THE WALL STREET JOURNAL.

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EUROPE EDITION

DJIA 20996.12 ▲ 1.12% NASDAQ 6025.49 ▲ 0.70% NIKKEI 19079.33 ▲ 1.08% STOXX 600 386.91 ▲ 0.21% BRENT 52.10 ▲ 0.97% GOLD 1265.60 ▼ 0.80% EURO 1.0941 ▲ 0.67%

What's News

Business & Finance

Arnault offered to pay $13.04 billion for the 25.9% stake in Christian Dior he doesn't own, uniting the fashion firm with his LVMH luxury conglomerate. **A1**

◆ **The Nasdaq raced** past 6000, the latest sign that tech companies have become a driving force in the stock-market rally. **A1, B7**

◆ **U.S. home prices** have surged in the past five years, fueling concern that the market is overheating. **A1**

◆ **Trudeau said** he plans to speak to Trump about a 20% U.S. tariff on Canadian lumber and a dairy dispute. **A2**

◆ **Yahoo CEO Mayer** is set to make some $186 million from the firm's sale of its core business to Verizon. **B1**

◆ **Wells Fargo shareholders** re-elected its board, but slim majorities reflected unease over the sales scandal. **B1**

◆ **Citigroup shareholders** backed the bank's pay plan for top executives. **B6**

◆ **Google said** it is retooling its search engine to prevent fake news from appearing in its top results. **B1**

◆ **EU banks told** regulators that they were taking too long to complete a new financial rule book. **B6**

◆ **The SEC nominee's** hiring efforts signal a deregulatory agenda for the agency. **B6**

◆ **Akzo rejected** a request to hold a special meeting to oust the firm's chairman. **B3**

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

World-Wide

◆ **House oversight leaders** said former U.S. security adviser Flynn didn't comply with rules on taking foreign payments. **A1**

◆ **A U.S. Senate panel** will hear testimony by the ex-acting attorney general expected to shed light on alleged Russian election meddling. **A6**

◆ **The White House** last week rejected as too soft a State Department letter declaring Iran in compliance with the nuclear deal. **A4**

◆ **Ivanka Trump** received a cool reception at a Berlin conference, her first foreign trip as a U.S. official. **A3**

◆ **Netanyahu canceled** talks with Germany's top diplomat, the latest sign of tension between Israel and Berlin. **A3**

◆ **The U.S. sent** two F-35A aircraft to Estonia for training in the jet fighter's first European deployment. **A3**

◆ **A Chinese court** convicted a U.S. businesswoman of spying and ordered her imprisoned and deported. **A5**

◆ **North Korea sanctions** aren't being fully enforced by many U.N. member states, a U.S. official said. **A5**

◆ **Trump plans** to unveil a proposal to slash the tax rate on so-called pass-through businesses to 15%. **A6**

◆ **Spanish police arrested** nine men, some of whom allegedly have ties to the terror attacks in Brussels. **A4**

◆ **Medical researchers** reported progress in artificial womb technology for premature newborns. **A7**

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U.S. Military (Eur.) $2.20

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Trump's Daughter Gets Cool Reception at Talk in Berlin

CARSTEN KOALL/EUROPEAN PRESSPHOTO AGENCY

GREETINGS: Ivanka Trump, left, was welcomed by German Chancellor Angela Merkel, right, at a women's conference but elicited groans from the audience as she defended her role advising President Donald Trump. International Monetary Fund head Christine Lagarde, center, also attended. **A3**

Nasdaq Leaps Past 6000

Index hits milestone 17 years after reaching 5000, fueled by technology shares

By Akane Otani

The Nasdaq Composite raced past 6000, the latest sign that technology companies have become a driving force in the current stock-market rally.

The Nasdaq hit the milestone 17 years after it reached 5000 during the dot-com era, in a broad rally Tuesday that was turbocharged by earnings from bellwether companies including Caterpillar Inc., McDonald's Corp. and biotechnology giant Biogen Inc. In 4 p.m. New York trading, the Nasdaq was up 41.67 points, or 0.7%, at 6025.49. The Dow Jones Industrial Average rose 1.1% to 20996.12 and the S&P 500 added 0.6%.

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

Long Time Coming

Trading days between Nasdaq Composite's 1,000-point milestones

Source: WSJ Market Data Group

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Such gains have partly come at the expense of the bank and industrial shares that powered the postelection rally. Tech stocks have become a way to bet on U.S. economic growth while reducing reliance on anticipated U.S. policy changes like tax cuts, deregulation and infrastructure spending, many investors and analysts say.

Technology shares in the S&P 500 have risen roughly 14% so far this year, compared with 2.5% for financials and 6.7% for the broader S&P 500. The Nasdaq Composite is up around 12% year to date.

Fund managers bumped up overweight positions in the tech sector to the second-highest level in Bank of America Merrill Lynch data going back to 2008, the bank said in March.

Please see NASDAQ page A2

◆ Heard: Bets on big tech firms defying law of gravity........ B10

Arnault Tidies Up Empire Through Dior Deal

By Matthew Dalton

PARIS—French billionaire Bernard Arnault is proposing to pay €12 billion ($13.04 billion) to unite his storied fashion house Christian Dior with his luxury conglomerate LVMH.

Mr. Arnault used Dior as the basis of his empire starting in the 1980s, building what is now LVMH Moët Hennessy Louis Vuitton SE into the world's largest luxury company with a complex web of ownership. The Arnault family owns 74.1% of Christian Dior SE, which in turn has a controlling 41% stake in LVMH and owns all of Christian Dior Couture, the fashion label.

The arrangement has meant LVMH's minority shareholders missed out on direct exposure to Dior's rapid growth in recent years, as the label has been considered an independent affiliate of LVMH despite having the same controlling shareholder. Mr. Arnault moved to fix that on Tuesday.

The Arnault family said it would pay €260 a share, or €12 billion, for the 25.9% of Christian Dior SE it doesn't own. Then LVMH will acquire all of Christian Dior Couture in an internal transaction valuing the label at €6 billion.

The €12 billion price tag on the Christian Dior SE stake is a 14.7% premium to where Dior's shares closed on Monday.

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

Though LVMH and Dior have routinely cooperated with each other, LVMH executives said the companies can't fully share marketing, finance and administrative resources because of their differing shareholders.

Please see LVMH page A2

◆ Heard: Good deal for LVMH, high price for Arnault........... B1

No Indication Flynn Followed Pay Rule

By Byron Tau
And Natalie Andrews

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

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

"I see no information or no data to support the notion that Gen. Flynn complied with the law," said Mr. Chaffetz in a joint press conference with his Democratic counterpart at the U.S. Capitol on Tuesday, after viewing classified documents provided by the Defense Department. The documents were

Please see FLYNN page A6

INSIDE

IT'S TIME FOR A SECOND BREAKFAST

LIFE & ARTS, A9

U.S. Home Prices Stir Boom Worries

By Laura Kusisto

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

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

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

Meanwhile, incomes in February rose 3% from a year earlier, and are up 12% compared with February 2012, according to the Labor Department.

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

Please see HOUSING page A7

A Cure for One of the Hardest Workplaces: Meditation

* * *

Meet the first Buddhist chaplain in New York's correction department

By Corinne Ramey

NEW YORK—During a recent meditation class, Justin von Bujdoss, a 42-year-old Buddhist lama dressed in a tie and navy windbreaker that read "Chaplain von Bujdoss," instructed his 19 students to close their eyes.

"Imagine a sphere of light above your head," said Mr. von Bujdoss, as the students, seated in a circle, reclined in gray plastic chairs. He instructed them to release the tension in their shoulders, and bring the ball of light down into their arms.

Several students had smiles on their faces. One snored softly. The slamming of a metal door outside went seemingly unnoticed.

Mr. von Bujdoss isn't teaching this class at a temple. He is the first chaplain dedicated to staff in New York City jails, according to Department of Correction officials.

"I'm here to be a Buddhist presence, but without bringing the religion here," he said. His mission, he said, is to provide spiritual care for jail staff and administrators, in a bid to relieve stress. "If I can maintain the container of non-judgment, they can throw whatever they're experiencing at me," he said.

Chaplain von Bujdoss

Rikers Island, New York City's sprawling jail complex, is at best a difficult workplace. At its worst, it's a violent environment critics say should be shut down. Correction officials have said they have taken measures to fix a litany of problems, including the treatment of inmates.

Mr. von Bujdoss said he considers Rikers Island a "charnel ground," a term for things thought to be scary or evoke revulsion. These are powerful places for spiritual practice, he said, because one must cope with how to respond to spiritual difficulties.

Please see LAMA page A7

Inside Turkey's Contentious Vote

OZAN KOSE/AGENCE FRANCE-PRESSE/GETTY IMAGES

BEHIND THE SCENES: Turkey's recent referendum on increasing the president's power was so compromised, lawyers and opponents say, that it will be impossible to ever be sure of the result. **A8**

Canada Reacts Coolly to U.S. Wood Move

Prime minister cites strong ties in face of tougher U.S. stance on lumber, dairy products

By Paul Vieira

OTTAWA—Canadian Prime Minister Justin Trudeau said he intended to speak firmly yet reasonably with President Donald Trump about the U.S. slapping a 20% tariff on softwood lumber from Canada and Mr. Trump's escalating rhetoric over Canadian dairy trade practices.

Mr. Trudeau's comments on Tuesday suggest he was opting to dial down the rhetoric and emphasize the positive aspects of the U.S.-Canada relationship, as he has been inclined to do so far in dealing with the Trump administration's plans to overhaul North American trade.

The prime minister said the U.S. and Canada have a history of resolving policy differences, and he expected to do the same this time around.

Trade irritants "are nothing new," Mr. Trudeau said in an interview with a radio station in the southwestern Ontario city of Kitchener. He said he would defend Canada's interests and looked to speak to Mr. Trump in the near future.

Canada will "deal firmly and reasonably with the U.S.," he said, adding he wanted to "emphasize that the U.S. and Canada have a deep and strong relationship."

His cordial tone stood in contrast to a Tuesday morning tweet from Mr. Trump, in which he said his administration was considering retaliatory measures after Canada's decision to change market rules to effectively exclude U.S.-produced ultra-filtered milk, which is used in cheese production.

"Canada has made business for our dairy farmers in Wisconsin and other border states very difficult. We will not stand for this. Watch!" Mr. Trump tweeted.

Speaking to reporters at the White House, Commerce Secretary Wilbur Ross said that the lumber issue was a longstanding problem and that the administration was following up on an already existing case.

"This was not a presidential decision to do the softwood lumber," Mr. Ross said when asked whether the dispute would harm an otherwise positive relationship between Messrs. Trump and Trudeau and marked a departure from Mr. Trump's earlier comments that U.S.-Canada trading ties needed only "tweaking."

"This was a decision that arose from a trade case that was under way," Mr. Ross said. "It doesn't have anything to do with the personal relationship between Mr. Trudeau and the president."

Still, developments in the past week mark a sharp shift in Mr. Trump's tone toward Canada. Until now, most of his criticism over the North American Free Trade Agreement has focused on Mexico, which runs a large trade surplus with the U.S.

Mr. Trudeau's cordial tone stood in contrast to a Tuesday morning tweet from Mr. Trump.

The Canadian government said Monday it "disagrees strongly" with the Commerce Department's decision to slap a 20% tariff on softwood lumber, arguing it was predicated on "baseless and unfounded" allegations from the U.S. lumber industry.

Canada's Liberal government has promoted freer trade as a way to improve living conditions for the country's middle-income households, and recently completed an agreement on liberalized trade with the European Union.

Canada was one of the countries involved in the Trans-Pacific Partnership talks, which were definitively shelved by Mr. Trump, and has been considering a free-trade pact with China. Canadian policy makers generally view trade pacts as an important way to generate faster growth.

About 75% of Canadian exports—the equivalent of 20% of its gross domestic product—are U.S.-bound.

The 20% tariff on Canadian softwood is expected to have a marginal impact on the Canadian economy. Economists at National Bank Financial say that softwood-lumber exports to the U.S. represent just 1.2% of all Canadian exports, and that the forestry sector accounts for only 0.3% of all Canadian jobs.

"While not significant in itself, this latest chapter in the softwood lumber dispute could give clues about how hard-line the Trump administration aims to be when renegotiating Nafta," the firm said.

Even amid a string of stronger-than-expected economic data in recent months, the Bank of Canada has remained cautious about the outlook, signaling it has no plans to raise its benchmark interest rate from 0.50%. That stance comes in part, it said, because changes to U.S. trade policy represent a significant threat to the country's growth.

