his Orleans Avenue band. The Allen Toussaint song “Here Come

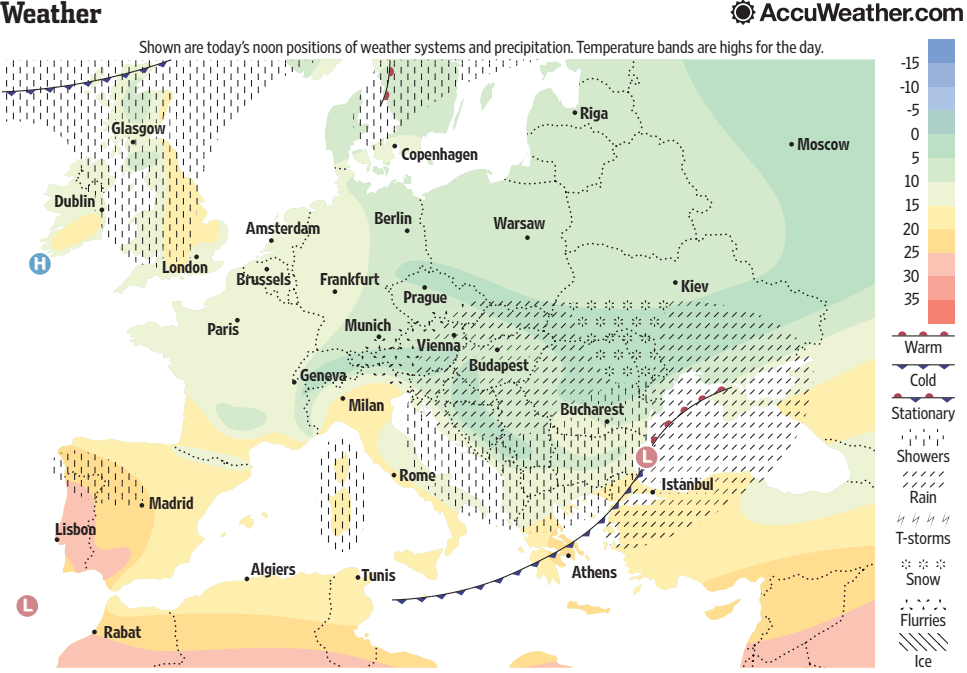
the Girls” and the Meters classic “It Ain’t No Use,” included here, reflect the formula to which Mr. Andrews most clearly aspires as a composer: memorable melodies and compelling hooks that suggest stories. He often hits that mark, even through dirges that begin and end the album. The intriguing layers and fleeting dissonances of the closer, “Laveau Dirge Finale,” suggest further inventions to come.

On “Ruler Rebel” (Stretch Music/Ropeadope), trumpeter Christian Scott aTunde Adjuah begins one track, “New Orleanian Love Song,” with a long tambourine rattle—the call to action of the Mardi Gras Indians, perhaps the most inscrutable of New Orleans indigenous cultural groups. This tradition, in which Mr. Adjuah was raised, reflects African influence.

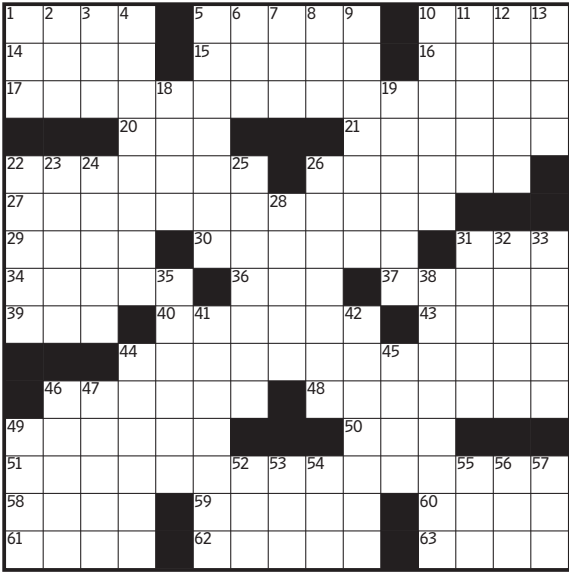
So does the drum kit played by Joe Dyson Jr., which includes West African djembe and dundun drums in place of bass drum and toms. Another drummer, Corey Fonville, plays a kit augmented by electronic SPD-SX pads, de rigueur in hip-hop circles. Mr. Adjuah fuses a distant past, jazz’s precursors, with an of-this-moment sonic feel. His music has reached a point of dazzling refinement—a dense, richly textured blend of acoustic and electronic elements in which foreground and background subtly shift focus. His trumpet playing, which often sounds majestic, never steals the spotlight. It commands from deep within.

Mr. Blumenfeld writes about jazz for the Journal. He also blogs at blogs.artinfo.com/blunotes.

Weather



The WSJ Daily Crossword | Edited by Mike Shenk



BALLPARK FIGURES | By Gabriel Stone

- | | | |
|--|--|---|
| Across | 26 Verified to be functional | 44 Automatic rifle that fires M&M's? |
| 1 What nociceptors sense | 27 Parts of excellent wind farms? | 46 Portuguese island group |
| 5 Expos | 29 Duty | 48 Gave the brushhoff |
| 10 Litmus reddener | 30 Stiff drink | 49 Debut pop album of 1991 |
| 14 Capitol figure | 31 Org. with a zombie apocalypse preparedness web page | 50 Hermana de la madre o el padre |
| 15 Easy ____ | 34 Dozen for a darling | 51 Signs of an upcoming precipice? |
| 16 Commanded, quaintly | 36 Leaf lifter | 58 Zebra's mother |
| 17 Lessens a person's drink tab? | 37 Hiccups stopper | 59 Betelgeuse setting |
| 20 Innsbruck interjection | 39 In advance of, archaically | 60 Largest island in the Tuscan Archipelago |
| 21 Company that offers little training | 40 Fits, e.g. | |
| 22 "Did you start without me?" | 43 J.Lo's 2017 beau | |

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

- | | |
|-------------------------------|---|
| 61 Flirtatious fellow | 26 Mini mints |
| 62 Scoring speeds | 28 Exchange, as angry words |
| 63 Vaudeville bit | 31 Guyana native |
| Down | 32 Queen's attendant |
| 1 Paw part | 33 Gave over |
| 2 Make known | 35 Star of 1965's "Genghis Khan" |
| 3 Solemn promise | 38 Heads for the produce aisle? |
| 4 Indians' neighbors | 41 Special magazine edition |
| 5 Ring setting | 42 Steven of the New Jersey Devils |
| 6 Pale wood | 44 Grant |
| 7 Arctic explorer John | 45 Bankrupt |
| 8 Decrease | 46 Put at rest |
| 9 Like a 3-4-5 right triangle | 47 Mobutu Sese Seko's nation |
| 10 Brothers' keepers? | 49 High point |
| 11 Portrayer of Alfie Elkins | 52 Verb for you |
| 12 Wasted gas | 53 Brink |
| 13 Wooded valley | 54 Dizzy Gillespie specialty |
| 18 "Get lost!" | 55 Bugling beast |
| 19 Flight features | 56 Stat inserted into this puzzle's long Across answers |
| 22 In advance of, archaically | |
| 23 Inconsequential | |
| 24 Not free | |
| 25 Gofer's workload | 57 Plopped down |

Previous Puzzle's Solution

ABBY	ASTO	SMART
GREENSPAN	HOBOS	
HOTPOTATO	ARENA	
ANT	SIR	AVATAR
STOLEN	KISSSES	
TIERA	SCAT	ISLAM
ITCH	EURO	ERA
POACHED	FLOUNDER	
ERR	OLIO	SRA
ZETA	INGA	ROBS
SQUASH	RACKET	
ATRIUM	NAB	SIA
SUEDE	CROSSCOURT	
INFER	ALLI	TRUE
SAISY	RIEDO	SEITS

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BUSINESS & FINANCE

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Thursday, April 20, 2017 | B1

Euro vs. Dollar 1.0714 ▼ 0.15%

FTSE 100 7114.36 ▼ 0.46%

Gold 1281.40 ▼ 0.80%

WTI crude 50.44 ▼ 3.76%

German Bund yield 0.206%

10-Year Treasury yield 2.202%

Akzo Sets Plan to Dodge Takeover

By Christopher Alessi

LONDON—Paint and chemicals giant **Akzo Nobel NV** on Wednesday boosted dividend payouts to shareholders and set a timeline for the separation of its specialty-chemicals division, the latest in the Dutch firm's efforts to fend off a \$24 billion takeover approach from U.S. rival **PPG Industries Inc.**

Akzo said the unit's separation from its paints and coatings operation would take place within the next 12 months. The company plans to pursue a dual-track process to have the option to either spin off the business as a separate listed entity or sell it outright.

"We believe this plan cre-

ates superior value" to the PPG offer, Akzo Chief Executive Ton Büchner said Wednesday. "It has significantly less uncertainty."

Akzo announced last month that it planned to separate the business, when it disclosed PPG's interest. Akzo has since rejected a second, sweetened offer by PPG of €88.72 (\$94.70) a share, up from an initial bid of €83 a share.

Mr. Büchner said the "vast majority" of net proceeds from the separation of the specialty-chemicals business would be returned to shareholders.

Pretax proceeds of the separation could be roughly €8 billion, according to analysts at Bernstein Bank.

The company said it is



Akzo is being hunted by PPG.

targeting increased shareholder returns and plans to issue a €1 billion special dividend to shareholders in No-

vember, as well as a 50% increase in the regular dividend, to €2.50 a share.

Details of the new strategy come as Akzo is warding off an effort by some of its largest investors, including activist investor Elliott Management Corp., to push the Amsterdam-based company to engage in negotiations with Pittsburgh-based PPG.

Elliott last week called for a special meeting of Akzo's shareholders to try to oust the chairman of the supervisory board. Akzo responded that it strongly supported Chairman Antony Burgmans and would reject an agenda item seeking to dismiss him.

The company hasn't yet said whether it will agree to hold the extraordinary meet-

ing. At an investor event Wednesday, Mr. Büchner declined to answer questions from an Elliott representative about how Akzo could reject an agenda item before deciding on whether to hold the extraordinary general meeting.

"The supervisory board has unanimously decided in favor of the approach we are taking," Mr. Büchner said.

He used the investor event to outline in detail the strategy for either spinning off the specialty-chemicals unit or selling it.

Afterward, Mr. Büchner said there was an "initial positive reaction" from investors he

Please see AKZO page B2

◆ Akzo's basic pitch against a deal hasn't changed..... B8

Arconic Race for New CEO Heats Up

By Bob Tita
And David Benoit

The abrupt departure of Klaus Kleinfeld as **Arconic Inc.**'s chief executive officer this week opens a new chapter in the battle over leadership at the aerospace and auto-parts supplier—and gives next month's board election added urgency.

David Hess, who was appointed as interim CEO on Monday, is a candidate for director but hasn't indicated whether he wants the top job.

But **Elliott Management Corp.**, the activist hedge fund behind the monthslong campaign to oust Mr. Kleinfeld, is already pushing its own choice: Larry Lawson, a one-time chief executive at aerospace supplier **Spirit AeroSystems Holdings Inc.** who also held senior roles at **Lockheed Martin Corp.** In addition, Elliott is seeking four board seats, on top of the three directors it suggested last year.

The stakes are high as Arconic is a key part of the global aerospace supply chain, with Airbus SE and Boeing Co. forecasting demand over the next 20 years for more than 33,000 new jetliners valued at more than \$5 trillion.

Most will include parts made from Arconic's aluminum and specialized metals, but jet makers are pushing suppliers to cut prices.

With the CEO role unsettled, Arconic shareholders on May 16 will likely be selecting the board members in charge of picking the company's next leader. There are five seats out of 13 currently up for election.

Both slates of potential directors will likely argue they have the trust and experience to make that selection, and the result of the board election could shed light on who will win the CEO post.

"The momentum [in the proxy contest] is still with Elliott," said Josh Sullivan, an analyst for Seaport Global Securities. "But the board is in a better position now without Klaus. David Hess has the skill set and he's relatively new to the board, so it's not like the company's strategies are all his."