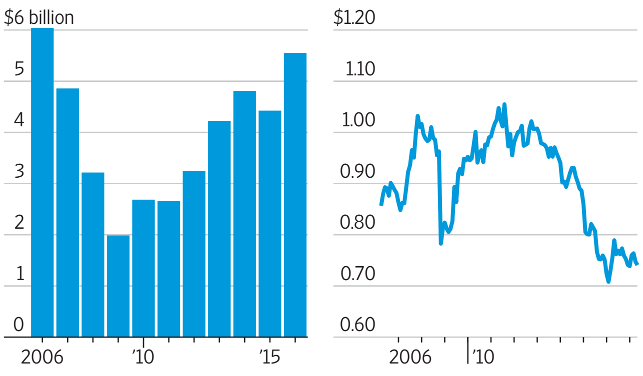
JAMES MACDONALD/BLOOMBERG NEWS

Trucks delivering raw softwood to a lumber mill in Thunder Bay, Ontario, which sends 90% of the lumber it produces to the U.S.

Logging Trade

Canadian shipments of softwood lumber to the U.S. have been rising, helped in part by the weaker Canadian dollar.

Canada softwood lumber exports to U.S. | **How many dollars one Canadian dollar buys**



Sources: U.S. Census Bureau; WSJ Market Data Group

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Notice to Readers

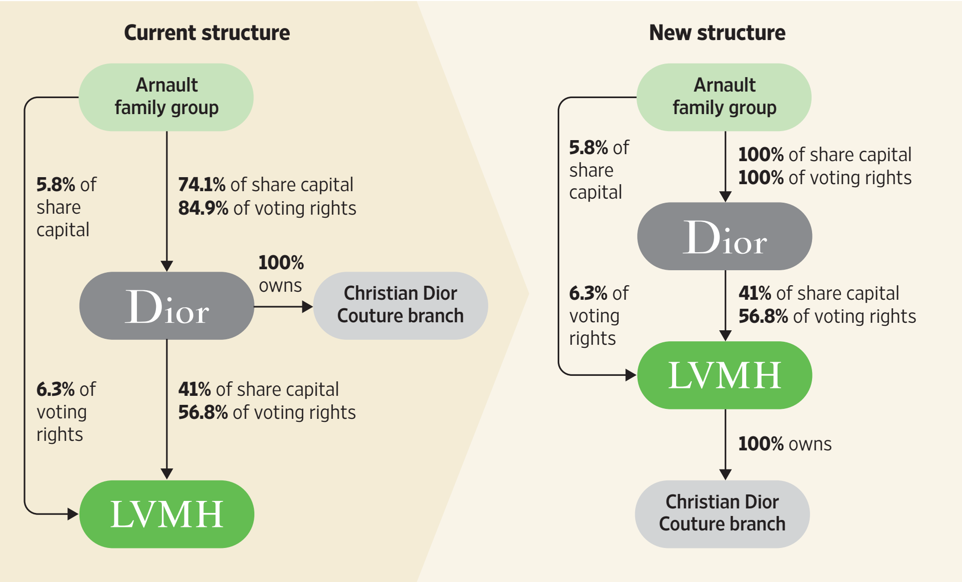
Andrew Browne's China's World column is on hiatus this week.

TORU YAMANAKA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Christian Dior gowns on display in Japan last week. As proposed, LVMH would fully own the label.

Fashioning a Simpler Setup

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



Source: the company

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LVMH

Continued from Page One

holders. That should change once the deal is complete, they said.

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

Dior's share price soared 11% on the news in Paris trading, while LVMH advanced about 4%.

LVMH's sales have proved resilient amid weakness in the global luxury market. Revenue rose 5% last year, despite terror attacks in Europe and new rules passed by Beijing aimed at pushing globe-trotting Chinese shoppers to spend more at home.

Sales in the first quarter of the year surged 15%, easily beating expectations.

The proposed transaction would be the 68-year-old Mr. Arnault's biggest acquisition in years, giving LVMH one of the most elite brands in fashion. It also marks the culmination of Mr. Arnault's decadeslong turnaround of Dior.

Mr. Arnault took control of Dior in 1985, after a group of investors he led purchased its parent company, a lumbering French industrial conglomerate that was near collapse. Mr. Arnault sold off unprofitable businesses and closed factories but kept Dior, his first foray into the fashion business.

"Dior was the first one," said Concetta Lanciaux, a former LVMH executive who worked with Mr. Arnault for decades. "Your first one is always the best."

To revive the business, he canceled many licensing deals signed by the French fashion house that he felt had damaged the brand. It is a playbook he used repeatedly as LVMH bought dozens of luxury brands over the next 30 years, Ms. Lanciaux said.

"When you give licenses for your product, it's not as good as if you're making it," she said. "That was where he first developed the strategy: doing your own manufacturing, no outsourcing."

The transaction will also reduce Mr. Arnault's holdings of Hermès International SCA. Mr. Arnault had accumulated an 8.5% stake in the French luxury house during an aborted attempt several years ago to take over the company. Hermès shares have rallied recently, giving Mr. Arnault a stronger currency with which to buy his stake in Dior.

"He's swapping more LVMH and more Dior shares for less Hermès exposure," said Luca Solca, an analyst at Exane BNP Paribas.

Mr. Arnault is proposing to buy Dior's shares using a mix of cash and his Hermès shares. News that Mr. Arnault's shares would be hitting the market pushed Hermès shares down 4.5% in Paris trading.

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

NASDAQ

Continued from Page One

"If the economy is going to heat up, you want to be in an area that can keep up," said Robert Pavlik, chief market strategist and senior portfolio manager at Boston Private Wealth.

Tech companies in the S&P 500 are on track to post 14% growth in earnings in the first quarter from the year-earlier period, according to reported results and analyst estimates on FactSet, compared with the 10% growth rate expected for the broader S&P 500.

Apple shares are up 25% for the year as investors respond to signs of renewed momentum at the firm. Apple is expected to report quarterly earnings of $2.02 a share in May, according to FactSet, up from $1.90 a share in the year-earlier period.

Class A shares of Facebook are up 27% in 2017, with analysts estimating the firm will report quarterly earnings of $1.12 a share in May, according to FactSet. The stock has been supported by data pointing to sustained growth in Facebook's advertising revenue. The firm had reported earnings of 52 cents a share in the year-earlier period.

Amazon.com, Alphabet and Intel Corp. are scheduled to report their earnings on Thursday.

The move from 5000 to 6000 is the Nasdaq's first thousand-point jump since the dot-com era, when it took 49 trading days to climb to 5000 and exuberance for tech stocks helped companies like the now-defunct Pets.com go public. The Nasdaq erased more than 30% of its value in 10 weeks from a peak on March 10, 2000, and didn't close above 5000 again until March 2015.

14%

How much tech shares in the S&P 500 have risen so far this year.

Today's Nasdaq looks different than it did then.

Valuations have backed off the levels they reached in 2000. As of Monday, companies in the Nasdaq traded at roughly 28 times their past 12 months of earnings, according to Thomson DataStream, compared with 69 times on March 10, 2000.

The index has also become more diverse, with technology firms now making up less than half of the index by market weight, versus about 65% in March 2000, according to Nasdaq Inc. Shares of consumer, health-care and financial companies represent a growing share of the index.

A rally in biotechnology shares has given the Nasdaq a boost in 2017. The Nasdaq Biotechnology Index has climbed 12% this year, with its latest advance coming Tuesday after multinational biotech firm Biogen reported earnings that beat analysts' estimates.

Signs that a tax plan from the Trump administration could be coming have helped reinvigorate a rally in financial and industrial stocks in recent sessions, but investors continue to bet on big tech companies.

The Nasdaq has produced bigger total returns, including price changes and dividend payments, than the S&P 500 and the Dow industrials in seven of the past 10 years.

"Tech is always going to be the group that pulls in investors chasing growth," said Boston Private Wealth's Mr. Pavlik.

CORRECTIONS & AMPLIFICATIONS

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WORLD NEWS

Low Turnout Is Le Pen's Ally in Election

Candidate's hopes rest on disillusioned French casting blank votes or abstaining altogether

By Joshua Robinson And Noemie Bisserbe

PARIS—National Front leader Marine Le Pen's hopes to win the French presidency lie in the hands of voters like Pierre Gilbert.

Mr. Gilbert, 23 years old, is by no means a supporter of the anti-European Union, anti-immigration politician, who has qualified for the May 7 runoff against centrist Emmanuel Macron. He defines himself as a die-hard leftist.

But breaking with a long-standing tradition of French voters setting personal beliefs aside to coalesce behind whoever could block the National Front, he plans to stay home for the second round.

"No matter who wins, it'll be a catastrophe," he said.

Voters like Mr. Gilbert illustrate how Ms. Le Pen has succeeded in weakening the political bulwark—known here as the "front républicain"—that broke National Front waves in past elections, largely because of the party's tradition of xenophobia.

In 2002 when Jean-Marie Le Pen, her father, unexpectedly stormed into the second round of the presidential election, stunned French voters put aside their reservations about conservative incumbent Jacques Chirac and re-elected him with 82% of the vote.

In late 2015, National Front candidates led in six of France's 13 districts after the first round of regional elections, but failed to win a single region—a result analysts attributed to the republican front.

Ms. Le Pen must attract voters who didn't support her in the first round to defeat Mr. Macron, and the apathy of a large part of the electorate could play into her hand. Surveys suggest about one-third of leftist voters and almost one-quarter of conservatives will abstain in the runoff.

"The knee-jerk republican front is gone," political analyst Christèle Marchand-Lagier said. "The National Front is now well established in France."

Polls conducted by the OpinionWay firm show Ms. Le Pen could nearly double her first-round total of 21.3% in the face-off against Mr. Macron, but would lose, 39% to 61%.

Unlike her father, who cultivated the image of the National Front as a fringe movement, Ms. Le Pen has sought to impose herself as a stateswoman who is prepared to govern.

IAN LANGSDON/EUROPEAN PRESSPHOTO AGENCY

National Front's Marine Le Pen has weakened the movement that thwarted her party in the past.

On Tuesday, she stood alongside Mr. Macron at the national police headquarters as President François Hollande paid tribute to the officer killed in Thursday's terror attack on the Champs-Élysées.

This week, she announced she was taking a leave of absence from her position as National Front president—a bid to send a message that she would represent all French people if elected, not just her party supporters. This approach is likely also aimed at helping Ms. Le Pen position herself as the leading face of the opposition if she loses to Mr. Macron.

On Sunday evening, conservative candidate François Fillon offered a reluctant endorsement of Mr. Macron after he was knocked out of the presidential race, citing the need to block the National Front and its "history of violence and intolerance."

"Abstention isn't in my DNA, especially when an extremist party is closing in on power," he told supporters.

But in the crowd, Fillon supporter Alexandre de Hubsch said the plea had fallen on deaf ears.

"I have never voted for the far right before, but I can't vote for [Mr. Macron]," he said, adding he would support Ms. Le Pen in the second round, despite opposing her stance on leaving the EU.

According to poll by the Elabe firm, 28% of first-round Fillon voters said they would vote for Ms. Le Pen, while 23% plan to cast a blank vote or stay home.

Such mixed feelings are equally palpable on the left side of the political spectrum.

Jean-Luc Mélenchon, the far-left firebrand candidate who captured 19.6% of the first-round vote with a promise to tax the rich and lift blue-collar workers, has stopped short of endorsing anyone for the second round.

Instead, he asked the 450,000 members of his Parti de Gauche (Party of the Left) movement to express their preference for the second round via his website.

At the National Front, his holding back was seen as a welcome break from the republican-front tradition. "I think it was quite chivalrous on Mr. Mélenchon's part not to give voting instructions," said Mikael Sala, Ms. Le Pen's economic adviser. "Voters are grown-ups."

—Matthew Dalton and William Horobin contributed to this article.

Ivanka Trump Meets Tough Crowd

By Anton Troianovski And Rebecca Ballhaus

BERLIN—Ivanka Trump received a cool reception on her first international trip as a government official at a conference Tuesday when she described her father's support of families and women.

The visit by Ms. Trump, whom the White House refers to as first daughter and assistant to President Donald Trump, highlighted the family dynamic in the administration's foreign policy. She acknowledged that her new official role is "quite new to me."

"I'm listening, I'm learning, I'm defining the ways in which I think I'll be able to have impact," she said during a panel discussion on women's entrepreneurship alongside German Chancellor Angela Merkel and other global leaders.

Ms. Trump was warmly welcomed by Ms. Merkel, who referred to her as a partner in seeking ways to ease women's access to credit around the world. A spokesman for the chancellor said earlier that she was attaching "great significance" to the conference encounter with Ms. Trump.

Ms. Trump's Berlin visit was intended to showcase her engagement in women's rights and vocational training while boosting her profile as a White House official. She spoke at the conference of the importance for women of mentors and affordable child care, and sat for a brief interview for a German breakfast television show. Later she quizzed one of Germany's most prominent industrialists about workforce training as TV cameras rolled.

But some in the audience at the conference, which brought together nongovernmental organizations from around the world dealing with women's issues, responded critically as Ms. Trump spoke about her father.

ODD ANDERSEN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Left to right, Ivanka Trump, IMF head Christine Lagarde and Angela Merkel in Berlin on Tuesday.