Mr. Hess, who was recruited by Mr. Kleinfeld, initially arrived at Arconic last month as the proxy fight with Elliott was intensifying. He has more than three decades of experience managing aerospace businesses, including **United Technologies Corp.**'s Pratt & Whitney jet engine unit, a major Arconic customer. Mr. Kleinfeld said during a recent interview before his ouster that he had wanted Mr. Hess to join the board for years because of his deep knowledge of

INSIDE



EMIRATES CUTS FLIGHTS TO U.S.

BUSINESS NEWS, B3

FOR U.K. FIRMS, BREXIT BUMP MAY BE OVER

FINANCE & MARKETS, B7

Heed the Warning In Bond Markets

Do bond investors know something other market participants don't? The 10-year U.S. Treasury yield has hit a five-month low, and has broken decisively out of its recent range—to the downside. But stocks, corporate bonds and emerging markets are acting like nothing has changed.

The bond-market reversal has been swift. Ten-year U.S. Treasury yields have fallen around 0.4 percentage point in just six weeks and stood at



HEARD ON THE STREET
RICHARD BARLEY

about 2.21% on Wednesday morning in New York; the 10-year German yield is back below 0.2% and Japanese 10-year bonds yield zero. The U.S. yield

curve has flattened, with the gap between two-year and 10-year U.S. yields narrowing back to its pre-election level. That could signal concern about the economic outlook. Headline inflation may have peaked, and hard growth data have failed to match the lofty heights suggested by surveys of economic sentiment, particularly in the U.S.

Yet corporate-bond spreads have remained tight even as Treasuries have rallied; U.S. stocks are moving broadly sideways, with European stocks winning favor. In emerging markets, risk appetite looks alive and well, with bonds and stocks taking the softer U.S. dollar and lower yields as encouragement to push higher, not a reason to sell off. Global growth still seems to be in decent shape.

A combination of political risks and shifts in positioning may lie behind this disconnect. In the U.S., there is disappointment about the lack of progress on tax and spending policy under President Donald Trump; in Europe, anxiety is high ahead of a potentially disruptive French election that is too close to call. North Korea and Syria are geopolitical flashpoints. All of that supports havens such as Treasuries.

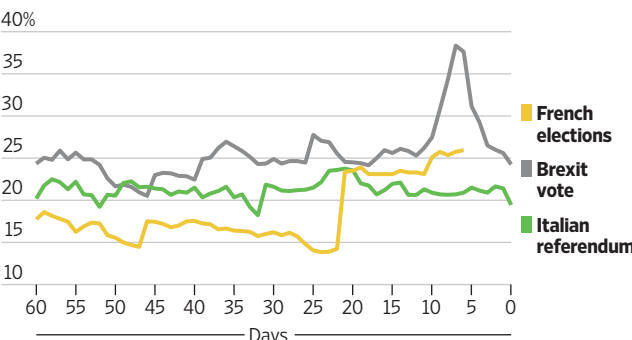
Moreover, investors who were betting on higher yields have been wrong-footed, and bearish positions have been unwound as yields have fallen. Ultralow rates elsewhere make Treasuries look appealing.

In the near term, politics are more important than economics. The first round of the French elections is an important hurdle for markets to surmount. What would be more worrying for risky assets would be a continued rally in bonds if political risks abate. Then the signal from the bond market would be harder to ignore.

Election Fever

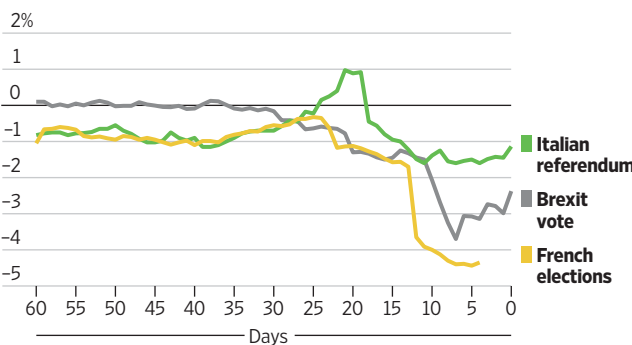
Some investors have bought protection against large stock-market moves...

One-month futures on the VStoxx index of eurozone equity volatility, the eurozone's 'fear gauge,' shown 60 trading days before each event*



...and investors are hedging against swings in the euro-dollar exchange rate

Price of one-month euro-dollar risk reversals, a gauge of how much investors will pay for protection against a sharp move in the currency, in the 60 trading days leading to each event†



*Through April 18; the VStoxx is based on Euro Stoxx 50 options prices

†Through 3 p.m. EDT April 18; negative numbers mean investors are paying more to hedge

Source: Thomson Reuters

THE WALL STREET JOURNAL.

Investors Fear a French Nightmare

Candidate's sudden rise causes worry about a far-left vs. far-right choice in election's second round

By Mike Bird
And Christopher Whittall

With the start of the French election just days away, investors are contemplating their nightmare scenario: a choice between far-left and far-right candidates.

In recent days, a surge in opinion polls has placed Jean-Luc Mélenchon, a left-wing firebrand who promises higher wages and fewer working hours, as a potential candidate to move past this Sunday's first round of voting. That

could set up a second-round vote on May 7 with Marine Le Pen, an economic nationalist who wants to pull France out of the euro.

Most analysts still expect a mainstream candidate to make it through to the second round and eventually clinch the presidency. But Mr. Mélenchon's sudden rise has spooked investors just five days before voting kicks off.

A runoff between Ms. Le Pen and Mr. Mélenchon "would be a disaster for France...[and] a disaster for

Europe," said Patrick Zweifel, chief economist at Pictet Asset Management.

Under that scenario, investors would dump the debt of France and of weaker European economies and send the euro sharply lower, analysts say.

Investors recently have been selling French stocks and bonds, and the cost of insurance against a sharp fall in the euro, as measured by so-called one-month risk reversals, hit levels seen at the height of the Continent's sovereign-debt crisis in 2011.



Far-left candidate Jean-Luc Mélenchon has surged in recent polls, raising the potential of a second-round fight with Marine Le Pen.

Former Money Whiz Tries to Regain Edge

By Juliet Chung

BOSTON—Jack Meyer trounced rivals when he ran **Harvard University's** endowment in the 1990s. But as a hedge-fund manager, he is struggling.

His **Convexity Capital Management LP** has lost \$1 billion of its clients' money over the past few years as once reliable options trades backfired. Investors pulled more than \$3.5 billion from the bond shop last year, its fifth down year in a row. The firm laid off a tenth of its staff in recent months.

Despite the setbacks, the 71-year-old Mr. Meyer isn't giving up.

In conversations with clients, Mr. Meyer blames calm markets for Convexity's string of poor returns and says he expects investment opportuni-

ties to improve. "I just don't think it's time to quit," said Mr. Meyer in an interview recently at Convexity's offices high above Boston. He is the firm's chief executive.



Jack Meyer ran Harvard University's endowment in the 1990s.

Mr. Meyer has often told smaller endowments and foundations that ask for advice to index 75% of their assets and use board connections to access world-class active man-

agers for a sliver of their portfolios. He says he used to think 80% of active managers didn't add value but now thinks it is closer to 95%.

Convexity is in that remaining 5%, he said.

Convexity's founders and partners have discussed periodically whether to close the firm, according to people familiar with the matter. Mr. Meyer said none of the conversations has gained traction because Convexity's partners still believe the fund adds value over the long term.

He acknowledged the decision might not be entirely theirs.

"It is possible that three months from now we could say, 'Whoa, this is getting worse, not better, and our assets are dropping faster than we thought they would,'" he said.

"We would have to do it

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POLLS

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Ms. Le Pen against a candidate from the political mainstream, either François Fillon, a center-right former prime minister, or Emmanuel Macron, a former economy minister.

Analysts believe that either would beat Ms. Le Pen in a second round, as voters of different political stripes coalesced around a candidate that wasn't the **National Front** leader.

But the rise of Mr. Mélenchon has scrambled those calculations. He moved into third place in several polls, passing Mr. Fillon.

"The problem is we have a four-horse race where statistically it is a bit too close to call," said Mark Dowding, co-head of investment-grade debt at Blue-Bay Asset Management. "We're just sitting on our hands waiting, because we aren't able to discount a low-probability but high-impact event."

The prospect of a victory for Ms. Le Pen, however distant, has long spooked markets. Ms. Le Pen's desire to pull France out of the eurozone has raised concerns that the entire bloc could unravel. These worries already have hit the debt of Portugal, Italy and other so-called peripheral economies.

Mr. Mélenchon doesn't favor exiting the euro, but some

policies he advocates would affect the currency bloc. He wants to scrap the Stability and Growth Pact, which limits deficits in the eurozone.

In a runoff between Mr. Mélenchon and Ms. Le Pen, the sort of trading that hit markets during the eurozone's sovereign-debt crisis, including extreme volatility in the euro and a selloff in the bonds of weaker members, would re-emerge, some analysts predict.

Among other policies, Mr. Mélenchon favors granting a sixth week of annual vacation; encouraging a four-day, 32-hour workweek; raising the minimum wage; and reducing the retirement age. These measures would weigh on French businesses and act as a drag on economic growth, analysts say.

To be sure, most analysts believe that, despite the polls, a Mélenchon-Le Pen runoff won't happen. Even if one does win the presidency, their ambitions could be capped by France's parliament, these analysts say.

"It's all very well having a mandate in the presidential election, but you need support in the national assembly too," said Philip Shaw, an economist at Investec. Elections to the assembly will be held in June.

But a runoff between Mr. Mélenchon and Ms. Le Pen is "still the one scenario that markets will worry about most," he added.

U.S. firm said.

Mr. Büchner has repeatedly refused to engage with PPG management, calling the takeover offer inadequate.

Akzo on Wednesday also reported financial results for the first quarter and outlined fresh guidance for the current year, saying it expects earnings before interest and taxes to rise by roughly €100 million in 2017. That compares with EBIT of €1.5 billion last year.

The company said quarterly net profit stayed flat year-over-year, at €240 million, even as EBIT climbed by 13% to €376 million because of volume growth and cost discipline.

Quarterly revenue rose 7% to €3.67 billion, mainly as a result of higher volumes and acquisitions.

New CSX Chief Signals Changes

Harrison starts with scrapping hump yards, a move out of his turnaround playbook

By PAUL ZIOBRO

Barely a month into his job leading **CSX Corp.**, Hunter Harrison is already executing some signature moves from his railroad-turnaround playbook.

First among them: doing away with hump yards, longtime rail fixtures where long trains are broken down into individual cars by pushing them over a hill, then letting gravity send them down different tracks. From there, they are reassembled and sent to their next destination.

Mr. Harrison joined CSX last month, and the Jacksonville, Fla., company has already closed four humps, in Georgia, Kentucky, Ohio and North Carolina, according to a CSX spokesman. Mr. Harrison has said such facilities are inefficient because of the time-consuming way they work and the high costs of manning and maintaining them.

Mr. Harrison is instead implementing "flat switching" at those yards, where locomotives are used to break down and assemble trains. The process is aided with another feature of precision railroading that calls for sorting train cars into blocks, or preblocking, as they are picked up from shippers. The blocks are more organized than the jumble of cars that typically arrive at hump yards, which makes for faster swapping and assembly, cutting days off haul times, according to railroad experts.

"Hump yards are very complicated and expensive and work when you're bringing things in from lots of directions," said Anthony Hatch, an independent railroad analyst.

Boxcar Shuffle

Freight-train cars are grouped at rail yards using different processes.

Hump yard

1. A locomotive pushes cars down a slope, usually one at a time to reduce speed.

The locomotive makes shorter trips, which can speed up sorting when the cars are not grouped.

Flat switching

Train cars are pushed by a locomotive — frequently in groups — to the assigned track.

This method can speed sorting of grouped cars because large groups of cars can be moved at once.

Sources: Journal of Transport Literature, Analysis of rail yard and terminal performances, Marin Marinov; Leonardo Di Giovanni; Giulia Bellisai; Julian Clevermann; Anastasia Mastellou; Diogo Victoria; Lalka Deleva; Norfolk Southern Corporation

2. Retarders slow the car's descent to avoid damage, while insuring cars travel fast enough to reach their groupings.

3. Gravity carries the cars downhill to the assigned track.

There is less equipment involved in flat switching, reducing maintenance.

THE WALL STREET JOURNAL.