When Ms. Trump described the president as "a tremendous champion of supporting families and enabling them to thrive," some audience members hissed and groaned.

When the moderator asked her to respond to the audience's reaction, Ms. Trump said, "I think the thousands of women who have worked with and for my father for decades when he was in the private sector are a testament to his belief and solid conviction in the potential of women and their ability to do the job as well as any man."

The panel discussion, at a conference hosted by Germany as a prelude to the Group of 20 world leaders summit in Hamburg in July, also included International Monetary Fund head Christine Lagarde and Canadian Foreign Minister Chrystia Freeland onstage with Ms. Merkel and Ms. Trump.

Ms. Merkel invited Ms. Trump to the conference, dubbed W20, after they met at the White House last month. German officials, anxious over the Trump administration's stance on trade and foreign policy, have seen Ms. Trump as an important channel to the president.

Her Berlin visit highlighted the unusually high-profile role played by one of the president's daughters. After the conference session, Ms. Trump's motorcade of at least 13 cars sped across the German capital to the offices of industrial giant Siemens AG, where Chief Executive Joe Kaeser and Germany's Minister for Education and Research Johanna Wanka walked her through a company training academy.

"Since we are 60,000 in the U.S., I think it's also your company," Mr. Kaeser said to Ms. Trump during the tour, referring to the number of people Siemens employs in the U.S.

The CEO's reference was a reminder that Berlin has been trying to convince the White House of the importance of German investment in the U.S. as a way to discourage protectionist measures. Mr. Kaeser was part of the German delegation when Ms. Merkel discussed her country's expertise in vocational training with Mr. Trump, Ms. Trump and other U.S. officials in the White House in March.

The Berlin trip was one of the clearest signs that Ms. Trump has taken on many of the roles traditionally undertaken by a president's wife. The first lady, Melania Trump, spends most of her time in New York.

The president's daughter sits in on many White House meetings with business executives and foreign leaders. She greeted Aya Hijazi, the Egyptian-American aid worker Mr. Trump quietly helped to release, at the White House last week.

While the first daughter has been a dominant player in her father's political rise since the early days of the campaign, her role in the White House didn't take on an official capacity until last month. She occupies an office in the West Wing near Dina Powell, deputy national security adviser for strategy. Ms. Powell, a top adviser to the first daughter, traveled with her to Berlin.

Israel's Netanyahu Cancels Talk With German Minister

Prime Minister Benjamin Netanyahu of Israel scrapped a meeting with Germany's top diplomat hours before they were to meet on Tuesday, the latest sign of tension between Israel and one of its oldest Western allies.

By Andrea Thomas in Berlin and Rory Jones in Tel Aviv

A spokesman for Mr. Netanyahu said the decision came in response to the plan by German Foreign Minister Sigmar Gabriel to meet representatives of Breaking the Silence, a nongovernmental organization critical of the conduct of Israeli armed forces in the Palestinian territories.

"Imagine if foreign diplomats visiting the United States or Britain met with NGOs that call American or British soldiers war criminals," the prime minister's office said in a statement. "Leaders of those countries would surely not accept this."

Mr. Gabriel, who is vice chancellor in Germany's government and was on his first official trip to Israel since his appointment as foreign minister this year, said the snub would have no lasting impact on bilateral relations but expressed surprise at the Israeli premier's decision.

"Imagine we were to invite Mr. Netanyahu to Germany and he wanted to meet with NGOs that also exist here and we were to say, 'If you do that we will abort the visit.' People would call us crazy."

Later in the day, Mr. Gabriel declined to take a telephone call from Mr. Netanyahu, an Israeli official said. In Berlin, the German Foreign Ministry said it couldn't confirm that account.

Mr. Gabriel was expected to meet later Tuesday with representatives of Breaking the Silence, which collects testimony, often anonymously, from members of the Israeli military on its operations in the territories.

A spokesman for the organization couldn't be reached to comment.

Postwar Germany has been among Israel's most steadfast allies for decades. Chancellor Angela Merkel once described protecting the security of Israel as part of Germany's "raison d'être."

But the relationship has put under strain recently, with Berlin becoming more critical of the lack of progress in efforts to reach a negotiated settlement in the long-running Israeli-Palestinian conflict.

Germany's chancellor described protecting Israel as part of her nation's 'raison d'être.'

Germany sharply criticized Israel's retroactive legalization of thousands of settler dwellings in the West Bank in February. The Palestinians said all Israeli communities in the territory are illegal under international law.

That same month, Berlin postponed for a year a joint German-Israeli cabinet meeting planned for May in Jerusalem because of what it called "scheduling difficulties" caused by Germany's presidency of the Group of 20 largest economies.

U.S. Sends Jet Fighters to Estonia Amid Russia Tensions

By Thomas Grove

TALLINN, Estonia—The U.S. sent two F-35A aircraft to this Baltic country for training in the stealth jet fighter's first European deployment, the U.S. Air Forces in Europe said.

The deployment Tuesday comes shortly after the arrival of French and British soldiers to Estonia as part of a new North Atlantic Treaty Organization battalion that will be stationed in Eastern Europe and the Baltic countries as a deterrent to possible Russian aggression in the region.

Bringing in the jet fighters "allows the F-35A to engage in familiarization training within the European theater while reassuring allies and partners of the U.S. dedication to the enduring peace and stability of the region," the U.S. Air Forces in Europe said. The command oversees U.S. Air Force units pledged to NATO.

Training with stealth fighters in Estonia would give the U.S. a chance to show off its radar-evading capabilities on the border with Russia.

"We're sure Russia will be watching the skies quite closely," said a person close to the Estonian government and NATO.

The fighters, which will be temporarily housed at Estonia's Amari Air Base, aren't officially linked to the NATO deployment, but Tallinn has taken their arrival as a sign of the alliance's commitment to regional security following the Ukrainian crisis.

VALDA KALNINA/EUROPEAN PRESSPHOTO AGENCY

A U.S. Air Force jet arrives for a training deployment in Estonia.

Marko Mihkelson, Estonian parliamentary foreign affairs chairman, said the U.S. display of support was welcome regardless of the state of relations with Russia.

"We're glad the United States is showing different kinds of capabilities in the region and we're pleased to have them," he said.

Russia offered no response to the fighters' arrival, and the Defense Ministry didn't respond to a request to comment.

The arrival of the stealth fighters reinforces a message carried by U.S. House Speaker Paul Ryan (R., Wis.), who visited here over the weekend and said Washington is committed to Estonia's security.

Tensions in Tallinn and other Baltic capitals rose following Russia's annexation of the Ukrainian peninsula of Crimea, citing the need to protect ethnic Russians' rights there.

The Baltic countries, which also have ethnic Russian minorities, have wondered whether their NATO membership would be enough to deter a similar scenario from developing on their territories.

The person close to the Estonian government said the arrival was meaningful. While the units of soldiers deployed to Estonia are relatively small, this person said, the technology in the fighters is state of the art.

U.S. President Donald Trump had criticized cost overruns and delays related to the F-35. The Pentagon and F-35 producer Lockheed Martin negotiated a lower deal for the fighters this year.

It was unclear how long the fighters are to stay in Estonia for training.

White House, State Split on Iran Letter

By Jay Solomon And Carol E. Lee

JOE KLAMAR/AGENCE FRANCE-PRESSE/GETTY IMAGES

EU envoy Helga Schmid, Iran's deputy foreign minister, Abbas Araghchi, and other diplomats met in Vienna Tuesday to review the nuclear deal.

WASHINGTON—The White House last week rejected a State Department letter that declared Iran in compliance with a landmark nuclear deal, insisting on far tougher wording, senior U.S. officials involved in a policy review said.

Top White House officials said the initial letter submitted by the State Department was too soft because it ignored Tehran's destabilizing activities in the Middle East and support for regional terrorist groups, these officials said.

President Donald Trump personally weighed in on the redrafting of the letter, which was sent to Congress on April 18, the officials said. The final version highlighted Iran's threatening regional behavior and called into question the U.S.'s long-term support for the nuclear accord.

Mr. Trump also told Secretary of State Rex Tillerson to follow up the next day with a strident public message that the new administration was planning a shift on policy toward Iran, putting the nuclear deal in play, these officials said.

The episode highlighted the divisions between Mr. Trump's hard-line position on Iran and the approach taken by career State Department diplomats and many European allies. State Department officials didn't respond to a request to comment on Mr. Tillerson's role in the exchange.

The nuclear agreement, which was implemented in January 2016, constrained Iran's nuclear capabilities in return for the lifting of most international sanctions, including unilateral penalties imposed by the U.S. Treasury Department.

The White House is conducting a 90-day review of its Iran policy and considering steps to significantly ratchet up U.S. efforts to push back against Iran and its military operations in the Mideast.

Potential steps include sanctions against hundreds of Iranian companies that would be vetted for suspected ties to Tehran's elite military unit, the Islamic Revolutionary Guard Corps, or IRGC, these officials said.

The Trump administration also is exploring ways to enhance international efforts to combat Iran's ability to smuggle weapons to its military proxies in Syria, Lebanon, Iraq and Yemen.

The Pentagon has announced its intention to more aggressively challenge Iran's naval presence in the Persian Gulf, noting its threat to shipping lanes and commercial traffic in the oil-rich region.

In recent days, Mr. Trump and other senior administration officials have publicly questioned terms of the nuclear deal, which was negotiated by the Obama administration over three years. They have hinted at the need to renegotiate it and voiced skepticism that the U.S. and its allies could separate Iran's nuclear program from its other destabilizing activities.

State Department spokesman Mark Toner said on Monday that the White House policy review "aims to look at is how we take a more comprehensive look at Iran and its bad behavior in the region."

Some White House officials expect the U.S. won't withdraw from the nuclear deal, but enforce it to the letter and possibly reinstate sanctions that were lifted as part of the accord under different reasons, such as human-rights abuses or Iran's ballistic missile tests.

Iran has ruled out any renegotiation of the nuclear agreement. It also has said any new sanctions imposed by the Trump administration would be viewed as a violation of the deal.

Congress requires U.S. administrations, via the State Department, to notify Capitol Hill every three months about whether Iran is in compliance with terms of the deal.

The initial State Department letter on Iran, senior U.S. officials said, was drafted by career diplomats who played leading roles during the Obama administration in both negotiating the Iran deal, and eventually implementing it.

The initial draft met swift resistance when it was sent to the White House for approval last week, the U.S. officials said.

Swipe Right to Save Africa's Northern White Rhino

SUN RUIBO/XINHUA/ZUMA PRESS

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

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

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

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

In 190 countries and 40 languages, Tinder users will see Sudan's profile near the top of the app as a suggestion for a date.

If users swipe right, meaning they "match" with Sudan, they will be taken to a page that raises funds for the cause.

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

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

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

If enough eggs are fertilized, extras would probably be implanted in some of the thousands of surviving southern white rhinos.

While they are a different species, they are close enough to make an in vitro fertilization attempt worthwhile.

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

The species is known to rarely mate in captivity.

—*Matina Stevis*

Ebola Vaccine Questioned

By Thomas M. Burton And Michelle Hackman

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

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

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

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

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

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

The finding is of great consequence.

In the event of another Ebola epidemic, a vaccine with modest usefulness may still prevent deaths but not provide a total firewall.

The last outbreak involved 28,616 Ebola cases, and led to more than 11,300 deaths.

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

The National Academy is a private nonprofit organization that serves as an advisory group to the U.S. government.

The Ebola study was sponsored by the National Institutes of Health, the Food and Drug Administration and the U.S. Department of Health and Human Services.

Estimating that a vaccine would take 10 days to be effective, researchers counted Ebola cases that erupted 10 days or more after the first case.

In this analysis, there were no new Ebola cases in the immediate-vaccination clusters, and 16 in delayed clusters; hence, the 100% statement.

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

However, people did get ill in the first nine days after vaccination.

During that period, 20 of 3,232 participants got Ebola in nine of 51 immediate-vaccination rings, versus 21 of 3,096 in seven of 47 clusters randomized to receive delayed vaccination.

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

CELLOU BINANI/AGENCE FRANCE-PRESSE/GETTY IMAGES

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

EU Hopes to Thaw Relations With Moscow

By Laurence Norman

KIRILL KUDRYAVTSEV/AGENCE FRANCE-PRESSE/GETTY IMAGES

EU foreign policy chief Federica Mogherini and her Russian counterpart, Sergei Lavrov, are seen on Monday in Moscow.

BRUSSELS—The European Union wants to expand its dialogue with Russia on key foreign policy issues, the first significant sign of a thaw in relations and a move that reflects concerns in Brussels about U.S. foreign policy.

EU foreign policy chief Federica Mogherini said she discussed the issue with her Russian counterpart, Sergei Lavrov, on Monday in Moscow, the first formal bilateral visit to Russia by a top EU official since the Ukrainian crisis erupted in early 2014.

The EU has been exploring a reopening of formal channels of communication that were cut after Moscow's annexation of Crimea and intervention in eastern Ukraine. Before that, the EU and Russia held regular summits meetings.