"The more you do preblocking, the more you don't need the complexity-solving machine that is a hump yard."

CSX, which was expected to report first-quarter earnings on Wednesday, is bracing for more changes from Mr. Harrison. A railroad veteran who staged turnarounds at Canadian National Railway Co. and Canadian Pacific Railway Ltd., Mr. Harrison abruptly resigned as Cana-

dian Pacific's chief executive in January, then became CEO at CSX on March 6 following an unusual boardroom battle.

He succeeded CEO Michael Ward, who was nearing retirement when activist hedge fund Mantle Ridge LP and Mr. Harrison approached CSX. Mr. Harrison, 72 years old, has spent his first weeks at CSX meeting with various departments, but he has held off on any pronouncements regarding his overall plan for

RACE

Continued from the prior page
the aerospace and metals industries, with a record of shepherding long, difficult projects, including the development of a new generation of Pratt jet engines.

In the short time left before the election, Mr. Hess, 61 years old, will likely stay the course set out by the departed chief, industry analysts say, by focusing on relationships with large customers and developing new products for Arconic, which became a stand-alone company after splitting from Alcoa Corp. late last year.

But Seaport's Mr. Sullivan predicted the board and Mr. Hess will also try to distinguish themselves to shareholders. "He's going to have to make some noise about his capabilities," he said.

Arconic declined to comment, and Mr. Hess wasn't available for an interview.

Mr. Lawson, age 58, has 37 years' experience in the aviation industry, and is currently a consultant for Elliott. The hedge fund's prescriptions for advancing shareholder interests are focused on boosting margins, both through cost cuts and supplying more complex and profitable parts.

Mr. Lawson is credited with turning around Spirit, which builds fuselages and other parts for Boeing and Airbus. He reined in spending and raised prices. From April 2013 to last July, when he was CEO, the company logged a 132% return, while the S&P 500 returned about 50%.

But Mr. Lawson's practice of repeatedly raising prices at Spirit attracted complaints from major customers. He renegotiated several contracts that had left Spirit nursing big



Larry Lawson, Elliott's CEO pick

losses on some programs to make parts for business jets. Industry analysts say his style alienated some colleagues and customers, even though the strategies helped expand margins in the short run. Arconic has said deploying similar tactics with Arconic customers

would undermine its long-term supply agreements.

Spirit declined to comment about Mr. Lawson's time with the company or his pricing strategies, releasing a statement that said it "has no interest in or involvement with Elliott Management and its dealings with Arconic."

Elliott didn't have any comment and declined to make Mr. Lawson available.

Both Messrs. Hess and Lawson have had missteps, notably in relation to building the F-35 Joint Strike Fighter. Under Mr. Hess's watch, Pratt came under criticism from Defense Department leaders for cost overruns for the engine, though these have largely been resolved. Before leading Spirit, Mr. Lawson managed the F-35 jet fighter program for Lockheed Martin at a time when cost overruns forced the program to be reset.

—Doug Cameron contributed to this article.

FUND

Continued from the prior page
[then]," Mr. Meyer said of closing Convexity. He said in a subsequent interview Convexity has no plans to close in three months' time.

The firm now manages about \$4 billion, down from almost \$15 billion in 2013.

Across the hedge-fund industry, many of the biggest names are struggling after years in which stock and bond markets have largely moved in one direction. Many of these managers blame central banks, saying their bond-buying programs have distorted markets and limited volatility.

Managers also say there are simply too many traders and returns will improve when the crowd thins.

So far, the sales pitch has netted uneven results. Investor redemptions helped drive the highest number of hedge-fund closures last year since the financial crisis, according to research firm HFR, even as the industry reached a peak of \$3 trillion in assets under management.

Not long ago, endowments and foundations lined up to invest with Convexity, drawn by Mr. Meyer's run at Harvard. Harvard Management Co. grew from \$4.8 billion when he joined as chief executive in 1990 to more than \$25 billion by the time he left in 2005. That success transformed the onetime psychology major at Ohio's Denison University into one of the most powerful investors off Wall

Street. It also turned Harvard into a model for endowment investing and its potential, a rarefied berth also occupied by **Yale University**.

The giant hedge fund Mr. Meyer managed inside Harvard's endowment contributed to Harvard Management's annualized returns of more than

Mr. Meyer has blamed Convexity's drubbing on central banks' bond-buying programs.

14%. "There were \$20 bills all over the sidewalk. We picked them up, and we picked them up on a very consistent basis," Mr. Meyer said. "I sort of look at that as the glory days."

He and a team of traders left Harvard following sustained criticism over their pay; some were among the highest paid university employees in the 2000s. They started trading at Convexity in 2006 with \$6.3 billion, still one of the industry's biggest launches.

Like other hot hedge funds then, clients accepted some stringent terms to get into the firm. One, since relaxed, meant clients couldn't get all their money back until more than five years had passed.

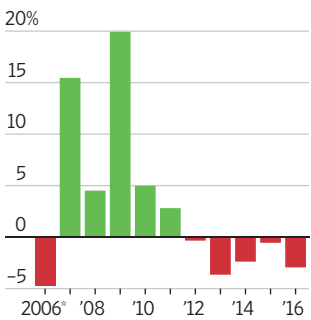
But unlike many hedge funds, Convexity collects performance fees not off its absolute returns but on its results against benchmarks clients choose, such as the S&P 500. That means Convexity's investors may not be charged fees even if the firm makes money but lags behind its benchmarks.

Similarly, Convexity compares its returns with those benchmarks, and could make money for clients when it says it is down and vice versa.

Convexity's strategy is to look for mispricings in bonds, largely in options and options-related markets. It has thrived in environments with rising rates and

Tough Times

Convexity Capital Management net return compared with composite benchmark return



*Feb. 16-Dec. 31

Source: Convexity investors

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BUSINESS NEWS

Hollywood Faces a Strike

TV and movie studios are locked in talks with writers; a repeat of 10 years ago?

By Joe Flint
And Erich Schwartzel

LOS ANGELES—Hollywood is bracing for a sequel that no one in the industry wants to make: a writers' strike.

Almost 10 years after a four-month strike over DVD residuals and digital-platform compensation nearly split the entertainment industry, a new battle is brewing between the Writers Guild of America and the Alliance of Motion Picture and Television Producers, or AMPTP.

The key issues dividing show business this time around include exclusive contracts between writers and television shows, and the guild's health-care plan, which the television and movie studios feel is too exorbitant.

The current contract is set to expire May 1 and talks have broken off until next week. The WGA membership is expected this week to vote for a strike authorization, which allows its negotiators to call a strike.

The labor tensions are exacerbated by the so-called peak TV era. There is more scripted television in production than ever before thanks to the growth of streaming services and more original programming by cable networks. There will be nearly 500 scripted shows produced this year, according to research by 21st Century Fox's FX Networks unit. WGA members say they aren't benefiting from that growth.

Writers must "participate in the windfall we have created in the last five years," said "Mad Men" creator Matthew Weiner in a WGA-released video urging members to vote "yes" for the strike authorization.

Executives who were at the



Nearly 10 years ago, a strike by the Writers Guild of America crippled production for four months.

helm of the networks 10 years ago warn that a prolonged strike would drive viewers away from television and do great harm to the business at a time when viewers are scattered around myriad platforms and maintaining traditional revenue streams from advertising and subscription fees is a challenge.

"It is incredibly damaging to the health of the entertainment community," said Ben Silverman, a television producer and former NBC Entertainment president, adding that a work stoppage "paralyzes the whole industry," including the hundreds of thousands of ancillary nonunion members who work on TV and movie productions.

Neither the WGA or AMPTP would comment on the talks.

Besides situation comedies and dramas, other shows that would likely go dark include late-night fare including CBS's "Late Show with Stephen Colbert." Daytime soap operas, too, would have to put the plot twists on hold. Reruns and reality programming would be tasked to hold down the fort.

Streaming services such as

Netflix and Hulu may be better prepared to endure a strike given their large libraries of content and acquisitions of overseas television shows. Netflix Inc.'s chief content officer, Ted Sarandos, warned investors this week on an earnings call that its original productions would be hurt by a strike.

A strike would come at a precarious time for the television and movie industries. Most television networks are struggling to hold on to viewers and adapt to new technologies. Ratings are down for most cable and broadcast networks this season in viewers and the key 18-49 age demographic. Cable networks are presenting fall schedules to advertisers now, and broadcasters will follow suit in May.

Meanwhile, U.S. movie attendance has remained relatively flat in recent years. Major studios are focusing on big-budget franchise properties that spawn sequels and sell tickets around the world, and the Writers Guild says that consolidation has depressed screenwriters' fees on any movies that don't fit that bill.

While there are more shows than ever, the guild, which represents around 12,000 members, said the average salary of TV writers fell by 23% over the past two seasons. Also, the number of episodes per show has shrunk and is often cut in half or more from the traditional 24-episode order.

"There are more shows, but they don't stick around as long or do as many episodes," said Mike Royce, executive producer of the Netflix series "One Day at a Time," which made 13 episodes in its first season.

Another WGA bone of contention: Some programs force writers to remain exclusive to a show, making it impossible to compensate fewer episodes with other gigs throughout the year.

Health care is also a core issue. The studios and producers argue that the guild has a very generous plan that needs to be reined in. Studios and producers in 2016 put around \$135 million, or 9.5% of funding, into the health-care plan, which was projected to have a deficit of \$18 million last year.

Emirates Reduces Its Flights to U.S.

Emirates Airline, the world's biggest carrier by international traffic, is cutting flights to five U.S. cities after actions by the Trump administration slowed bookings from Middle Eastern countries.

By Asa Fitch in Dubai
and Robert Wall
in London

The Dubai-based carrier's action is the clearest sign of the commercial impact of President Donald Trump's efforts to curtail immigration from several Muslim-majority countries and to limit the use of electronics on some U.S.-bound flights.

"Over the past three months, we have seen a significant deterioration in the booking profiles on all our U.S. routes, across travel segments," the airline said. "Emirates has therefore responded as any profit-oriented enterprise would, and we will redeploy capacity to serve demand on other routes on our global network."

The reduction for nearly half of Emirates' U.S. destinations will start kicking in in May, the airline told its business partners Wednesday, according to a notice seen by The Wall Street Journal.

Citing terrorism threats, the U.S. banned passengers in March from carrying large electronic devices, including laptops and tablets, in cabins on direct flights from several Middle Eastern countries, including the United Arab Emirates. Even before the electronics ban, Emirates had to contend with executive orders from Mr. Trump that blocked the entry of nationals from several Muslim-majority countries. Those orders were blocked by U.S. courts.

"The recent actions taken by the U.S. government relating to the issuance of entry visas, heightened security vetting and restrictions on

electronic devices in aircraft cabins have had a direct impact on consumer interest and demand for air travel into the U.S.," the airline said.

Emirates President Tim Clark said early last month that the travel ban almost instantaneously led to a 35% decline in the pace of bookings on the 12 U.S. routes the airline serves.

Mr. Clark said at the time that while the pace had started to recover, it wasn't clear when things would return to normal. The electronics ban soon followed.

The restrictions aren't limited to any particular airlines but have hit Persian Gulf carriers the hardest. They link many of the countries affected by the visa ban to the U.S. via their Middle Eastern hubs, service other carriers don't offer.

Also, to avoid the electronics ban, transfer passengers from Asia headed to the U.S. on flights of 12 hours or more can opt to fly through hubs in continental Europe.

Emirates' flights from Dubai to Fort Lauderdale and Orlando are set to change from daily to five times a week in May. In early June, the airline plans to reduce flights to Seattle and Boston to once a day from twice a day and it will make a similar reduction to flights to Los Angeles in July.

The company said it would continue to serve its 12 destinations and hopes to reinstate and expand U.S. operations as soon as doing so is commercially viable.

Mr. Trump's restrictions and the ensuing slowdown have prompted speculation among some Middle Eastern officials and airline industry observers that the administration is trying to shield U.S. carriers from competition by putting obstacles in front of Middle Eastern counterparts' expansion in the U.S.

Fox News Host Leaves Network Under a Cloud

By Joe Flint

Fox News announced the departure of Bill O'Reilly in the wake of a sexual-harassment scandal, bringing an end to the popular host's two-decade run at the TV network.

The decision to cut ties with Mr. O'Reilly, a staple of the Fox News Channel since its launch in 1996, is a sea change for both the network and parent company 21st Century Fox.

Mr. O'Reilly is being swept out of Fox News after revelations that he and the company paid settlements to women who accused him of sexual harassment and verbal abuse.

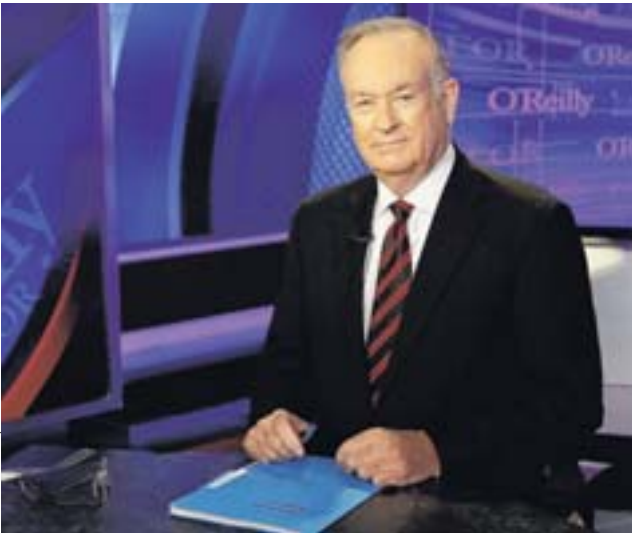
A New York Times report detailing the \$13 million paid to five women who worked at or appeared on his show led to dozens of advertisers boycotting his program and unleashed a wave of negative attention on the company. "After a thorough and careful review of the allegations, the company and Bill O'Reilly have agreed that Bill O'Reilly will not be returning to the Fox News Channel," 21st Century Fox said in a statement Wednesday.

Mr. O'Reilly has denied any wrongdoing, saying he paid settlements to "put to rest any controversies to spare my children." He couldn't immediately be reached for comment on Wednesday. To plug the huge hole in the network's prime-time lineup, Fox News announced it is moving Tucker Carlson up one hour into Mr. O'Reilly's 8 p.m. time slot.

In a memo to employees, 21st Century Fox said the decision followed an extensive review completed in collaboration with outside counsel.

Co-Chairman Rupert Murdoch and his sons, Co-Chairman Lachlan Murdoch and Chief Executive James Murdoch, praised Mr. O'Reilly as "one of the most accomplished TV personalities in the history of cable news" and expressed confidence that the network will continue to be a powerhouse.

"Lastly, and most impor-



Bill O'Reilly has been the object of sexual-harassment complaints.

tantly, we want to underscore our consistent commitment to fostering a work environment built on the values of trust and respect," the Murdochs wrote in the memo.

21st Century Fox and News Corp, parent company of The Wall Street Journal, share common ownership.

Fox News and 21st Century Fox initially seemed willing to weather the storm, even as longtime foes of Mr. O'Reilly and the channel, and activists, seized on the scandal as an opportunity to force his exit. "The O'Reilly Factor" averaged about four million viewers a night, making it one of the highest rated programs in all of cable television.

But inside 21st Century Fox debate grew about whether holding on to Mr. O'Reilly and his ratings was worth the trade-off. Advertisers were withdrawing from his show, and concerns were growing about the message the company was sending by defending Mr. O'Reilly.

Mr. O'Reilly's show had been the anchor of the evening, and his ratings power had boosted viewership for the shows that followed him. To many, he was the face of the network, and it remains to be seen what he may do next.

"He is what people think of when they think of Fox News,"

said Andrew Tyndall, a television news consultant. If Mr. O'Reilly "goes somewhere else, that could be a real threat to Fox News," he said.

Mr. O'Reilly's departure may bring the old-school era at Fox News to an end. Last year, Fox News Chairman and Chief Executive Roger Ailes resigned after he was accused of sexual harassment by multiple women and an internal investigation revealed a pattern of inappropriate behavior toward female staffers. Mr. Ailes denied all of the accusations, and he left with an exit package worth more than \$40 million, a person familiar with the matter said at the time.

After Mr. Ailes's departure, Rupert Murdoch took over as chief executive of Fox News, and his sons, James and Lachlan, pledged their commitment "to maintaining a work environment based on trust and respect."

Mr. O'Reilly is the second major star to depart Fox News this year. In January, Megyn Kelly, who used to follow Mr. O'Reilly at 9 p.m., signed a deal with NBC News. Fox News replaced Ms. Kelly with Mr. Carlson. Mr. O'Reilly, 67 years old, had recently renewed his contract with Fox News at a salary of more than \$20 million annually, people familiar with the matter said.

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Baidu To Share Software For Cars

By Liza Lin

SHANGHAI—**Baidu** Inc. will share software technology it is developing for self-driving cars in a bid to catch up with competitors including **General Motors** Co. and **Waymo**, the self-driving unit of Google parent **Alphabet** Inc.

Open-sourcing Baidu's capabilities in functions such as route planning, vehicle control and operating systems will help Baidu and the autonomous-vehicle industry develop more rapidly, Baidu group President Qi Lu said in an interview.

Mr. Lu said Beijing-based Baidu, best known for its Chinese search engine, is in talks to use its technology with several Chinese, U.S. and German auto makers.

Mr. Lu, a former senior executive at Microsoft Corp., was hired in January as the No. 2 to Chief Executive Robin Li. In that role, he will also oversee Baidu's push into artificial intelligence, which includes self-driving cars.

In his first one-on-one interview since taking the job, the 55-year-old Mr. Lu acknowledged the company had recently lost some of its top talent, including chief scientist Andrew Ng, who announced his resignation in March.

"We certainly wish some of the people you mentioned, especially Andrew, had not left," Mr. Lu said. "They had made tremendous contributions to Baidu," Mr. Lu said.

"At the same time, people do move. In our industry, it's somewhat the norm," he added.

Baidu is betting that the value from autonomous vehicles is centered on collecting and processing data from riders, said Michael Dunne, president of Hong Kong-based Dunne Automotive, an advisory firm that facilitates auto-tech investments between the U.S. and China.

"In five to 10 years, autonomous-driving functions will be standard in the industry, just like power steering. Then, the value will come from the data in the car: what people do, where do they go," Mr. Dunne said.

Baidu hopes the move will help the self-driving-vehicle sector develop more rapidly.

The open-platform concept was tested by **Tesla** Inc. founder Elon Musk almost three years ago, when Mr. Musk decided to offer open access to Tesla patents out of frustration that electric-vehicle sales remained a fraction of total car sales.

A San Francisco startup called Comma.ai began offering its self-driving software online free last year after facing safety questions from U.S. regulators about the company's aftermarket kit designed to give certain **Honda Motor** Co. vehicles semiautonomous features similar to Tesla's Autopilot system. The startup's founder, George Hotz, said his product was aimed at self-driving enthusiasts and researchers.

Still, Baidu competes with a growing list of U.S. technology and automotive companies investing billions to disrupt the auto industry. Google, Apple Inc. and auto makers GM and Ford Motor Co. are among those investing heavily.

"We have huge respect for these companies, but we are taking a different route," Mr. Lu said. "We believe in an open approach, a partnership-centric way, and we believe our knowledge of the China market will be our advantage."

Baidu has dubbed its open-source driving project Apollo, after the U.S. space program that put astronauts on the moon. Mr. Lu said it is on track to deliver autonomous commercial vehicles in 2018 and will mass-produce self-driving vehicles by the end of 2020.

—Tim Higgins in San Francisco contributed to this article.

‘Add-Ons’ Push Up Game Revenue

By Sarah E. Needleman

Forget "game over." Videogames are generating billions of dollars a year in revenue by creating additional characters and stories that players can buy long after a title's launch—the equivalent of selling new chapters to an already completed book.

"Add-ons" are a bonanza for major game publishers: Last year, world-wide spending on add-ons for PC and console games was \$4.78 billion, nearly double 2012's haul, according to SuperData Research, which projects \$5.21 billion in 2017 spending.

"It's the most important trend we've seen over the past five years," said Tim O'Shea, an analyst at Jefferies. "These are incremental dollars that weren't being captured before."

Analysts say add-ons' popularity is a major reason stock prices have more than tripled in the past five years at game giants **Activision Blizzard** Inc., **Electronic Arts** Inc., **Take-Two Interactive Software** Inc. and **Ubisoft Entertainment** SA.

There is a downside, though: With players adding on to their favorite titles and playing them for longer stretches, executives say, it becomes more difficult to produce new blockbusters that stand out.

Here's how add-ons work: A



A digital car garage is an add-on that is offered for the videogame 'Grand Theft Auto Online.'

person buys a game such as EA's "Battlefield 1," typically spending \$60. The customer then spends more for extras, which can range from a 99-cent upgrade such as a special weapon to an "expansion pack" with new stories costing between roughly \$10 and \$40.

Videogame publishers dole out the add-ons at intervals, typically over a year, but may also sell them as part of a package called a "season pass."

Electronic Arts, publisher of popular sports franchises such as FIFA soccer and Madden football, last year generated \$1.2 billion in revenue from

add-ons, including about \$800 million from Ultimate Team, a mode launched in 2009 that players use to create and compete with fantasy-sports teams. Previously, "people would typically buy one of our sports games and play it for two or three months and then probably put it away," Blake J. Jorgensen, EA's finance chief, said at an investor conference in February. "Today, people engage in Ultimate Team for a full year."

In some cases, the payoff from games with longer lifespans can provide cover for new titles that flopped, said Strauss Zelnick, chief

executive at Take-Two.

Take-Two's "Battleborn" game didn't meet the company's expectations when it launched in May last year. Even so, revenue that quarter rose 13% despite no other major releases. The company credited sales of digital add-ons for its Grand Theft Auto games, which were released in 2013 and 2014.

Mr. Zelnick declined to say when a new Grand Theft Auto game might launch. "There is a limited amount of mind share," he said.

Add-ons are part of a shift in the industry toward "games as a service"—a play on the idea of

Hyperloop One Makes Halting Progress

By Georgia Wells and Eliot Brown

The self-proclaimed transportation of the future is running late, short and slow.

Hyperloop One Inc. is delaying and scaling back the first full test of its prototype of trainlike pods that whisk through low-pressure tubes. The company has touted the event as a historic milestone that would showcase the technology and help attract crucial investment.

Last year, Hyperloop One said it would perform the public test—which it called its "Kitty Hawk moment," referring to the Wright brothers' aviation achievement—before the end of 2016. It later put off the deadline to March 31, which it also missed.

Last month, Hyperloop One's general counsel said at a public hearing the company plans to hold a public test of a prototype "by May or June." Meanwhile, it has slashed the length of the test track for the prototype by more than 80%, meaning the technology won't be able to reach the planned top speed of about 750 miles an hour, previously a key feature of the planned public display.

"We're not building an app," says Josh Giegel, Hyperloop One's president of engineering. "It takes more money and time and physical space to build what it is we are building."

Mr. Giegel said the company is on track to extend the test track's size and speed in later stages. A date for the test hasn't yet been set, a spokeswoman said.

The delay and scale-back



Hyperloop One is developing a transportation system involving low-pressure tubes. Above, a company test track near Las Vegas.

are a setback for a company that has been vocal about its aggressive timetable, a selling point in its quest to be the first to bring the high-speed transportation network to life.

One aim of these tests is to fuel interest in the technology among governments and potential developers. Hyperloop One is under pressure to win over these groups because ultimately it is counting on them to build the hyperloop tubes. The Los Angeles-based company would sell components such as the pods.

HyperLoop One is among a handful of startups aiming to commercialize the idea that billionaire inventor Elon Musk floated in 2013 in a paper about transporting people in low-pressure tubes at nearly the speed of sound.

Hyperloop One has raised the most money, signed the

most deals and performed the most testing. Mr. Musk's Space Exploration Technologies Corp. recently built its own low-pressure tube, where other companies tested hyperloop pods.

Despite predictions from transportation-industry professionals that its construction costs will prove wildly understated and the concept impractical, the technology has dazzled venture-capital investors, from whom Hyperloop One has collected about \$160 million.

Last May, Hyperloop One conducted a test of its propulsion system in a high-profile display of its technology. In front of bleachers filled with journalists, investors and family members, a sled zipped down a track in the Nevada desert for about two seconds and crashed into a pile of sand, as intended.