Ms. Mogherini worked closely with Mr. Lavrov during the Iranian nuclear talks and they have met and spoken frequently on such issues as the Syrian civil war. However, with the EU imposing economic sanctions on Russia in 2014 over its actions in Ukraine and with Moscow firing back with its own ban on European agricultural imports, those conversations have remained ad hoc.

A number of European capitals have called for greater political engagement.

Ms. Mogherini said now is the time to move ahead.

"We discussed the possibility to intensify, to have more regular exchanges on foreign policy issues, which is exactly in our interests," Ms. Mogherini said, specifically mentioning Syria, The Middle East, Iran, Libya, Afghanistan and North Korea.

No detailed plans have been elaborated so far, officials said. Mr. Lavrov said on Monday his government has always favored retaining the full range of dialogue with the EU.

The North Atlantic Treaty Organization last year resumed meetings with Russian officials through the NATO-Russia Council, and the two sides have begun more regular meetings.

When they restarted, the council was a forum for each side to lecture the other on Ukraine, Afghanistan and other contentious issues. The meetings have since become more regular and emerged as a forum for each side to discuss its military buildup and exercises, in an effort to increase transparency.

For Brussels, stepped-up discussions with Russia would broaden the bloc's options at a time when the Trump administration has sent mixed signals about its desire to work with the EU.

On a number of issues, including support for the Iranian nuclear deal and backing for a two-state solution in the Middle East, the EU's foreign policy positions are closer to Moscow's than to Washington's. Ms. Mogherini reiterated Tuesday that the EU fully supported the nuclear deal.

—*Julian Barnes contributed to this article.*

WORLD WATCH

SPAIN

Nine Arrested Over Alleged Terror Links

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

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

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

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

AFGHANISTAN

U.S. Says Russia Is Arming Taliban

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

U.S. officials have complained that the Kremlin has interfered on the Afghan battlefield on the Taliban's side, but Monday's comments marked the most serious U.S. allegations yet.

Defense Secretary Jim Mattis, who arrived in Kabul on an unannounced visit on Monday, said it would be a violation of international law for Russia to provide the Taliban with weapons. The weapons are showing up in Helmand, Kandahar and Uruzgan provinces.

Russia has acknowledged sharing information with Taliban groups in an effort to combat Islamic State, but has denied sending weaponry.

—*Gordon Lubold and Habib Khan Totakhil*

China Convicts U.S. Citizen

Businesswoman is jailed as a spy and ordered deported, testing bilateral ties

BY CHUN HAN WONG AND CHARLES HUTZLER

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

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

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

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

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

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

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

If quickly deported, she would be the second American recently freed by an authoritarian government, following Egypt's release of Egyptian-American aid worker Aya Hijazi last week. Taken together, these cases potentially mark a shift in focus in U.S. human-rights policy to put greater priority on cases involving American citizens, said John Kamm, executive director of the San Francisco-based Dui Hua Foundation, which monitors and advocates for those detained in China.

These cases "speak to the emerging human-rights policy of the Trump administration: put Americans first," said Mr. Kamm.

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

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

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


Phan Phan-Gillis ran a consultancy and often traveled in China.

JEFF GILLIS/ASSOCIATED PRESS

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

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

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

Sanctions on North Korea Are Unevenly Enforced

BY ALASTAIR GALE

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

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

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


A U.S. submarine in the Korea Strait. Pyongyang conducted a live-fire artillery exercise on Tuesday.

YONHAP/AGENCE FRANCE-PRESSE/GETTY IMAGES

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

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

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

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

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

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

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

China's nuclear envoy, Wu Dawei, arrived in Tokyo on Tuesday for talks with Japanese officials, but Mr. Yun said he wouldn't meet Mr. Wu.

North Korea often issues statements of defiance over sanctions pressure, which is intended to force it to trade its nuclear weapons for economic and diplomatic relief.

Indonesia Is Open To U.S. Trade Deal

BY BEN OTTO AND ANITA RACHMAN

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

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

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

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

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

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

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

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

Freeport, one of the largest taxpayers in this sprawling archipelago nation of more than 250 million people, has been facing restrictions on its exports as Indonesia pushes for greater benefits from the mine. Freeport's current contract expires in 2021 and Indonesia has been pressing to change the terms of the deal, including by forcing Freeport to divest 51% of the company. Freeport has said it could take the case to international arbitration.

"We must figure out a new way of working together, with a new contract," Mr. Widodo said. He declined to add details, but said an eventual deal "must be fair to all parties" and would address a divestment by Freeport. "We must operate within the corridor of the law," he said.

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

Plaque's Theft Stirs Thai Debate

Missing paean to democracy touches a nerve in discussion over managing kingdom

BY JAMES HOOKWAY

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

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

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

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

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

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


A plaque, below, commemorating Thailand's 1932 revolution, was replaced with one urging loyalty to the new king, Rama X, above.

ATHIT PERAWONGMETHA/REUTERS

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

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

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

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

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

APICHART KHUNNAWATBANDIT/ASSOCIATED PRESS

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

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

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

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

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

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

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

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

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

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

U.S. NEWS

Sally Yates To Testify Before Panel


PETE MAROVICH/GETTY IMAGES
Sally Yates, the former acting attorney general, is expected to shed light on alleged Russian meddling in the U.S. presidential election.

BY ARUNA VISWANATHA AND BYRON TAU

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

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

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

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

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

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

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

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

The House Intelligence Committee has been beset by questions about its leadership. Chairman Devin Nunes (R., Calif.) stepped aside from the Russia investigation this month, citing the need to clear his name in an ethics investigation. That followed his decision to brief Mr. Trump about intelligence intercepts he had unearthed, which critics said compromised his objectivity. Rep. Michael Conaway (R., Texas) is now heading the committee's probe.

Meanwhile, Democrats on the Senate Intelligence Committee are increasingly raising concerns about the pace and staffing level of that panel's Russia investigation.

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

FLYNN

Continued from page A1

given to the committee as part of its investigation into the circumstances around Mr. Flynn's departure from President Donald Trump's administration.

"Gen. Flynn had a duty and an obligation to seek and obtain permission to receive money from foreign governments prior to any engagement with them," he said. "It does not appear to us that that was ever sought, nor did he ever get that permission."

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

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

Under U.S. law, approval for a retired Army officer to receive foreign-government payments must come from the secretary of the Army and secretary of state. A Defense Department white paper, which explains how the emoluments clause of the U.S. Constitution applies to military personnel, instructs retired Army personnel to obtain approval from U.S. Army Human Resources Command, which is separate from the DIA.

The Army previously said in a letter to Mr. Cummings that it had found no record of Mr. Flynn reporting his Russian pay to the military service.

In one case, Mr. Flynn was paid more than $30,000 by state-sponsored RT for a Moscow speech in 2015. He also later registered as a lobbyist for Turkey, acknowledging that some of his work for a nonprofit could be seen as benefiting the Ankara-based government. Both took place before his stint in the Trump administration.

Mr. Cummings called the documents "extremely troubling."

"We have concerns, and I believe these documents should be declassified to the fullest extent possible," said Mr. Cummings, who asked the committee to call Mr. Flynn in to testify. Mr. Chaffetz said he was unlikely to take such a step, saying such matters should be handled by other congressional committees.

Defense Department ethics guidelines say pay from corporations controlled by foreign governments counts under the law and therefore should be subject to approval.

Under the guidelines, the Defense Department generally punishes retired military officers who fail to report foreign pay by withholding their retirement disbursements equal to the amount of the pay received.

Mr. Flynn left the Trump administration in February after it was revealed that he misled top White House officials, including Vice President Mike Pence, about his contact with the Russian ambassador to the U.S. during the transition.

Congress is also probing Russian interference in the U.S. presidential election, and the Federal Bureau of Investigation is looking into any ties between Mr. Trump's campaign and foreign agents. Russia denies involvement in the election.

While the bulk of the investigation into Russian interference is being handled by the House and Senate intelligence committees, the Oversight Committee, headed by Mr. Chaffetz, has been probing the handling of the situation around Mr. Flynn as part of its mandate to investigate waste, fraud and abuse within the federal government.


JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY
Former national security adviser Mike Flynn, shown in February.

The panel asked the White House last month for information related to Mr. Flynn's tenure in the Trump administration, specifically for documents regarding his security-clearance application and his foreign contacts while serving in government.

In a response released Tuesday by the committee, the White House said in a letter to Congress that it was "unable to accommodate" requests concerning Mr. Flynn's contacts with foreign governments, citing their classified nature. The Oversight Committee is authorized to review classified information.

Trump Wants Big Tax Cut for Firms

BY MICHAEL C. BENDER AND RICHARD RUBIN


CAROLYN KASTER/ASSOCIATED PRESS
President Trump's proposal focuses on 'pass-through businesses.'

WASHINGTON—President Donald Trump on Wednesday is planning to unveil a proposal to slash the top tax rate on so-called pass-through businesses, including many owner-operated companies, to 15% from 39.6%, said White House officials familiar with the planning.

Mr. Trump also plans to include a tax break for child-care expenses, similar to the one he proposed during the campaign at the urging of his daughter, Ivanka, now one of his top advisers in the White House.

The president is set to unveil his proposed tax changes on Wednesday, but important issues were still being sorted out inside the White House on Tuesday.

By restating core pieces of his campaign plan, Mr. Trump is trying to frame the coming tax debate in Congress. His plans may have trouble complying with the congressional procedure known as reconciliation, which allows a Republican party-line vote in the Senate, but which requires bills to avoid increasing budget deficits outside the 10-year budget window.

Mr. Trump has said he wants to reduce the number of tax brackets for individuals, but his advisers are still debating where to set those rates.

Treasury Secretary Steven Mnuchin is said to prefer a top rate of 37%, the people said. That is below today's top rate of 39.6% but above the 33% rate that Mr. Trump proposed during the campaign.

White House officials are also considering proposing a territorial tax system, the people said. U.S. corporations would pay little or no tax on future foreign earnings. The nation's current world-wide tax system levies all corporate income, regardless of where it is earned. Companies can defer U.S. taxes until they repatriate foreign profits.

During the early part of the campaign, Mr. Trump proposed immediate taxation of U.S. companies' world-wide earnings, but he was silent on that issue after he revised his tax plan during the general election campaign.

White House press secretary Sean Spicer declined to talk about the proposal. "We'll have plenty of time to talk about that tomorrow," he told reporters on Tuesday.

Like his call for a 15% corporate tax rate, Mr. Trump's proposal to slash rates for pass-through companies could pose problems for Congress. Lawmakers are likely to struggle to fit the 15% tax rate inside budgetary and procedural constraints. It also will be hard for Congress to write rules to prevent people from converting higher-taxed wages into lower-taxed business profits.

Most U.S. businesses are pass-throughs, called that because their income and deductions pass through to their owners' individual returns. That group includes many small firms, but it also includes large global law firms, hedge funds and Mr. Trump's own real estate and branding businesses.

House Republicans have proposed a 20% corporate tax rate and a 25% top tax rate on pass-through businesses, and those are both ambitious goals that require politically difficult tradeoffs. Mr. Trump's plan is leaning toward even deeper cuts in tax rates, bigger budget deficits and bold estimates of the economic growth his tax cuts could generate.

"Well, that's pretty aggressive, isn't it?" Sen. John Cornyn (R., Texas) said of the 15% corporate tax-rate proposal. "We need to see the whole plan. I certainly am not going to draw any lines in the sand at this point. Obviously, deficits and debt are important, but economic growth is, too, and we need to get the economy growing again, which will also increase the amount of revenue generated for the Treasury."

Even a temporary tax cut in the corporate tax rate as short as three years might cost the government revenue beyond 10 years and run afoul of those reconciliation rules. Lower rates mean that businesses will use fewer tax credits, said a senior aide to House Speaker Paul Ryan (R., Wis.). As a result, they will carry those credits forward and reduce revenues in future years.

According to an estimate by the Joint Committee on Taxation, prepared for Mr. Ryan, cutting the corporate tax rate to 20% for 2018, 2019 and 2020 would reduce federal revenue by $5.9 billion in 2027 and cause a "nonnegligible revenue loss" outside the budget window. That could trigger a challenge to using the reconciliation rules.

That carry-forward effect could be altered if other policies were added to the corporate rate cut that would counterbalance it. But the analysis shows the challenge of creating a long-lasting corporate tax cut.

Administration officials are meeting with senior Republican lawmakers Tuesday in the Capitol to discuss the tax plan.

Sen. Ron Wyden of Oregon, the top Democrat on the Senate Finance Committee, said Tuesday that he hadn't heard from the White House on its tax plan. That is a mistake, he said.

"You make it partisan only, and you don't get both sides invested in it, people saw what a debacle you had on the first round of health policy," Mr. Wyden said. "You can win by reconciliation, if you just decide to hardball your way through it, but the track record shows it's not sustainable and it's not successful."

—Kristina Peterson and Nick Timiraos contributed to this article.

Committee Clears Trade Nominee

BY WILLIAM MAULDIN

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

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

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

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


TASOS KATOPODIS/AFP/GETTY IMAGES
Robert Lighthizer

But the Senate committee didn't fully resolve an unrelated, separate issue—a debate over benefits for retired miners—that Democrats have linked to Mr. Lighthizer's nomination and waiver. Sen. Ron Wyden of Oregon, the committee's top Democrat, said he hopes both the waiver and miners legislation will be resolved as a part of legislation to maintain funding for the federal government, expected in coming days.

Sen. Joe Manchin (D., W.Va.), a defender of miners, attended the committee meeting and thanked its members for support on the issue, saying the Senate "basically" has a consensus that the miners need help before benefits expire at the end of the month.

If a broader deal is reached in Congress, Mr. Lighthizer could be confirmed by the full Senate in coming days. The new U.S. trade representative would then be able to consult with lawmakers about Mr. Trump's plans to renegotiate the North American Free Trade Agreement and issue a notice to Congress that negotiations on the pact could begin in 90 days.

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

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

U.S. NEWS

Progress Cited in Mimicking the Womb

Researchers kept premature lambs alive, healthier for longer than previous experiments

BY ELLIE KINCAID

To improve care for extremely premature newborns, researchers have been experimenting with technology that could act as an artificial placenta and mimic the womb environment to give delicate lungs more time to develop.

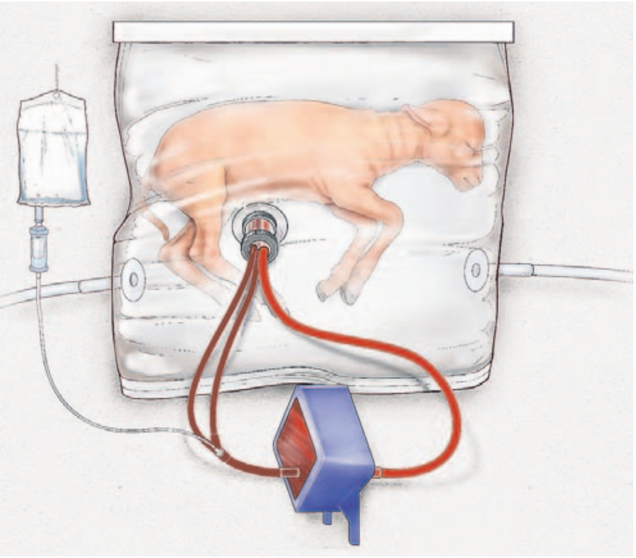
In the latest effort, doctors at Children's Hospital of Philadelphia reported Tuesday that they kept premature lambs alive in a bag of fluid for longer and with better health outcomes than in previous artificial-womb experiments.

Advancements in medical care mean human babies born as early as 22 to 23 weeks of gestation have a chance of survival, but the lungs of babies delivered at this stage aren't developed enough to breathe air and can be damaged by current methods of ventilation. The doctors envision their invention could one day support infants born at 23-25 weeks until 28 weeks, when their organs are further developed.

"We've developed a system that as closely as possible reproduces the environment of the womb and replaces the function of the placenta," said Alan Flake, director of the Center for Fetal Research at Children's Hospital of Philadelphia, who led the research, reported in Nature Communications.

The system uses a translucent polyethylene bag the researchers dubbed the "Biobag," filled with liquid similar to amniotic fluid. The premature lambs were sealed in the bags and connected via their umbilical-cord vessels to a blood-oxygenation system, which acted as an artificial placenta.

The eight lambs, which had lungs developed to the equivalent of a premature human infant of about 23 weeks, lasted from 20 to 28 days in the artificial-placenta system, the upper limit that the doctors' animal-research protocol allowed and longer than previous attempts.



THE CHILDREN'S HOSPITAL OF PHILADELPHIA

An illustration of a lamb inside the womb-like device used at Children's Hospital of Philadelphia.

The doctors then euthanized the lambs to study their development and found the animals had comparable circulation, lung development and brain maturation to regular lambs. "All parameters we've measured in fetal lambs on the system have remained normal, in great contrast to other artificial support systems for fetuses," Dr. Flake said.

Further studies in animals are necessary before the device is ready for trials in humans, which Dr. Flake anticipates could begin in three to five years. There is some uncertainty about how the experiment will translate to humans. The lambs are two to three times as large as the human infants that would need the artificial placenta. And the animal experiment doesn't accurately capture the risk extremely premature infants have for brain bleeding, Dr. Flake said.

"They were able to find some innovative answers for questions and problems we've been dealing with in work on the artificial placenta in the past few years," said Brian Gray, an assistant professor of pediatric surgery at Indiana University School of Medicine and surgical director of ECMO at Riley Hospital for Children. Dr. Gray wasn't involved in the research.

The approach has "significant barriers for use in humans," said George Mychaliska, a pediatric and fetal surgeon and director of the Fetal Diagnosis and Treatment Center at the University of Michigan's C.S. Mott Children's Hospital, who wasn't involved in the research. Putting a baby into the artificial-placenta system developed by Dr. Flake and his colleagues would require a delicate and specialized caesarean section, which Dr. Mychaliska said carries risks for mothers going under general anesthesia for the surgery.

"Personally, I don't think that's a really viable system for use in humans," Dr. Mychaliska said of approaches like the one reported in Nature Communications, which submerge newborns in fluid.

Dr. Mychaliska has been working on an artificial-placenta system for a decade. He expects the system, which involves filling the baby's immature lungs with fluid via a breathing tube, to be ready for clinical trials in three to five years.

BYRON SMITH FOR THE WALL STREET JOURNAL

New York City Department of Correction Chaplin Justin von Bujdoss, second from left, at a meditation session.

LAMA

Continued from page A1

The Department of Correction employs 27 chaplains—eight Protestants, eight Catholics, seven Muslims and four Jews—all of whom serve inmates. Mr. von Bujdoss, by contrast, focuses on staff members.

During the recent meditation class, in a cinder-block room at the jail complex, Mr. von Bujdoss asked each officer to name the easiest and hardest part of his or her day.

Easy: "When I'm not here" and "going home to my family." Hard: "Not knowing how the day is going to go" and "personalities."

The Buddhist lama led the class in several meditation exercises, including one in which officers imagined leaving the island. "Step into a private jet," he said. "Look at the upholstery and imagine what it smells like."

The sounds of radio beeps and pounding came from the hallway. Someone could be heard yelling for restraints.

They imagined the island fading into the distance. When their private jets arrived at their destinations, they imagined loading into their dream cars. Eventually, Mr. von Bujdoss led his meditators to a secret box.

The exercise is meant to develop resiliency, he said later, and to highlight aspects of people's lives that get lost when they are working inside jail. The opening of the box, the chaplain said, allows for some deeper image to come up that is relevant in the moment.

Afterward, the lama polled the officers about their journeys. "Who had leather upholstery?" he asked.

A female officer tentatively raised her hand. "What color?" he asked. "Pink," she said. She had flown to Tahiti.

"How'd it feel? Luxurious?" he asked.

"Oh, yeah," she replied.

A male officer told the chaplain he had flown home to Saint Lucia, a Caribbean island. He had imagined a small, simple plane, with blue seats.

About 1% of adults in New York state are Buddhist, according to Pew Research data.

"What was in the box?" the chaplain asked.

"I don't know," the officer said sheepishly. "I fell asleep."

The meditation class was officially over, and the officers all went back to jail.

Mr. von Bujdoss began volunteering and conducting meditation classes at Rikers Island in 2013, when the Brooklyn dharma center of which he was executive director was looking for a social project.

"The staff were so interested from watching the inmates do it," said Warden Helena Smith, of the inmate classes he led. When the department posted a full-time chaplain job, Mr. von Bujdoss applied.

He began in September, and, said Warden Smith, has been well received by staff.

"It's a very stressful job," said a 33-year-old officer from Brooklyn after attending the class. "It helps you clear your head."

"We always joke and say, 'Please don't speak,' because when he speaks he's so relaxing,'" Ms. Smith added.

Mr. von Bujdoss said he has met a handful of Buddhists who work in the jails. About 1% of adults in New York state are Buddhist, according to Pew Research Center data.

Born in Albuquerque, N.M., Mr. von Bujdoss lives in Brooklyn's Bay Ridge neighborhood with his wife and three children. He attended Antioch College in Ohio, during which he went to visit India. He subsequently spent about five years training in monasteries there.

He largely did his clinical training in places such as locked psychiatric wards and medical intensive-care units, that he said were in near-constant crisis—not unlike jail. He also spent years working for a home-hospice provider.

At Rikers, his job includes visiting officers who are seriously ill or have mental-health issues and helping officers cope with loss.

"My theological point of connection is crisis," he said. "Trying to bring peace to a place of pain and suffering and trauma—that's what I connect to."

HOUSING

Continued from page A1

In Dallas, home prices have risen by nearly 53% from their low during the recent bust and are now 35.5% above their previous high. In Denver, prices are now 59% above their previous lows and 36.5% above their previous high.

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

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

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

The five-year stretch since the 2012 bottom marks the third-fastest period of home-price growth in data going back to 1895, according to David Blitzer, managing director of S&P Global.

One of the main drivers has been the lack of home construction. Labor shortages, zoning regulations, rising prices of lumber and other building materials, and caution among builders have kept a lid on construction activity in recent years.

The supply of homes for sale in March was down 6.6% from a year earlier, the National Association of Realtors reported last week.

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

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

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

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

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

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

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

Some markets are in more complicated territory. The Denver market is 8% overvalued, while the Bay Area is 8.5% too pricey based on Mr. Boud's analysis. Most overheated markets have supply shortages. Nationwide, there is a shortage of about 3 million homes, Mr. Boud said.

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

"[Dallas] is going to hit the skids sooner than most markets," Mr. Boud said. "Right now jobs are still strong but prices are outpacing even the job market."

There are other signs of overexuberance. The number of licensed Realtors has jumped by nearly 25% since 2012, hitting a nine-year high in 2016 and sitting just 9% below the peak in 2006, according to real-estate consultant John Burns.

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

ALAN DIAZ/ASSOCIATED PRESS

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

U.S. WATCH

RESEARCH

Illegal Immigration Already in Decline

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

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

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

—Laura Meckler

WASHINGTON

Perdue Confirmed As Agriculture Chief

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

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

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

—Jacob Bunge

REGULATION

FCC Chief Crafts Internet Policies

The nation's top telecommunications regulator is expected to outline his strategy for rolling back Obama-era net-neutrality rules on Wednesday, people familiar with the matter said, signaling the start of a new clash over internet regulation.

The plan is expected to be made public at an event at the Newseum in Washington, where Federal Communications Commission Chairman Ajit Pai is scheduled to deliver a speech on "The Future of Internet Regulation," these people said.

The 2015 net-neutrality rules were aimed at requiring internet-service providers such as big cable and wireless firms to treat all traffic the same. Providers contend the rules went too far by reclassifying them as common carriers, potentially subjecting them to heavy government regulation.

Many consumer groups and online activists, as well as many Democrats, worry that even a partial rollback of the rules could harm competition on the internet.

Mr. Pai's office didn't respond to a request for comment.

—John D. McKinnon

Congress Takes Hit In Approval Ratings

Congressional job approval fell 9 percentage points from February.

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

THE WALL STREET JOURNAL.

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

IN DEPTH

Inside Turkey's Irregular Referendum

On election day, monitors across the country reported problems in voting that expanded the powers of the president

At lunchtime on April 16, a polling monitor at a school in Turkey's third-largest city made a troubling discovery. Numerous ballot envelopes for the referendum on whether to increase the power of the presidency were missing verification stamps.

By Ned Levin, Margaret Coker and Yeliz Candemir

The monitor, in the city of Izmir, had been taught during prevote training that unstamped ballots and envelopes shouldn't be counted. So he reached for a telephone and did what colleagues across the country also were doing: He asked what to do with the suspect ballots.

Two hours later he got his answer—count them.

The chairman for Turkey's **Supreme Election Council**, known by its Turkish initials YSK, said the decision followed a petition from a representative of President Recep Tayyip Erdogan's ruling party to declare all unstamped ballots and envelopes valid.

Even before final vote tallies were published, Mr. Erdogan declared victory, by a margin of 51% to 49%, for constitutional changes that could make him the most influential Turkish leader since the country's founder, Mustafa Kemal Atatürk. Speaking to a crowd outside the presidential mansion, he responded to complaints about the vote in a puzzling way by referencing a Turkish folk tale about a man who stole his horse back from robbers. Translation: What's done is done.

Behind the scenes, many of the irregular ballots were retroactively stamped by local election officials, making it impossible to tell which had been suspect in the first place. Lawyers following the referendum and opposition politicians say the vote was so compromised it will be impossible to ever be sure of the result. Opposition parties claim that as many as 2.5 million ballots could be suspect. It is impossible to know on which side the disputed ballots were cast.