As soon as the test concluded, Hyperloop One executives began touting the next step: Kitty Hawk. In January, Hyperloop One finance chief Brent Callinicos predicted the Kitty Hawk test would "cause a spike in demand" from investors. At the time, he said the company expected to soon raise additional money from investors.

Mr. Giegel favors undertaking more frequent and smaller tests, moving away from Hyperloop One's previous public displays of prowess.

"The quicker we get to testing, the quicker we get to data to influence our design," he said.

He affirmed that the company is still working toward its Kitty Hawk moment—with a complete tube and pod, using levitation technology—but on a shorter track that won't al-

"software as a service," where companies such as Salesforce.com Inc. sell subscriptions to software rather than boxed or downloaded programs that customers pay for once.

Games as a service began more than a decade ago, when broadband made it possible for ambitious games to offer persistently updated worlds, such as Activision Blizzard's "World of Warcraft," a subscription-based game that remains popular today.

More recently, the model has evolved to include services, typically free, such as matching competitors by skill level and contest hosting.

The more time players spend in a game, the more likely they will be to spend on add-ons, analysts say.

Persuading players to put more time and money into the same game can have unexpected consequences.

Activision Blizzard recently said "Call of Duty: Infinite Warfare" underperformed during the 2016 holiday quarter relative to past installments of the hit series. Some fans didn't like the war simulator's outer-space setting. But the company also said many fans were still enjoying the previous year's "Black Ops III," which got free and paid updates throughout the year.

A spokeswoman for Activision Blizzard declined to comment.

BUSINESS WATCH

ADIDAS

Marathon Remark Leads to an Apology

Adidas AG apologized for sending an email to finishers of this week's Boston Marathon that congratulated them for "surviving" the race, a remark some viewed as insensitive after the 2013 bombings at the event. The sportswear maker issued an apology Tuesday on its social media after screenshots of the email subject line ricocheted online. "Clearly, there was no thought given to the insensitive email subject line we sent Tuesday. We deeply apologize for our mistake," the Adidas statement said.

The company has been an official race sponsor and outfitter for decades at the world's oldest continuously run marathon. In 2013, the brothers Dzhokhar and Tamerlan Tsarnaev deployed twin bombs at the race's finish line, which killed three and injured hundreds of others, many of whom lost limbs. Tamerlan was killed in a subsequent shootout with police, while

Dzhokhar was convicted of charges related to the bombing and sentenced to death in 2015.

—Sara Germano

HEINEKEN

Brewer's Net Profit Increases by 11%

Heineken NV, the world's second-largest brewer by sales, reported on Wednesday an increase in its first-quarter profit

as it beat expectations for sales on a stronger-than-forecast performance in Europe.

The company booked a net profit of €293 million (\$314 million), up 11% on the comparable period in 2016. Beer sales edged up 0.6% on an organic basis, helped by Europe and Asia-Pacific.

"Performance in the first quarter was in line with expectations, delivering volume growth against strong comparatives last year,"

Heineken Chief Executive Jean-Francois van Boxmeer said.

Mr. van Boxmeer has expanded the company's presence in fast-growing markets in Latin America and Asia in recent years and strengthened activities in Africa. The company, which gets about two-thirds of its profit from emerging markets, said its full-year expectations remained unchanged.

—Nick Kostov

TESLA

Firm Settles Suit Against Ex-Worker

Tesla Inc. has settled a lawsuit against the former director of its semiautonomous Autopilot system, clearing the way for one of the stars among self-driving cars to build his own company that could become a threat to the Silicon Valley car maker.

Sterling Anderson, who left Tesla in January to form an autonomous vehicle startup with the former head of Alphabet Inc.'s Google car project, was accused by the electric-car maker

of taking proprietary documents and improperly colluding to recruit Autopilot workers.

The lawsuit put a cloud over Aurora Innovation LLC that, given its pedigree, was poised to be of great interest to auto makers and tech companies looking to catch up in the self-driving space.

Both Tesla and Aurora said they reached a settlement agreement on Wednesday. It includes extending a nonsolicitation agreement to Aurora and an audit of the startup's files to ensure that any data allegedly taken wasn't used by Aurora. The startup also agreed to pay Tesla \$100,000.

Aurora called the lawsuit meritless and said the agreement finds no wrongdoing. Tesla said the settlement "establishes a process to allow Tesla to recover all of the proprietary information that was taken from the company, and it provides for Aurora's computer systems to be subject to ongoing audits to monitor for any improper retention or use of Tesla's property."

—Tim Higgins



Adidas apologized for an email sent to Boston Marathon finishers.

FINANCE & MARKETS

Morgan Stanley Profit Soars

Fixed-income division, long a trouble spot, shows progress and outperforms Goldman

By Liz Hoffman

Morgan Stanley rode a boost in debt trading to surpass rival Goldman Sachs Group Inc. and join other big Wall Street firms in posting strong results to start the year. The firm reported a first-quarter profit of \$1.93 billion, or \$1 a share, on revenue of \$9.75 billion, all above analyst estimates. The results were also well ahead the prior year's first quarter, which was a time of tumult for all Wall Street firms.

Morgan Stanley's shares were up 2.8% in late afternoon trading Wednesday.

The biggest surprise was \$1.71 billion in revenue from Morgan Stanley's fixed-income desk, which trades corporate and government bonds, currencies and commodities. For years the runt of the Wall Street litter, the business is showing steady progress after a leadership change and a raft of layoffs last year.

The unit has now strung together four quarters of \$1 billion-plus revenue, a goal cautiously laid out 10 months ago by Chief Executive James Gorman. And this quarter, the fixed-income desk added another feather to its cap: besting Goldman, which reported \$1.69 billion in fixed-income trading revenue.

Morgan Stanley has topped Goldman in that business just one other time since the financial crisis, during a tumultuous stretch in the summer of 2011, when skittish Goldman executives pulled back on trading.

The rivalry between the two firms is decades old and has persisted even as their business models have diverged, with Morgan Stanley diving headlong into its retail brokerage while Goldman stuck to banking and trading.



Morgan Stanley's profit rose 70% on a 25% increase in revenue, as the bank kept a lid on costs.

Goldman's first-quarter report Tuesday shocked investors with a year-on-year fall in overall trading revenue, while fixed-income revenue was flat.

Other banks with big trading arms, such as J.P. Morgan Chase & Co., Bank of America Corp. and Citigroup Inc., had posted double-digit percentage gains in these areas.

While Goldman cited slow trading in commodities and corporate credit, Morgan Stanley finance chief Jonathan Pruzan said corporate bonds, interest-rate products and commodities saw strong demand.

With its latest results, Morgan Stanley hit several targets Mr. Gorman had set publicly. Its return on equity, a closely watched measure of profitability, was 10.7%, finally beating a 10% goal. It would have been 10% without the benefit of an accounting change that lowered its tax payments in the quarter, a spokesman said.

And the firm's giant wealth-management business posted a 24% profit margin, a record and safely inside the raised bar set by Mr. Gorman two years ago. The margin, though, still trailed the 27% posted for the first quarter by its main rival, Bank of America's Mer-

rill Lynch unit.

One factor helping Morgan Stanley was a spike in interest income. This was the fruit of a push across the brokerage business to lend more. Loans in the division rose 20% to \$70 billion. Mr. Pruzan said growth was split across the bank's three main products: mortgages, loans backed by securities portfolios, and tailored loans secured by art, business interests and other valuables.

Few Wall Street firms stand to gain more from the combination of rising interest rates and a rising stock market than Morgan Stanley, which manages trillions of dollars of clients' money across stocks, bonds and other assets. "In these types of markets, our business performs well," Mr. Pruzan said in an interview. "We clearly have to prove it the rest of the year."

Meanwhile, the firm kept a lid on costs. Excluding compensation, which rises in lockstep with revenue, expenses rose just \$100 million while revenue rose \$2 billion.

"Solid as a rock," Steven Chubak, an analyst with Instinet, wrote in a note to clients.

The focus on costs has occurred as the bank has re-

jigged its trading operations. In 2016, Chief Operating Officer Colm Kelleher tapped Edward Pick, the bank's equity-trading wunderkind, to oversee overall sales and trading. Mr. Pick's deputy, Sam Kellie-Smith, followed as the new head of fixed-income. Morgan Stanley promptly cut 25% of fixed-income traders, reducing expenses. A 2015 upgrade to its credit rating made it a more attractive trading partner. Clearer reporting lines have improved communication and morale, traders say.

One area of weakness was in the firm's strongest franchise: equities trading, where revenue fell 1.9% to \$2.02 billion from a year earlier. That business grappled with lower commissions and more money moving to passive managers.

Morgan Stanley's overall investment-banking revenue rose 43%. A triple-digit gain in underwriting more than offset a decline in M&A fees. Mr. Pruzan said the firm's merger pipeline is higher than it was at this time in 2016, which ended up being a record for global deal making.

◆ Heard on the Street: Path to gains for U.S. lenders B8

Wall Street Feasts On a Fee Bonanza

By Michael Wursthorn

An Obama-era retirement-savings rule is in limbo, but investors already are pouring their retirement savings into brokerages' promise of conflict-free financial advice in exchange for a fee.

Bank of America Corp.'s global wealth unit, which includes the "thundering herd" brokerage force of Merrill Lynch, gained a record \$29.2 billion in new fee-based assets in the first quarter, the bank said Tuesday.

J.P. Morgan Chase & Co. said last week that \$8 billion of new assets flowed into long-term products, including those that charge a recurring fee.

Also on Tuesday, private-equity firms Stone Point Capital LLC and KKR & Co. agreed to acquire a majority stake in Focus Financial Partners, a New York-based investment firm that backs independent financial advisers who charge fees and pledge to minimize conflicts, in a \$2 billion deal.

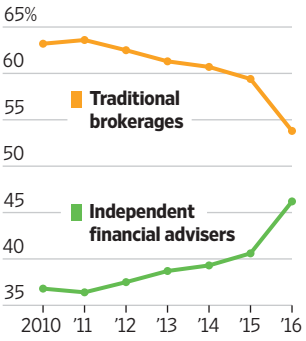
The developments are the latest sign that advice for a recurring fee is Wall Street's go-to compensation model for the future, as firms like Merrill and J.P. Morgan use the fiduciary rule as a way to phase out commissions as a payment option in retirement accounts. The industry shift is coming even as the Trump administration seeks to eliminate or revise the rule.

"They were already in this mode" of shifting toward fees, said Denise Valentine, a senior analyst on wealth management at Aite Group. "The rule just allowed them to put this into the marketplace and make a commitment."

Even before the fiduciary rule, brokerages had been trying to abandon their sales-driven cultures to position their broker forces more like independent financial advisers who create financial plans and offer advice.

Shifting Landscape

Investors have been moving more of their assets to independent advisers from traditional Wall Street brokerages in recent years.



Source: Cerulli Associates
THE WALL STREET JOURNAL.

Besides positioning themselves to better compete with the rise of smaller, independent rivals and investors' growing preference for passive investments, brokerage executives found that fees for advice and services could be more lucrative over the longer term compared with commissions.

Researcher Morningstar Inc. says fee-based accounts can yield as much as 50% more revenue than commission accounts.

The shift to fees from commissions has picked up as firms sought to comply with the Labor Department's fiduciary rule.

Besides the wider margin on such accounts, fees also minimize potential conflicts tied to the sale of specific investment products and cut down on some of the litigation risk brought on by the rule, observers said. However, such accounts can also lead to higher fees for investors who trade little.

Bank of America has been at the fore of the charge. It set a course that sought to mostly do away with commissions in retirement accounts in favor of recurring fees and has been heavily advertising its shift.

BlackRock Net, Assets Rise

By Sarah Krouse

BlackRock Inc. posted increases in everything from revenue to assets in the first quarter, but the world's largest asset manager wasn't immune from the dynamics causing headaches for many in its industry.

The New York firm pulled in a net \$64.6 billion, thanks largely to investors seeking out lower-cost funds that track the performance of indexes, known as passively managed investments. Assets under management rose 14% from a year ago, to \$5.42 trillion. Profit climbed 31%.