The 11-judge YSK board—eight members were appointed in September, including three replacements for purged judges—declared the vote valid, rejecting, in a 10-1 decision, opposition demands to annul it. Mr. Erdogan said the ruling resolved the matter and called for the opposition to respect the will of the people. The referendum, he has said, was highly democratic. Final voting results are expected by the end of this week.

The YSK hasn't commented on its deliberations that day. YSK representatives didn't respond to questions from The Wall Street Journal about complaints of irregularities or allegations that its decision violates Turkish law.

The vote altered Turkey's democracy. The changes, many of which take effect after the next elections, scheduled for 2019, will reorient power to the office of the president. They could allow Mr. Erdogan, who has run the country for 14 years, to stay in power for another 12.

Diplomats from several European nations say they are now rethinking their relations with Turkey, one of the **European Union**'s most significant economic partners and its security ally in the fight against Islamic State.

"We knew something was wrong from the start," says Metin Feyzioglu, president of the **Union of Turkish Bar Associations**, which ran a call center in Ankara for election legal advice. "If you ask whether it was an organized scheme to affect the referendum, I would say I don't know. But the result is so clear."

That the vote went ahead at all is a testament to how much Turkey has changed in the past year of Mr. Erdogan's tenure. After he almost toppled in a failed coup last July, the president has been ruling with extraordinary powers under the continuing state of emergency.

OSMAN ORSAL/REUTERS

AGENCE FRANCE-PRESSE/GETTY IMAGES

ILYAS AKENGIN/AGENCE FRANCE-PRESSE/GETTY IMAGES

A voter in Izmir, above; staff members in Istanbul, left; bottom, a ballot with 'yes' on one side and 'no' on the other.

His Justice and Development Party, or AKP, drafted and parliament passed the constitutional amendment package, setting the stage for April's referendum. State authorities had jailed dozens of opposition lawmakers and purged or detained one-third of Turkey's judicial officials. Mr. Erdogan's supporters dominated airwaves during the campaign and denied opposition figures permits for rallies.

Many in Turkey's legal community have questioned how a fair election could be held during the state of emergency. Since last summer, some 3,000 judges and more than 100,000 other civil servants have been fired or detained, according to Turkish media reports.

The chairmen of 221 lower electoral committees have been replaced, and more than 500 electoral board staff members were purged or arrested after the failed coup, according to European election monitors, who say the April referendum failed to meet international standards.

Eric Meyersson, an assistant professor at the **Stockholm School of Economics** who studies Turkish elections and voting patterns, says he has never seen irregularities of the magnitude reported on April 16. There is no public information about how many ballots were printed for the referendum or how many were distributed to voters without verification stamps.

"On election day in Turkey, more than 50 million people go out to vote," he says. "Stuff happens. But there seems to be a difference in magnitude this time around."

On the morning of the referendum, Servet Akman roused himself at 4 a.m. As chairman of the country's main opposition **Republican People's Party**, or CHP, in the Altindag district of the capital city of Ankara, he had been responsible for vote monitoring in three prior elections. On April 16, he led a team of 200 ballot-box observers. Each had had two days of training.

His workers spread out after 6 a.m. to the schools to which they were assigned. The police refused entrance to several of the teams, he says. At the same time, AKP monitors walked in without any hassle, he says. An officer at the local police station later told the Journal that he wasn't aware of any such obstruction.

If poll observers weren't at their stations by 7 a.m., the head of the polling station could replace them with other people. Mr. Akman says he had to intervene with the local election official to ensure the CHP's teams could work.

In Reyhanli, a town on the border with Syria in Turkey's far southeastern province of Hatay, police obstructed CHP voting observers at eight polling stations, according to Hurol Yasar, a local real-estate developer and party member.

In some cases, police removed observers after they had already entered schools, Mr. Yasar says. The officers either gave no explanation or said they were just following orders, he says. An officer at the Reyhanli district police department told the Journal that he wasn't aware of any obstruction.

Turkish voters received paper ballots that said "yes" on one side and "no" on the other. They voted by stamping "choice" on one side or the other, then sealing the ballot into an envelope and placing it in a ballot box. Both the ballots and the envelopes are supposed to be prestamped by election officials with verification seals, a measure to prevent ballot-box stuffing.

In Hatay province, voters using 159 ballot boxes got improper stamps that said "yes," potentially confusing the process, says Mr. Yasar. He estimates that at least 55,000 voters could have been affected before local election officials sent replacement stamps.

These problems led to the YSK's first decision of the day. Ruling No. 559 stated that ballots marked with the improper "yes" stamps would be accepted, as would ballots where the verification stamp was improperly placed.

Back in the Altindag district of Ankara, one polling station monitored by a member of Mr. Akman's team reported that 185 ballots of 364 cast were on ballots lacking verification stamps.

By lunchtime, Mr. Feyzioglu's election-advice call center in Ankara had logged nearly 1,000 phone calls as his legal teams fielded reports of ballot irregularities. Ballots being handed out across the country weren't stamped at all with verification seals by local election-agency representatives.

"This was happening all over the country," says a call-center coordinator who logged hundreds of complaints from urban centers including Istanbul, Ankara and Izmir. "It's not rocket science...to stamp the ballots. We had a very hard time understanding what the deal was."

In Isparta, in southwestern Turkey, a poll observer from the opposition **People's Democratic Party**, or HDP, says 300 voters cast ballots in envelopes without verification stamps before the problem was discovered. His ballot-box committee reported the problem to the district election agency.

The judges arrived at noon, he recalls, with a perplexing answer. "They told us that 45 minutes ago, a decision was made by YSK to accept unstamped ballots."

Around 3 p.m., Mr. Feyzioglu says, the phone calls to his call centers stopped abruptly, which he attributes to the YSK decision to accept unstamped ballots.

Diplomats from several European nations say they are rethinking their relations with Turkey.

Many vote monitors only became aware of the decision shortly after polls closed for the day, when they started tallying votes from the nation's 175,000 ballot boxes.

Around 5:30 p.m., a brief announcement appeared on the YSK website. It said the YSK was aware of "heavy volumes" of reports about irregularities and declared the suspect ballots would be counted. It gave no further details about its decision.

The AKP representative to the YSK board, Recep Ozel, told the Journal he petitioned the YSK to count the irregular ballots after consulting with AKP headquarters. "We couldn't ignore the voters' will due to the ballot-box committees' failures," he said. Mr. Erdogan wasn't involved in the decision, and the election was fair despite minor issues, he said. Election officials may have neglected to stamp ballots and envelopes because they were delivered the morning of the vote, he said, instead of 48 hours before, as in past elections.

European election observers said in a report that the ruling "significantly changed the ballot validity criteria, undermining an important safeguard and contradicting the law."

On the afternoon of the referendum, polling stations also were reporting other irregularities.

Suruc, a Kurdish district in Urfa province in southeastern Turkey, ran out of ballots, according to Halil Karadas, the opposition HDP's district chairman. When new ballots arrived, they were a different shade of brown than the ones used earlier, raising questions about their authenticity, says Mr. Karadas.

In other parts of Urfa province, voting rolls showed that dead people, convicts and those who had moved away were casting ballots, according to Mr. Karadas. As many as 3,000 ballots from Suruc lacked verification stamps, he says.

Mr. Feyzioglu says the YSK ruling gave district election officials the legal rationale to prevent observers from recording instances of unstamped ballots, and to erase evidence of possible irregularities by putting stamps on ballots retroactively. "The ruling meant that there were no irregularities, and so there was no need to file reports," he says.

The formal decision permitting the unstamped ballots showed up on the YSK's website three days after the voting. An assistant delivered a copy to Mr. Feyzioglu during an interview with the Journal. The decision said the YSK didn't want to disenfranchise voters.

"It's bullshit," Mr. Feyzioglu says.

When Turkey's polls closed, some of the first ballots to be counted were from 2.9 million registered overseas voters. Opposition poll monitors reported irregularities in these tallies.

One poll monitor from the HDP said some ballot envelopes were unstamped. In addition, she said, state officials in charge of her ballot boxes discarded slightly damaged ballots for "no," while counting similarly damaged "yes" votes.

At 6:01 p.m. state television began broadcasting results from the state-run Anadolu news agency, whose numbers were updating faster than the YSK's internal portal accessible to political parties and government officials. Anadolu's chairman later said the agency got its data directly from ballot boxes after they were counted.

By 7:45 p.m., state broadcaster TRT had called the vote for "yes."

The poll monitor in Izmir says he was still counting votes at that time. At 9:30 p.m., he joined about 50 others lined up at a local election office to submit results. Anadolu already was reporting that 95% of Izmir's votes had been tallied even though he and many others had not submitted their totals yet, he says. Izmir overall voted "no."

At 9:45 p.m., Turkey's Prime Minster Binali Yildirim declared victory. Mr. Erdogan followed suit at 10:15, telling a supportive crowd in Istanbul that "yes" had won by 1.4 million votes. At the time, results published by Anadolu showed the "yes" side ahead by 1.1 million.

More than an hour later, the YSK declared the "yes" side won, but it didn't provide numbers.

"This nation has realized the most democratic election, the likes of which has not been seen in any Western country," Mr. Erdogan said the next day.

LIFE & ARTS

FOOD

It's Time for a Second Breakfast

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

BY ELLEN BYRON

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WORK & FAMILY | By Sue Shellenbarger

HOW MUCH SHOULD YOU TELL YOUR TEEN?

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

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

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

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

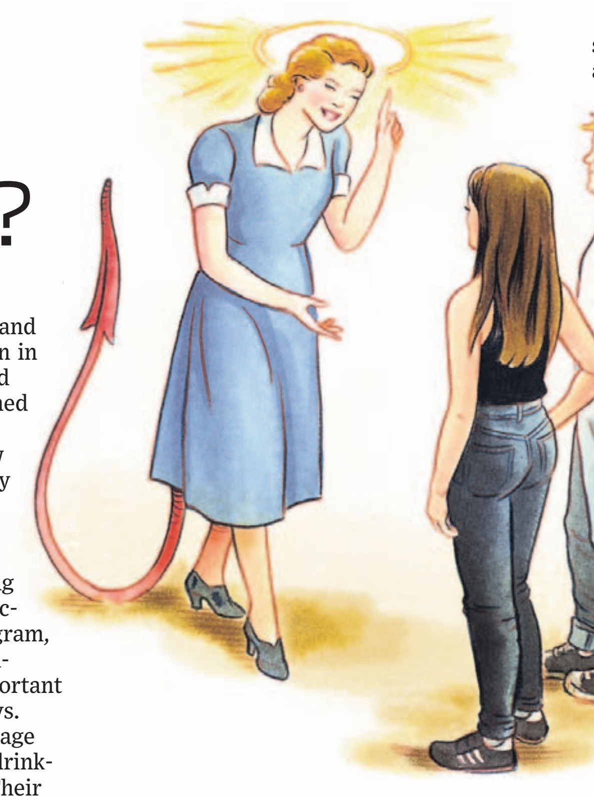
Lynn Zakeri of Northfield, Ill., a clinical therapist who works with adolescents and young adults, says she sees this pattern in her office a lot. "Kids say, 'My mom did that, or my dad did that, and they turned out OK, so it must be OK,'" she says. When parents aren't careful about how they tell stories,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

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

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

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

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



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

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

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

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

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

OPINION

REVIEW & OUTLOOK

Testing China on North Korea

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

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

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

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

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

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

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

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

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

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

Trump's New Housing Tax

U.S. Commerce Secretary Wilbur Ross announced Monday that the Trump Administration will raise the cost of new single family homes in the U.S. as part of its promise to "make America great again."

A tariff on foreign lumber will raise the cost of U.S. homes.

Mr. Ross didn't put it quite that way. He said the Administration will impose a 20% tariff on softwood lumber imports from Canada, which total about $5 billion at year. But that's a lot of lumber and the tariff will add an additional $1 billion in new costs for U.S. construction. Most of those costs will be added to the price of new American housing, not counting the higher costs that will come as U.S. producers raise their prices to match the competition and pad their bottom lines.

Mr. Trump bills himself as an outsider with fresh ideas. But U.S. politicians have been bowing to demands from American lumber interests for protectionism from Canadian competition since the 1980s. The industry initially accused Canada of subsidizing softwood-lumber exports in 1982. The Commerce Department ruled against it in 1983. But in 1986 Commerce reversed that decision and successfully pressured Canada to begin collecting an export tax on its lumber exports.

Canada dropped that tax in the early 1990s and American lumber interests again clamored for protection. Canada again gave in, despite the lack of findings by dispute-resolution panels of subsidies or injury. In 1996 the U.S. negotiated the Softwood Lumber Agreement that hit U.S. consumers with new tariffs on lumber imports above a duty-free quota.

Over the years North American Free Trade Agreement dispute-resolution panels have repeatedly questioned U.S findings of subsidies, injury and dumping over lumber and remanded the cases back to U.S. authorities. In 2004 the U.S. International Trade Commission, using the Nafta dispute-panel's instructions, found that Canadian imports don't harm the U.S. industry. But more often the U.S. government simply ignores its obligations under Nafta to protect U.S. lumber interests.

As long as laws exist that invite antidumping and countervailing duty claims, U.S. domestic producers will try to erect barriers to foreign competition. Mr. Trump may also believe that he can use the lumber tariff to open Canada's agricultural markets, which despite Nafta are still gummed up with quotas and tariffs imposed by Ottawa. The trade politics of powdered milk is a particular mess that is hurting U.S. dairy farmers.

Yet while the cross-border haggling drags on, middle America is where the new lumber tariff will hit hardest. According to the National Association of Home Builders, 28% of U.S. softwood-lumber purchases are Canadian imports and these are particularly important in the construction of single-family homes. Roughly 7% of the cost of an American home is the lumber and that cost is already up, on average, by some $3,000 this year. The Journal reports that "builders say lumber costs are already at the highest in a decade." Labor shortages in construction, thanks in part to restrictions on immigration, are also pushing up costs.

With his announcement last week on steel and this week's lumber action, Mr. Trump's trade policy is coming into focus. He'll use tariffs to restrict imports and appease domestic producers that have the best trade lawyers and lobbyists, while hoping consumers don't notice the higher prices. Mr. Trump made it to the White House with the support of middle-class voters still yearning for the American dream. Making home ownership more expensive is hardly the way to thank them.

Ending Litigation Tourism in America

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

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

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

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

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

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

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

Gibraltar After Brexit

By Tunku Varadarajan

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

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

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

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

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

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

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

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

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

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

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

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

LETTERS TO THE EDITOR

A Maritime Policy Consistent With Trump

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

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

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

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

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

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

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

Aaron Smith
President
Offshore Marine Services Association
New Orleans

Ungreen Consequences of Some Green Projects

I urge prospective investors in wind farms and transmission lines to consider the long-term threats such projects pose to the environment ("Investors Get Juiced Up for Green Power," April 7). President Obama allowed his Bureau of Land Management managers to steamroll opponents of the SunZia project in New Mexico and Arizona, which included conservative ranchers, the Sierra Club and Mr. Obama's own EPA—not your everyday bedfellows.

What were the objections? SunZia's wind farm will be a massive horizon-stretching monster, destructive of pristine high-desert landscapes filled with unique fauna and flora. A planned wind farm in southern New Mexico, close to Carlsbad Caverns, will endanger thousands of bats each year with its turbine blades. The transmission-line route cuts through environmentally sensitive wetlands along the Rio Grande and Arizona's Salt River on its way to link with existing power lines to California. These wetlands are home to a multitude of wildlife, including migratory birds and raptor populations. Power lines can be lethal obstacles to migratory birds. Larger raptors are drawn to them as prey-overlook sites, and thousands of protected birds are electrocuted every year.

Some temporary jobs will be created in SunZia's construction but only a handful of permanent jobs. The major beneficiaries will be Southern California electrical utilities. Los Angeles has drunk dry many lakes in neighboring states and is now primed to destroy environments and wildlife in New Mexico, Arizona, Wyoming and Colorado to feed its energy needs and "green" power imperative.

David H. Hiley
Albuquerque, N.M.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

ObamaCare Repeal Needs a Direction

By Bobby Jindal

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

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

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

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

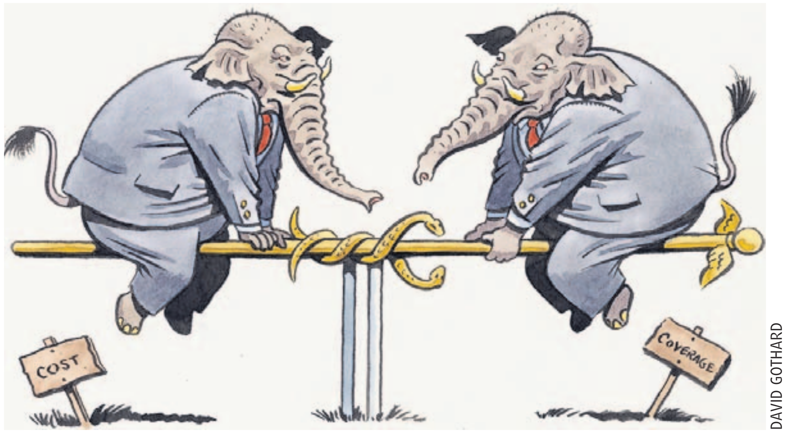
The GOP has now tried and failed to replace ObamaCare with its own, less expensive entitlement program. Rather than simply tweaking the previous failure, why not take a completely different approach?

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

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

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

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



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

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

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

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

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

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

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

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

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

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

By Charles Wald And Michael Makovsky

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A Better Idea for Bankrupt Big Banks

By Stephen E. Hessler

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

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

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

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

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

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

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

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

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

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

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

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

A 'Smart Power' Success Story

By Bill Lane

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

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

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

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

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

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

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

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

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

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

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

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LIFE & ARTS

MY RIDE

The 'Most Extreme' Aston Martins

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

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

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

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

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

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

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

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

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

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

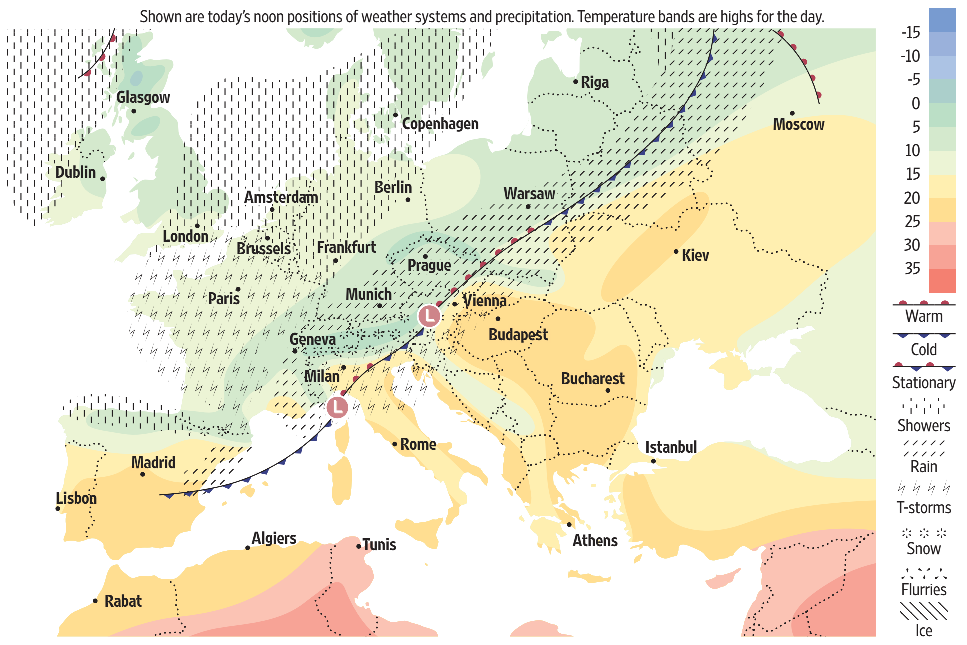
Joe Clark, bottom corner, enjoys driving his Aston Martin One-77, above left, and Aston Martin Vulcan, above right. A look at the One-77's front, near left, and the Vulcan's steering wheel, far left, and taillight, bottom left.

RAY EWING FOR THE WALL STREET JOURNAL

Weather

AccuWeather.com

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



Global Forecasts

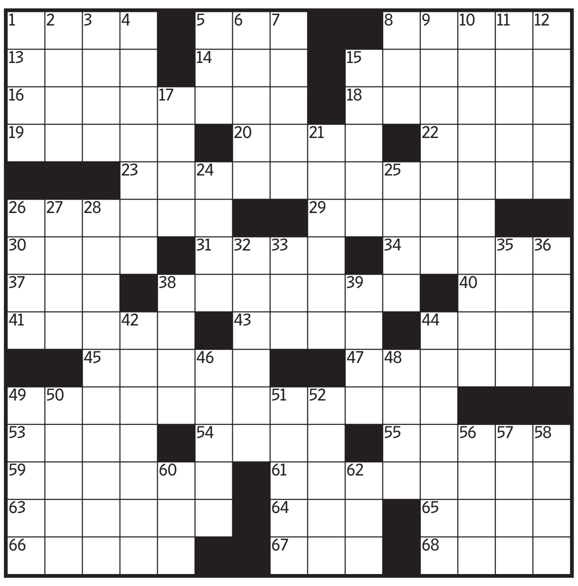
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

	Today			Tomorrow		
City	Hi	Lo	W	Hi	Lo	W
Amsterdam	11	3	t	10	5	sh
Anchorage	12	4	c	10	4	sh
Athens	22	12	s	24	14	s
Atlanta	29	17	s	26	20	t
Baghdad	30	15	c	33	18	s
Baltimore	23	11	pc	28	18	pc
Bangkok	38	28	pc	36	27	t
Beijing	24	8	c	28	12	s
Berlin	11	2	pc	12	3	pc
Bogota	20	9	r	20	9	t
Boise	12	3	sh	11	0	sh
Boston	14	11	r	16	12	pc
Brussels	10	1	t	10	3	sh
Buenos Aires	16	7	s	20	10	s
Cairo	28	15	s	30	19	pc
Calgary	3	-1	sf	6	-3	sn
Caracas	32	26	pc	31	26	pc
Charlotte	28	16	s	28	17	pc
Chicago	25	13	t	17	7	sh
Dallas	24	10	pc	28	18	s
Denver	15	3	pc	14	0	r
Detroit	24	16	pc	24	9	t
Dubai	34	25	s	35	25	s
Dublin	8	4	sh	11	4	c
Edinburgh	9	4	c	13	3	sh
Frankfurt	12	3	pc	13	1	t

	Today			Tomorrow		
City	Hi	Lo	W	Hi	Lo	W
Geneva	10	2	r	10	2	sh
Hanoi	29	22	t	25	21	t
Havana	31	19	s	32	21	s
Hong Kong	28	23	t	26	21	t
Honolulu	29	22	s	29	22	sh
Houston	32	13	t	29	21	s
Istanbul	19	11	s	21	11	s
Jakarta	31	23	t	32	24	t
Johannesburg	20	7	pc	20	9	pc
Kansas City	10	4	r	17	10	c
Las Vegas	29	19	pc	30	15	pc
Lima	25	21	pc	26	20	pc
London	12	2	sh	12	6	c
Los Angeles	27	17	s	28	16	pc
Madrid	18	4	pc	16	2	s
Manila	35	26	s	36	26	s
Melbourne	12	9	sh	14	10	sh
Mexico City	28	11	pc	28	12	pc
Miami	30	24	s	31	24	s
Milan	15	10	t	16	7	c
Minneapolis	9	1	sh	7	2	c
Monterrey	38	17	s	36	16	pc
Montreal	16	10	pc	23	14	pc
Moscow	14	5	r	11	6	sh
Mumbai	33	25	pc	33	25	pc
Nashville	29	17	s	24	12	c
New Delhi	39	24	pc	40	24	pc
New Orleans	30	19	pc	29	22	pc
New York City	17	14	r	21	14	pc
Omaha	9	1	c	16	6	c
Orlando	31	16	s	35	20	s

	Today			Tomorrow		
City	Hi	Lo	W	Hi	Lo	W
Ottawa	17	9	pc	25	13	pc
Paris	12	2	t	12	3	sh
Philadelphia	20	14	r	27	16	pc
Phoenix	31	18	s	34	19	s
Pittsburgh	26	15	s	29	13	t
Port-au-Prince	33	23	sh	32	22	pc
Portland, Ore.	13	6	r	13	4	sh
Rio de Janeiro	32	24	pc	28	22	r
Riyadh	37	21	s	36	24	s
Rome	20	12	c	20	12	t
Salt Lake City	13	5	sh	10	3	r
San Diego	23	16	s	23	15	pc
San Francisco	18	12	c	19	10	pc
San Juan	30	25	sh	31	25	sh
Santiago	23	7	s	26	9	s
Santo Domingo	31	22	sh	31	22	pc
Sao Paulo	26	16	t	20	14	r
Seattle	13	6	r	13	5	sh
Seoul	21	8	pc	20	9	s
Shanghai	21	12	c	23	13	pc
Singapore	30	25	c	31	25	c
Stockholm	7	-2	pc	9	-2	sh
Sydney	23	11	sh	18	11	pc
Taipei	29	19	t	20	16	r
Tehran	21	12	pc	19	13	sh
Tel Aviv	27	16	s	25	15	pc
Tokyo	19	12	c	17	11	r
Toronto	16	9	pc	22	10	c
Vancouver	13	7	r	13	7	c
Washington, D.C.	23	16	pc	30	20	pc
Zurich	6	1	r	7	1	sh

The WSJ Daily Crossword | Edited by Mike Shenk



SPECIAL DELIVERY | By Alex Eaton-Salners

Across

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

Down

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

Previous Puzzle's Solution

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

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

BUSINESS & FINANCE

Euro vs. Dollar 1.0941 ▲ 0.67% **FTSE 100** 7275.64 ▲ 0.15% **Gold** 1265.60 ▼ 0.80% **WTI crude** 49.56 ▲ 0.67% **German Bund** yield 0.377% **10-Year Treasury** yield 2.330%

Yahoo CEO Snares $186 Million

ELIJAH NOUVELAGE/REUTERS

Chief Executive Marissa Mayer

By Deepa Seetharaman

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

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

Instead, Yahoo sold its business—not including some assets such as its stakes in other internet companies—to Verizon last year for $4.5 billion. That deal is expected to close in June, after months of delays following Yahoo's disclosure of two massive security breaches.