But clients who are losing faith in more traditional stock pickers continued to pull money from that unit of BlackRock. Investors withdrew a net \$6.8 billion from BlackRock's actively managed stock products during the first quarter.

BlackRock is in the midst of overhauling its stock-picking business in an effort that has included layoffs, pricing changes and a greater emphasis on computer models that inform investments.

"Active equities is not dead at BlackRock," Chief Executive Laurence Fink said in an interview. The firm is working to mitigate outflows in problem areas and bring in new money in areas that have delivered more consistent performance, he said.

BlackRock, as part of its overhaul, will be offering its Main Street customers lower-cost quantitative stock funds that rely on data and computer systems to make predictions, an investment option previously available only to large institutional investors.



CEO Laurence Fink said 'active equities is not dead at BlackRock.'

Mr. Fink said the firm's quantitative funds started 2017 with "probably the best performance of any year" after a difficult 2016.

The performance of existing quantitative funds improved in the first quarter compared with the same period a year ago.

Over one year, 18% of those assets underperformed their benchmark or peers, down from 59% at the end of the first quarter of 2016. Over three years, 15% of assets underperformed, compared with 16% a year ago.

On Wednesday, BlackRock's shares were down 1.3%, to \$378.50, in midday trading.

During the first quarter BlackRock attracted net new money in indexed funds, actively managed fixed-income funds and multiasset strategies. But the big driver was its iShares exchange-traded fund business, which attracted a net \$44.6 billion into stock exchange-traded funds. The stock ETFs inflows were about 70% of total iShares net inflows during the period.

Some in the money-management world are seeking out mergers as a way to survive the industry shift to lower-cost funds. Mr. Fink said he expects more consolidation ahead.

"We're the last financial-services industry that hasn't had the consolidation, unlike banks and insurance companies and brokers," he said.

In all, BlackRock reported a profit of \$862 million, or \$5.23 a share, in its first quarter, up from \$657 million, or \$3.92 a share, in the year-ago period.

Revenue increased 7.6% to \$2.82 billion.

Some analysts questioned whether some of the firm's ultralow-cost ETFs had led the firm to fall short of Wall Street's revenue expectations.

But Mr. Fink said revenue from fund fees was in line with expectations. Firm executives attributed the difference between the firm's revenue and analyst expectations in part to foreign-exchange movements and other factors.

—Austen Hufford contributed to this article.



Cape Cod
Time beyond time.

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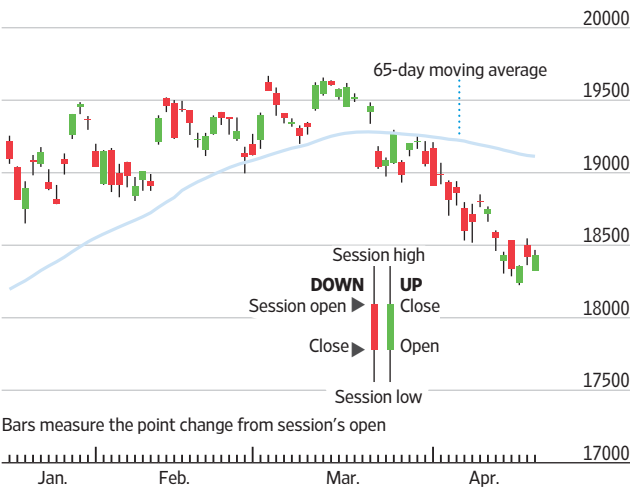
FUND NAME	NAV	GF	AT	LB	DATE	CR	NAV	YTD	12-MO	2-YR
Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866										
Fax No: 65-6835-8865, Website: www.cam.com.sg , Email: cam@cam.com.sg										
CAM-GTF Limited										

For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com

MARKETS DIGEST

Nikkei 225 Index

18432.20 ▲13.61, or 0.07%
High, low, open and close for each trading day of the past three months.



STOXX 600 Index

377.24 ▲0.89, or 0.24%
High, low, open and close for each trading day of the past three months.



S&P 500 Index

Data as of 4 p.m. New York time
2338.17 ▼4.02, or 0.17%
High, low, open and close for each trading day of the past three months.



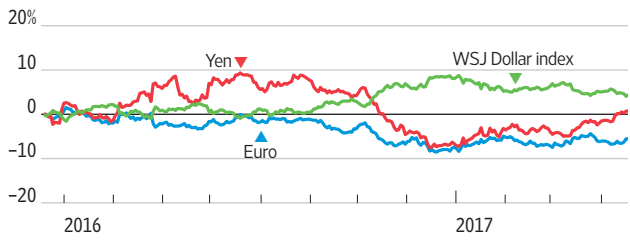
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World		The Global Dow	2646.56	-2.56	-0.10	2193.75		2720.47	4.7
		MSCI EAFE	1774.37	-0.10	-0.01	1471.88		1956.39	3.4
		MSCI EM USD	951.79	-5.91	-0.62	691.21		1044.05	19.8
Americas		DJ Americas	564.21	-1.37	-0.24	480.90		577.65	4.4
		Sao Paulo Bovespa	63422.09	-736.76	-1.15	48066.67		69487.58	5.3
		S&P/TSX Comp	15543.03	-79.54	-0.51	13535.54		15943.09	1.7
		IPC All-Share	48870.02	107.49	0.22	43902.25		49753.57	7.1
		Santiago IPSA	3734.37	...	Closed	2998.64		3786.05	15.9
U.S.		DJIA	20404.49	-118.79	-0.58	17063.08		21169.11	3.2
		Nasdaq Composite	5863.03	13.56	0.23	4574.25		5936.39	8.9
		S&P 500	2338.17	-4.02	-0.17	1991.68		2400.98	4.4
		CBOE Volatility	15.11	0.69	4.79	9.97		26.72	7.6
EMEA		Stoxx Europe 600	377.24	0.89	0.24	308.75		381.90	4.4
		Stoxx Europe 50	3105.46	-1.63	-0.05	2626.52		3182.84	3.2
	Austria	ATX	2838.93	8.92	0.32	1981.93		2913.76	8.4
		Bel-20	3770.43	24.48	0.65	3127.94		3827.15	4.5
	France	CAC 40	5003.73	13.48	0.27	3955.98		5142.81	2.9
	Germany	DAX	12016.45	16.01	0.13	9214.10		12375.58	4.7
	Greece	ATG	678.96	1.66	0.25	517.10		686.23	5.5
	Hungary	BUX	32688.09	166.51	0.51	25126.36		34334.92	2.1
	Israel	Tel Aviv	1389.29	9.05	0.66	1372.23		1504.42	-5.5
	Italy	FTSE MIB	19824.61	381.90	1.96	15017.42		20540.39	3.1
	Netherlands	AEX	511.28	1.55	0.30	409.23		521.48	5.8
	Poland	WIG	59515.17	752.18	1.28	42812.99		60631.65	15.0
	Russia	RTS Index	1068.55	-8.66	-0.80	873.58		1196.99	-7.3
	Spain	IBEX 35	10370.30	105.80	1.03	7579.80		10534.50	10.9
	Sweden	SX All Share	562.24	2.78	0.50	443.66		565.81	5.2
	Switzerland	Swiss Market	8532.27	2.99	0.04	7475.54		8710.26	3.8
	South Africa	Johannesburg All Share	52545.12	-127.63	-0.24	48935.90		54704.22	3.7
	Turkey	BIST 100	90804.13	-569.65	-0.62	70426.16		91982.28	16.2
	U.K.	FTSE 100	7114.36	-33.14	-0.46	5788.74		7447.00	-0.4
Asia-Pacific		DJ Asia-Pacific TSM	1534.10	-5.93	-0.39	1308.52		1570.38	7.8
		S&P/ASX 200	5804.00	-32.70	-0.56	5103.30		5934.00	2.4
	China	Shanghai Composite	3170.69	-26.03	-0.81	2806.91		3288.97	2.2
	Hong Kong	Hang Seng	23825.88	-98.66	-0.41	19694.33		24593.12	8.3
	India	S&P BSE Sensex	29336.57	17.47	0.06	25101.73		29974.24	10.2
	Japan	Nikkei Stock Avg	18432.20	13.61	0.07	14952.02		19633.75	-3.6
	Singapore	Straits Times	3126.28	-11.26	-0.36	2729.85		3187.51	8.5
	South Korea	Kospi	2138.40	-10.06	-0.47	1925.24		2178.38	5.5
	Taiwan	Weighted	9639.94	-106.62	-1.09	8053.69		9972.49	4.2
	Australia	S&P/ASX 200	5804.00	-32.70	-0.56	5103.30		5934.00	2.4
			3170.69	-26.03	-0.81	2806.91		3288.97	2.2
	Hong Kong	Hang Seng	23825.88	-98.66	-0.41	19694.33		24593.12	8.3
			29336.57	17.47	0.06	25101.73		29974.24	10.2

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Wed in US\$	per US\$	US\$ vs. YTD chg (%)
Americas			
Argentina peso-a	0.0650	15.3747	-3.1
Brazil real	0.3184	3.1410	-3.5
Canada dollar	0.7423	1.3472	0.2
Chile peso	0.001539	649.70	-3.0
Colombia peso	0.0003512	2847.25	-5.2
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0530	18.8726	-9.0
Peru sol	0.3076	3.2514	-3.0
Uruguay peso-e	0.0352	28.440	-3.1
Venezuela bolivar	0.099164	10.08	0.9
Asia-Pacific			
Australia dollar	0.7498	1.3337	-3.9
China yuan	0.1452	6.8873	-0.8

London close on April 19

Country/currency	_____ Wed _____ in US\$ per US\$	US\$ vs. _____ YTD chg (%)
Europe		
Bulgaria lev	0.5474 1.8269	-1.7
Croatia kuna	0.1438 6.956	-3.0
Euro zone euro	1.0714 0.9334	-1.8
Czech Rep. koruna-b	0.0398 25.097	-2.3
Denmark krone	0.1440 6.9433	-1.8
Hungary forint	0.003415 292.83	-0.5
Iceland krona	0.009072 110.23	-2.4
Norway krone	0.1166 8.5734	-0.8
Poland zloty	0.2519 3.9691	-5.2
Russia ruble-d	0.01769 56.515	-7.8
Sweden krona	0.1113 8.9845	-1.3
Switzerland franc	1.0020 0.9980	-2.1
Turkey lira	0.2723 3.6730	4.2
Ukraine hryvnia	0.0374 26.7550	-1.2
U.K. pound	1.2796 0.7815	-3.5
Middle East/Africa		
Bahrain dinar	2.6525 0.3770	-0.05
Egypt pound-a	0.0552 18.1003	-0.2
Israel shekel	0.2723 3.6726	-4.6
Kuwait dinar	3.2843 0.3045	-0.4
Oman sul rial	2.5970 0.3851	0.02
Qatar rial	0.2746 3.642	0.05
Saudi Arabia riyal	0.2666 3.7594	-0.01
South Africa rand	0.0752 13.2904	-2.9
WSJ Dollar Index		
	Close Net Chg % Chg YTD Chg %	
	89.81 0.31 0.34	-3.37

Sources: Tullett Prebon, WSJ Market Data Group

Sources: Tullett Prebon;WSJ Market Data Group






Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Country/		Coupon	Maturity, in years	Yield	Latest	Spread Over Treasuries, in basis points	Previous	Month Ago	Year ago	Yield	Previous	Month ago	Year ago
Australia	2	5.250		1.625	44.8	46.9	51.1	124.2	1.638	1.836	2.003		
		4.750	10	2.464	26.2	32.7	36.7	77.9	2.501	2.869	2.566		
Belgium	2	3.000		-0.526	-170.3	-170.2	-180.6	-122.7	-0.534	-0.481	-0.465		
		0.800	10	0.762	-144.0	-141.1	-157.7	-136.9	0.764	0.924	0.417		
France	2	0.000		-0.304	-148.1	-149.8	-179.3	-122.1	-0.329	-0.468	-0.460		
		0.250	10	0.893	-130.9	-127.6	-139.5	-126.7	0.899	1.107	0.520		
Germany	2	0.000		-0.806	-198.3	-202.9	-209.1	-125.0	-0.860	-0.767	-0.489		
		0.250	10	0.206	-199.7	-201.7	-206.8	-161.5	0.158	0.433	0.172		
Italy	2	0.300		-0.050	-122.7	-123.1	-134.1	-75.9	-0.063	-0.017	0.002		
		2.200	10	2.286	8.4	8.8	-14.1	-37.5	2.263	2.361	1.411		
Japan	2	0.100		-0.219	-139.6	-138.4	-158.2	-102.3	-0.215	-0.257	-0.261		
		0.100	10	0.007	-219.5	-215.9	-242.4	-191.6	0.015	0.077	-0.129		
Netherlands	2	4.000		-0.729	-190.6	-194.4	-209.5	-128.4	-0.775	-0.770	-0.522		
		0.750	10	0.447	-175.5	-174.5	-181.8	-152.2	0.429	0.683	0.264		
Portugal	2	4.750		0.366	-81.1	-82.5	-132.5	-50.6	0.344	0.000	0.255		
		4.125	10	3.796	159.4	163.1	148.6	116.8	3.806	3.988	2.954		
Spain	2	2.750		-0.229	-140.6	-138.8	-147.8	-79.6	-0.220	-0.153	-0.035		
		1.500	10	1.666	-53.6	-51.2	-63.9	-24.7	1.663	1.863	1.539		
Sweden	2	4.250		-0.678	-185.5	-184.7	-189.1	-117.1	-0.679	-0.566	-0.409		
		1.000	10	0.538	-166.4	-165.1	-175.1	-100.0	0.524	0.751	0.786		
U.K.	2	1.750		0.134	-104.2	-109.2	-124.7	-28.4	0.077	0.078	0.477		
		4.250	10	1.067	-113.6	-116.1	-125.4	-27.8	1.014	1.248	1.509		
U.S.	2	1.250		1.177	...	...	...	...	1.169	1.325	0.762		
		2.250	10	2.202	...	...	...	...	2.175	2.502	1.786		

Commodities

Prices of futures contracts with the most open interest 3:30 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 4/18/2017

	Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
	Corn (cents/bu.)	CBOT	368.50	0.25	0.07%	393.75	361.75
	Soybeans (cents/bu.)	CBOT	961.00	4.75	0.50	1,092.50	941.25
	Wheat (cents/bu.)	CBOT	434.25	-2.75	-0.63%	488.75	429.50
	Live cattle (cents/lb.)	CME	116.025	0.375	0.32	116.900	103.150
	Cocoa (\$/ton)	ICE-US	1,829	-87	-4.54%	2,270	1,826
	Coffee (cents/lb.)	ICE-US	140.65	-4.90	-3.37%	161.55	138.55
	Sugar (cents/lb.)	ICE-US	16.50	-0.33	-1.96%	20.81	16.20
	Cotton (cents/lb.)	ICE-US	78.36	0.20	0.26%	80.27	71.86
	Robusta coffee (\$/ton)	ICE-EU	2168.00	-22.00	-1.00%	2,283.00	2,110.00
	Copper (\$/lb.)	COMEX	2.5395	-0.0010	-0.04%	2.8400	2.4905
	Gold (\$/troy oz.)	COMEX	1279.90	-14.20	-1.10%	1,297.20	1,152.20
	Silver (\$/troy oz.)	COMEX	18.120	-0.152	-0.83%	18.655	16.000
	Aluminum (\$/mt)*	LME	1,930.00	27.50	1.45%	1,972.00	1,688.50
	Tin (\$/mt)*	LME	19,850.00	150.00	0.76%	21,225.00	18,760.00
	Copper (\$/mt)*	LME	5,650.00	-36.00	-0.63%	6,156.00	5,518.00
	Lead (\$/mt)*	LME	2,186.00	-68.00	-3.02%	2,445.00	2,022.00
	Zinc (\$/mt)*	LME	2,599.00	13.50	0.52%	2,958.50	2,555.00
	Nickel (\$/mt)*	LME	9,600.00	-155.00	-1.59%	11,095.00	9,430.00
	Rubber (Y.OI/ton)	TCE	203.00	-9.90	-4.65%	n.a.	n.a.
	Palm oil (MYR/mt)	MDEX	2465.00	-8.00	-0.32%	3,004.00	2,450.00
	Crude oil (\$/bbl.)	NYMEX	50.95	-1.90	-3.60%	57.95	47.58
	NY Harbor ULSD (\$/gal)	NYMEX	1.5919	-0.0392	-2.40%	1.7833	1.4910
	RBOB gasoline (\$/gal)	NYMEX	1.6651	-0.0514	-2.99%	1.9012	1.5908
	Natural gas (\$/mmBtu)	NYMEX	3.279	0.043	1.33%	3.5410	2.8170
	Brent crude (\$/bbl.)	ICE-EU	53.49	-1.95	-3.52%	60.09	50.29
	Gas oil (\$/ton)	ICE-EU	477.75	-13.50	-2.75%	525.00	446.25

FINANCE & MARKETS

Brexit Bounce May Be Over

By SAABIRA CHAUDHURI

LONDON—For nine months, some of the biggest U.K. multinationals have enjoyed a big Brexit bump, benefiting from a sharply lower pound that made their exports more competitive and their overseas sales more valuable once converted back into sterling.

That has sent shares soaring. The FTSE 100 blue-chip index, heavily weighted toward exporters, is up more than 12% since the June 23

British referendum vote to leave the European Union.

But that tailwind is reaching its limits, as shown by Tuesday's sharp sterling rally after Prime Minister Theresa May's surprise call for a snap election. Discounting Tuesday's surge of more than 2%, the pound has largely stabilized after its sharp drop since June—trading roughly 15% lower against the dollar.

If that holds, some of the currency benefit many companies have enjoyed, compared

with their year-earlier performance, goes away later this year. For some companies, the extraordinary share-price boost provided by the currency move has also helped to obscure deeper problems. Take **Burberry Group PLC**.

The British luxury house's shares fell 7.9% Wednesday on disappointing fourth-quarter results and fears the currency-induced rally could be coming to an end. The shares had been up 53% from the Brexit vote through Tuesday.

Burberry's 2% rise in fourth-quarter same-store sales came in below the 5% expected by analysts. The company also warned that it expects currency headwinds in its fiscal 2018, which ends in March, as it loses foreign-exchange hedges locked in last year when the pound was weaker.

"Burberry's own, FX-driven rally could disintegrate," warned Tom Gadsby, an analyst at Liberum. "We urge investors to take profits and sell from a position of relative strength."

Burberry isn't alone. Shares of Johnnie Walker maker **Dia-**

geo PLC had risen 22% since the vote but dropped 1.9% Wednesday. The U.S. is Diageo's biggest market, and the strong dollar translated into more money back home while the weak pound lowered the cost of making Scotch whisky.

FTSE 100 commodity giants such as **Royal Dutch Shell PLC**, **BP PLC** and **Glencore PLC** have also received a boost from sterling's decline as well as the rally in commodity prices. BP and Shell sell oil and gas for dollars and have significant expenses—including hefty dividends—that they pay in pounds.

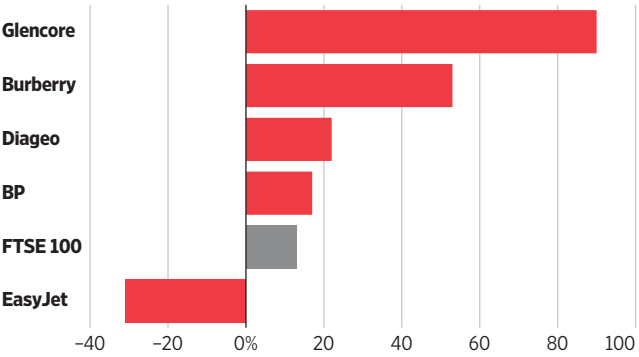
Foreign-exchange moves also complicate matters for global retailers because savvy shoppers change buying patterns to exploit currency differences. A strong dollar was partly responsible for Burberry's woes in the Americas, which makes up about 25% of Burberry's total sales. On Wednesday, the company reported Americas sales fell by a mid-single-digit percentage.

Chief Financial Officer Julie Brown said Americans have upped their shopping abroad,

Beginning of the End?

The U.K.'s blue-chip stock index and many of its components have surged on the pound's weakness, while some have suffered. Those currency effects are waning as the pound stabilizes.

Share price and index performance since June 23



Note: Through Tuesday Source: FactSet

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helping Burberry report strong growth in the U.K. Sales to American shoppers in the U.K. rose 90% in the six months ended March 31 compared with the year-earlier period, Ms. Brown said.

Burberry now expects adjusted pretax profit for fiscal 2018 to take a £10 million (\$12.7 million) hit from exchange-rate movements as a currency hedge it locked in last year expires. In January, when the pound was weaker, it had predicted it would see a

foreign-exchange benefit of £20 million to £30 million.

On the flip side, companies that have struggled because of the pound's weakness are seeing some relief. British budget airline **EasyJet PLC** has taken a hit because most of its sales are in sterling while it has big costs for planes and fuel in dollars. EasyJet jumped 5% Wednesday after outperforming the U.K. market Tuesday.

—Robert Wall and Michael Amon contributed to this article.

OCC Faults Self on Wells Fargo

By RYAN TRACY

WASHINGTON—A national bank regulator blamed itself for failing to catch questionable sales practices at **Wells Fargo & Co.** for years before a national scandal last fall.

The Office of the Comptroller of the Currency published the results of an internal review that found OCC supervisors missed or failed to address warning signs about the bank's sales incentive program.

The bank examiners knew of reports of sales integrity violations as far back as 2010, but "did not take timely and effective supervisory actions," the report said.

The bank paid a \$185 million fine in September 2016 for what authorities called widespread illegal sales practices that led to the opening of as many as two million phony customer accounts. Many employees were fired or quit as a result of a cutthroat culture, and customers were stuck with credit cards or other products they didn't seek.

The OCC report found that supervisors were aware of complaints about the sales program, including a meeting with a senior Wells Fargo executive in January 2010 at which they inquired about 700 whistleblower complaints "related to the gaming of incentive plans."

Examiners in 2010 also

pointed out that they hadn't seen the bank assess risks associated with the sales practices or create a good system for monitoring complaints about them, the report said.

Despite raising these questions and concerns, the supervisors repeatedly didn't follow up on them or identify root causes, the report found.

The report also said Wells Fargo's board received information as early as 2005 indicating there were a significant number of internal complaints and employee firings related to "sales integrity violations."

An OCC spokesman said the agency is "in the process of implementing actions" related to the report's recommendations.

FINANCE WATCH

COMPLIANCE

Deutsche Bank Tries Artificial Intelligence

Deutsche Bank AG, facing a vast body of financial regulations, is turning to artificial intelligence as it sorts through volumes of voice and video recordings to make sure its professionals are complying with the rules.

The move is designed in part to reduce costs as well as to improve accuracy, when analyzing, say, employees' interactions with clients, said Ely Hardwick, head of innovation at the bank.

The technology can search for terms, in context, that auditors monitor, she said. "In the old days, you'd go through tape and listen to hours of audio," she said.

—Kim S. Nash

CORPORATE DEBT

IMF Warns Over Leverage in U.S.

U.S. corporate debt has ballooned to levels exceeding those prevailing before the 2008 crisis, a potential threat to financial stability, the International Monetary Fund warned in a review of threats to markets and banks.

High leverage could become problematic as the Federal Reserve raises interest rates, the IMF warned, since higher borrowing costs could hinder the ability of firms to service debts.

Companies added \$7.8 trillion of debt and other liabilities since 2010, issuing \$3 trillion of equity, net of buybacks, the IMF said.

—Harriet Tory, Sam Goldfarb

U.S. BANCORP

Profit, Lending Rise

U.S. Bancorp said profit and revenue rose in the first quarter as the company reported an increase in loans.

The bank, the seventh-largest in the U.S. by assets, posted net income of \$1.47 billion, up 6.3% from \$1.39 billion a year earlier. On a per-share basis, earnings rose to 82 cents from 76 cents.

The bank's net interest income increased 3.7% to \$2.99 billion during the quarter from the prior quarter, which the bank said largely reflects loan growth. Fee-based revenue grew 8.4%.

Average total loans rose 4.1% from last year as average total deposits increased 11%.

—Joshua Jamerson



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MARKETS

Fewer Forecast a Rising Dollar

Goldman Sachs joins other banks in backing away from calls for a stronger greenback

By **Chelsey Dulaney**

Wall Street is done with the strong dollar.

Goldman Sachs Group Inc. on Tuesday abandoned its bullish call on the dollar, joining banks such as **Credit Suisse Group AG** and **Mizuho Financial Group Inc.** that have recently become more bearish on the U.S. currency.

Goldman cited President Donald Trump's recent comments to *The Wall Street Journal* that he favored a weaker dollar. The administration could "affect the dollar through a variety of channels, including its appointments to the Federal Reserve Board and through aspects of trade and fiscal policy," Goldman wrote.

The New York bank called off its bet, introduced in mid-November, that the dollar would rise against the euro, Japanese yen and Chinese yuan.

Goldman's reversal is the latest blow to the dollar and investors who have been betting that Trump administration's policy changes would boost U.S. growth and strengthen the currency.

After the election, investors pushed the dollar to a 14-year-high on hopes that Mr. Trump's plans for fiscal spending, tax overhaul and deregulation would stimulate the economy and allow the Federal Reserve to raise rates more aggressively. But the administration's proposals have been hamstrung by delays, weighing on the dollar and other assets.

The *WSJ Dollar Index*, which measures the U.S. currency against 16 others, has fallen 3.7% this year through Tuesday, paring nearly 75% of its postelection gains. On

Downgrading the Dollar

Wall Street is turning bearish on the dollar. Goldman Sachs on Tuesday became the latest bank to reverse its forecast for the U.S. currency, saying it no longer expects the dollar to rise against the euro, pound or yuan. Investors no longer expect the Federal Reserve to raise interest rates as aggressively this year, and bullish bets on the dollar are declining.

Dollar's performance against three currencies since Nov. 8*



Expectations that the Fed will raise rates three or more times this year



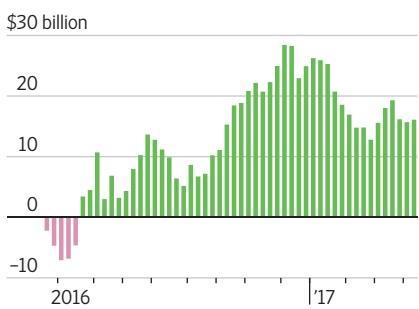
*As of Wednesday 11 a.m. in New York

Sources: WSJ Market Data Group (performance); Chicago Mercantile Exchange (expectations); the companies (downgrades); CFTC (net bets)

Wall Street banks that have downgraded the dollar this year

FIRM	DATE OF DOWNGRADE
Mizuho	March 22
Credit Suisse	March 29
RBC Capital Markets	April 11
Goldman Sachs	April 18

Net bets on a stronger dollar, weekly



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Wednesday, the index was up 0.3% in midday trading.

Mizuho dropped its call for broad dollar strength in March, after the Trump administration failed to repeal the Affordable Care Act. Though the bank still thinks the dollar could appreciate against currencies such as the Canadian dollar and Japanese yen, "this extreme bullishness

on the dollar isn't coming back," said Sireen Harajli, a foreign-exchange strategist at Mizuho.

"One of the reasons we saw this euphoria was this sense that the unified political front would be more successful at passing legislation," said Ms. Harajli. "The expectation was not that realistic."

Credit Suisse also changed

its forecast after the health-care bill failure, saying it "highlighted the inability of the Republican Party to close ranks and get business done." The bank is now calling for the dollar to fall against the euro and yen.

Mr. Trump's comments last week on the dollar to the *Journal* sent the currency down.

Expectations that the Fed will raise interest rates aggressively also have fallen, which weighs on the dollar since lower rates make U.S. assets less attractive.

Goldman says the dollar could still strengthen if the Trump administration is able to pass fiscal stimulus, or if rising geopolitical tensions spurs demand for safer assets.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Akzo Moves Try Patience Of Investors

When a company unveils a €1 billion (\$1.07 billion) special dividend, punchy new margin targets and quarterly earnings one-fifth above forecasts, you might expect its shares to leap. The exception, as **Akzo Nobel** showed Wednesday, is when the announcement is designed to block a takeover.

The Dutch paint group's strategic review colored in details, but Chief Executive Ton Büchner's basic pitch to investors hasn't changed. He thinks he can create more value for investors through a corporate split and margin gains than through a merger with U.S. peer **PPG Industries**, which has made two offers for Akzo.

The shares tell another story: They still change hands roughly 12% below the level of PPG's second offer, having barely budged Wednesday afternoon.

The 2020 margin targets announced Wednesday could give Akzo Nobel a valuation equivalent to PPG's bid, but are a "huge stretch," according to brokerage Bernstein. Even if they are realizable, investors would be mad to turn down the chance to bank the gains now. A third offer from PPG can't be ruled out: The U.S. company reiterated its interest Wednesday afternoon.

Another problem with Akzo's review was its failure to address the key objection of activist investor **Elliott Management**: that Mr. Büchner can only properly assess whether the takeover makes sense by engaging with PPG. Investors may once have mistaken Akzo's defensiveness for a bargaining strategy that would improve the offer; now it can only be wayward corporate governance.

—Stephen Wilmot

A Path to Gains for U.S. Lenders

Morgan Stanley has delivered a reminder that capital returns matter most these days for bank stocks, and investors can probably look forward to seeing more.

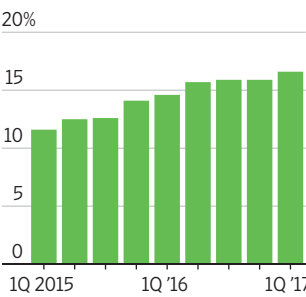
The investment bank joined most of its peers in reporting solid quarterly earnings. Fixed-income trading revenue nearly doubled from a year earlier.

The strong trading results contrast with those at **Goldman Sachs**, further suggesting something went wrong with the rival bank's trading operations in the first quarter. Every other bank with big trading operations did well. Still, Goldman's earnings miss wasn't disastrous.

The bigger picture is that the largest banks in the U.S. have safer business profiles than at any time in recent memory. That makes their piles of excess capital very trimmable. Returning more to shareholders would boost returns on equity by shrinking dormant equity capital.

Capital Buildup

Morgan Stanley's common equity Tier 1 capital ratio



Sources: the company; Bloomberg News (photo)

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On a call with analysts, Morgan Stanley Chief Executive James Gorman highlighted how minor adjustments in the Federal Reserve's stress-test process could make a difference. The Fed assumes banks would maintain share buybacks even during a crisis. Relaxing this unrealistic assumption would allow banks to



Morgan Stanley Chairman and CEO James Gorman

set buybacks higher during ordinary times. Banks could also be put through the stress test process once every two years instead of annually, he said.

The Fed has said it may lift the "soft cap" on dividend payout ratios in next year's tests. This would allow banks to return more capital in the form of dividends, which many investors prefer to

buybacks. Moves like these would make bank shares more attractive even without lowering the absolute level of capital requirements.

Thanks to several quarters of accumulated profits, Morgan Stanley now looks to be one of the most overcapitalized banks on the street with a Tier 1 common equity ratio of 16.6%, compared to 12.9% at Goldman Sachs. Morgan Stanley may be more constrained by the supplementary leverage ratio, which at 6.4% is on par with Goldman but still above the regulatory minimum of 5%. Potential changes to how this ratio is calculated could give both banks more breathing room.

Investors should focus on the regulatory outlook more than quarter-to-quarter fluctuations in trading results. The Trump administration's stance on financial regulation remains unclear, but even small moves to relax the capital regime would boost bank stocks.

—Aaron Back

Cardinal Health Feels the Pain of Declining Drug Prices

Making money when drug prices were rising was easy. Now comes the hard part.

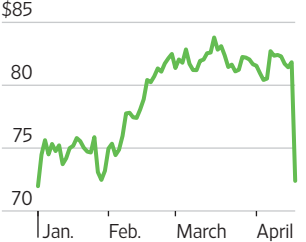
The latest signal: Distribution giant **Cardinal Health** lowered earnings expectations Tuesday and told investors that business wouldn't pick up until the middle of 2018. The company is being hit by falling prices of generic drugs, which are expected to decline by a percentage in the low double digits for the fiscal year ending in June.

This isn't a new problem; distribution rival **McKesson** highlighted weak pricing last fall. But Tuesday's update is the most severe forecast yet from a distributor.

Cardinal expects fiscal 2017 earnings to be about \$5.35 a share, at the low end of its previously issued fore-

Out of Pocket

Cardinal Health share price



Source: WSJ Market Data Group

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cast. More significantly, it expects fiscal 2018 profits to be flat to slightly lower. On the bright side, fiscal 2019 profit growth is expected to be in the high single digits, but analysts had estimated 10% growth for both 2018 and 2019.

Generic drug prices are down because there are more generics on the market, a result of faster approvals by the Food and Drug Administration. Scott Gottlieb, nominated to take over at the agency, has indicated plans to go even faster. A price-fixing investigation into the generic drug industry is probably having an impact as well.

Drug distributors had feasted for years on stable or rising drug prices, which allow them to more easily mark up prices while profiting by arbitraging annual price increases. Now, the more rapidly prices fall, the more difficult it becomes for distributors like Cardinal to resell drugs from manufacturers to pharmacies at a

profit. It may have been worse for Cardinal, but The bad news was offset Tuesday by a well-timed acquisition of patient care and nutrition business lines from device company **Medtronic** for \$6.1 billion in cash.

That acquisition will bolster Cardinal's profitability and beef up its medical segment at a moment when diversifying away from drug distribution makes plenty of sense. Cardinal's investment-grade balance sheet can absorb the fresh debt, although Fitch Ratings changed its outlook on the company to negative.

The good news for investors is that price declines are expected to slow. Cardinal says it expects mid-single-digit deflation in fiscal 2018.

Fall in Oil Drags On Stocks in The U.S.

By **Riva Gold** AND **Aaron Kuriloff**

The biggest decline in oil prices in more than a month pushed energy stocks lower, weighing on the broader U.S. market as investors assessed

WEDNESDAY'S MARKETS

The Dow Jones Industrial Average lost 118.79 points, or 0.6%, to 20404.49. The S&P 500 fell 0.2% and the Nasdaq Composite rose 0.2%.

In late New York trading, **Chevron** was down 1.6% and **Exxon Mobil** had fallen 0.9%. The price of U.S. crude oil slid 3.8% to \$50.44 a barrel—its largest decline since March 8—after the U.S. Energy Information Administration said gasoline supplies rose for the first time since February. That raised fears that refiners would cut purchases of crude.

International Business Machine fell 4.9% after reporting a 13% drop in quarterly earnings, marking the 20th consecutive quarter in which revenue fell from the year before.

In Europe, the Stoxx Europe 600 eked out a gain of 0.89 point, or 0.2%, to 377.24 despite a fourth consecutive day of losses in the U.K. The FTSE 100 declined 33.14 points, or 0.5%, to 7114.36.

Bank shares led the gainers as the Stoxx 600 recovered from its worst session since September. Data Wednesday showed the eurozone's trade balance returned to surplus in February, adding to hopes for a modest pickup in growth in the first quarter.

Assets seen as havens mostly retreated. U.S. gold futures for April delivery fell 0.8% to \$1,281.40 an ounce.

OVERHEARD

ComScore wants to bring more trust and transparency to digital advertising. Its investors could use a little of both right now.

On Tuesday, the digital-measurement firm announced the introduction of **Facebook** demographic metrics to its suite of tools for ad campaigns. In a press release, comScore trumpeted the move as a way to "increase trust and transparency" for advertisers.

That may have galled investors who have been waiting for the company to file more than a year's worth of financial reports, in addition to restated results for 2013 through 2015. An investigation by comScore's audit committee found that it had improperly recorded revenue for some deals.

ComScore has said it aims to be current in all securities filings by this summer. Until then, it may want to tone down the rhetoric.

But risks to distributor profits will only increase if that forecast proves optimistic.

Cardinal said on a call with analysts that its profit forecasts don't assume the company will win or lose any major customers, such as pharmacies. But the concentrated industry structure—three companies control the bulk of drug distribution businesses—increases the risk that competition will pick up as companies fight for market share in what is a scale business.

Cardinal's announcement is bad news for drug distributors, but also generic drug-makers that already have been hammered. Earnings season will be particularly tense this quarter.

—Charley Grant