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

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

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

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

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

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

Wells Fargo Ekes Out A Win

By Emily Glazer and David Benoit

Wells Fargo & Co.'s shareholders voted to re-elect all of the bank's directors, but in some cases by slim majorities that are rarely seen in big corporate votes and that reflect persistent unease about the lender's sales-practices scandal last fall.

After a contentious three-hour shareholder meeting, the bank said that all 15 directors were re-elected, but longer-serving directors who were around before the problems erupted got approvals as low as 53% of shares voted.

Nonexecutive Chairman Stephen Sanger, who received only 56% approval according to a news release, said shareholders "sent the entire board a clear message of dissatisfaction." The head of the bank's risk committee, Enrique Hernandez, received the lowest majority, 53%. None of the more tenured directors could muster more than 80% of the vote.

While the re-election of directors is a relief for the bank, the fact that a majority of directors received less than three-quarters support is concerning and suggests Wells Fargo directors may face pressure to make more changes in coming months. Directors, who usually run unopposed, typically receive more than 95% of the votes cast.

Shareholders' limited support for the board suggested shareholders seek further changes and explanations following the scandal. Tensions were high at the bank's shareholder meeting Tuesday in Florida as shareholders voiced their complaints, prompting Mr. Sanger to halt the meeting for several minutes.

The bank and its 15 board directors were on edge through the night and early morning as key institutional shareholders placed their votes, people familiar with the process said.

At the meeting, one bank shareholder refused to stop asking individual directors to explain what they knew about the sales-practices scandal. Mr. Sanger and Chief Executive Timothy Sloan repeatedly asked the shareholder to sit down and wait until the question-and-answer period began. The shareholder said the bank and board's response was "not good enough," and that he wanted more details from each director.

When the meeting restarted a few minutes later, Mr. Sanger said the shareholder made a "physical approach to our board members and ultimately we removed him from the meeting." There were two other shareholder outbursts during the nearly three-hour meeting.

Much of the discontent among shareholders is rooted in the bank's sales-practices scandal, which led to a $185 million settlement with regulators last September and a

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◆ Citigroup shareholders back plan for executive pay......... B6

HEARD ON THE STREET

By Stephen Wilmot

Good Deal For LVMH, High Price For Arnault

LVMH shares were too expensive for buybacks, the French luxury group's boss and controlling shareholder opined back in January.

Bernard Arnault has apparently changed his mind: Rationalizing his holdings in Christian Dior and LVMH will involve plowing more than €5.5 billion ($6 billion) of his family's capital into the companies.

Mr. Arnault bought the storied French fashion house Dior out of bankruptcy in 1985 and then used it to amass a stake in LVMH. This shareholding structure remains in place today. The Arnaults own 74% of Dior, which in turn owns 41% of LVMH.

The family also owns about 6% of LVMH directly, taking their stake to roughly 36%, with voting rights well over 50%.

Now, Mr. Arnault wants to buy out the minority shareholders in Dior, which will cost over €12 billion. At the same time Dior is selling its eponymous fashion house to LVMH for €6.5 billion. Dior will therefore remain a holding company for the Arnault family stake in LVMH, while LVMH will end up owning the brand alongside its other fashion labels, by far the biggest of which is Louis Vuitton.

Why do this now, with LVMH and Christian Dior stock at records? The prospect of a victory by Emmanuel Macron in the French presidential election may have helped. The politician has promised to cut corporate taxes to 25% from 33.3%

Plus, Mr. Arnault is funding one-third of the deal with shares from another independent company: Hermès International. Trading at 37 times prospective earnings, Hermès shares are a potent acquisition currency. Mr. Arnault's €4.5 billion stake dates back to the 2014 treaty signed after the handbag wars that pitched Hermès against LVMH in successive takeover attempts.

Hermès shares plunged Tuesday as the announcement dashed any lingering takeover expectations. This could inspire Dior's minority shareholders to push for more. Under European law, squeezing out minorities is only possible once the Arnaults own 95%.

For all the tensions inherent when a business magnate sells an operation from one holding company to another—Elon Musk's sale of

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APRIL GREER FOR THE WALL STREET JOURNAL

Michael Martin, at left, who runs RapidSOS, discusses location data with Thomas Wheeler. Mr. Wheeler left the FCC earlier this year.

Startup Seeks to Solve 911 Riddle

Ex-FCC leaders join effort to improve emergency system that can't pinpoint cellphone callers

By Ryan Knutson

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

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

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

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

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

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

RapidSOS is run by Michael Martin, 30 years old, who became interested in 911 shortly after moving to New York City in 2012. While walking home late one night, he thought he

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Google Search Aims to Demote Fake News

By Deepa Seetharaman

Google is retooling its powerful search engine to prevent sites peddling fake news, hoaxes and conspiracy theories from appearing in its top results.

Ensuring that fake news doesn't surface in search requires "more structural" changes to the way search works, including tweaks to the algorithm that determines which search results appear on top, Google said in a blog post announcing the changes Tuesday. Google gave few details about the mechanics of the change, beyond saying the shift will "help surface more authoritative pages and demote low-quality content."

The search giant, part of **Alphabet** Inc., outlined additional steps to curb the spread of misinformation online that require human intervention. For example, Google will train its evaluators—the people who vet Google's search results—to better spot "low-quality" sites and make it easier for users to flag inaccurate results.

This is the latest move by Google to try to fight fake news after it and rival Facebook Inc. faced persistent criticism for doing too little to block misinformation during the U.S. presidential election last year. Days after the election, both companies outlined steps to prevent fake-news sites from generating revenue through ad-selling services.

Ben Gomes, vice president of engineering for Google, said 0.25% of daily search queries return "offensive or clearly misleading" content. Those results can trigger a public-relations backlash, as it did in December when a white-supremacist site was featured prominently in search results about the Holocaust.

GOOGLE/ASSOCIATED PRESS

Google is also training employees to better spot 'low-quality' sites.

The changes to the search algorithm are designed so that "issues similar to the Holocaust denial results" are less likely to appear, Google said.

Earlier this month, Google started adding a "Fact Check" tag to some search results, showing whether the claims presented are true, false or somewhere in between. Google relies on more than 100 organizations that verify claims, mirroring an approach to Facebook, which is counting on more than a dozen fact-checking organizations to flag certain stories as false within the news feed.

Google is relying in part on users to flag "unexpected, inaccurate or offensive" results that show up in autocompleted searches and featured snippets, which show users the highlighted section in a search result for easy reference. This feedback will help improve the algorithm, Google said.

INSIDE

BOBBY YIP/REUTERS

WEWORK TAKES 'CO-WORKING' CORPORATE

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BUSINESS & FINANCE

Perrigo's Chief Faces Heat

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

BY VIPAL MONGA

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

Perrigo's shares peaked at $203.69 two years ago, when the maker of store-brand cold and allergy medications was among the many highflying pharmaceuticals companies embroiled in a merger frenzy. Since that peak, the stock has lost roughly two-thirds of its value, as investors fret about missed earnings projections and management turmoil. In Tuesday afternoon trading, shares were up 0.9% to $67.65.

CFO JOURNAL

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

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

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

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

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

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

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

"Although we recognize you are new to the CEO role and hope you will have fresh ideas, we also know that you have been at Perrigo for approximately 27 years, and, to date, no new plans have been announced for a meaningful change in strategic direction or operational excellence," wrote Mr. Smith in a September letter to Mr. Hendrickson.

Starboard didn't respond to requests for comment.

Mr. Hendrickson is contending with disappointing results from Mr. Papa's last major acquisition, the roughly $4.5 billion purchase in March 2015 of Omega Pharma Invest NV, a Belgium-based drugmaker that expanded Perrigo's European consumer reach. Meanwhile, sales from the generic drug business, which Mr. Papa expanded during his decadelong tenure, have weakened as competition causes drug prices to fall.

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

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

AMIR COHEN/REUTERS

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

Politico Chooses Investment Banker Steel as New CEO

BY LUKAS I. ALPERT

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

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

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

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

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

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

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

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

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

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

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

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

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

Japan Post Feels Australian Sting

BY KOSAKU NARIOKA

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

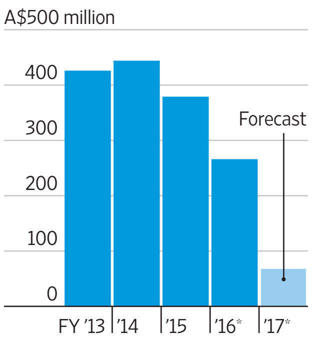
The announcement Tuesday marks the latest slip-up in foreign acquisitions by Japanese companies, which have increasingly made big deals abroad to escape slow growth at home, but have sometimes ended up overpaying.

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

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

Slow Delivery

Operating profit at Toll Holdings, in Australian dollars



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

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

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

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

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

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

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

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

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

Still, at the closing price of ¥1,377 on Tuesday, the shares remain below their initial offering price of ¥1,400.

Melbourne-based Toll provides logistics services to the mining, oil and gas industries, which have pulled back on investment in recent years.

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

HEARD

Continued from the prior page

SolarCity to **Tesla** comes to mind—bagging Christian Dior looks positive for LVMH's independent shareholders. The company is paying a little over three times the brand's sales—hardly cheap, but in line with the multiple it paid in 2011 for jewelry brand Bulgari. LVMH said the deal would immediately boost earnings by roughly 3%, which explains the jump in its share price.

There should also be scope to boost Dior's margins, which are low by LVMH standards.

At 23 times earnings, LVMH shares remain expensive, but Mr. Arnault has given shareholders a new reason to hang onto them.

VOTE

Continued from the prior page

more recent, pending $142 million settlement with customers. Wells Fargo's reputation has been hit hard with two congressional grillings and a spate of state and federal investigations. The bank has said it is cooperating.

In an unusual move, Institutional Shareholder Services Inc., one of the largest and most influential proxy advisory services, had recommended earlier this month that shareholders vote against re-electing 12 long-serving directors.

The board's two newest directors, appointed in February, received 99% of the vote. The firm's CEO, Mr. Sloan, who was promoted after former CEO and Chairman John Stumpf resigned, also garnered 99% of the vote.

The bank has told shareholders that six directors will hit retirement age in the next four years and will step away from the board with "significant turnover," emphasizing that point in recent days, people familiar with the conversations said.

Many large shareholders thought the board was slow to react to the sales-practices problem but in the last six months has taken appropriate action, some of these people said.

While no specific deals were struck with shareholders on changing directors, there were some backdoor negotiations, some of these people said. It is possible that committee chairs could change but not as a result of an explicit agreement, one of these people said.

DEDE SMITH/ASSOCIATED PRESS

The entrance to the Wells Fargo shareholder meeting in Ponte Vedra Beach, Fla., on Tuesday.

Tyson Hungers for Sandwiches

By Jacob Bunge

DANIEL ACKER/BLOOMBERG NEWS

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

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

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

Acquiring Cincinnati-based AdvancePierre will add a line of ready-to-eat lunch and dinner sandwiches and snacks to Tyson's range of retail offerings, which have become central to the Arkansas meat giant's strategy. In 2014, Tyson spent $7.7 billion to acquire **Hillshire Brands** Co., a deal that brought aboard a suite of well-known meat brands including Jimmy Dean sausages and Ball Park hot dogs.

That deal also brought in Tom Hayes, a former Hillshire executive who took over as Tyson's chief executive at the beginning of 2017.

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

"The addition of AdvancePierre aligns with our strategic intent to sustainably feed the world with the fastest-growing portfolio of protein packed brands," Mr. Hayes said.

Tyson estimates the deal will allow $200 million in costs to be eliminated within three years, as the companies consolidate manufacturing, distribution and other functions like marketing and sales.

Akzo Turns Down Request to Hold Special Meeting

By Christopher Alessi

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

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

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

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

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

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

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

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

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

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

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

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

Caterpillar Hails Return of Sales Growth

By Andrew Tangel

Caterpillar Inc. is gaining steam after years of sluggish demand for its giant yellow trucks and heavy machinery.

The equipment giant reported its first quarterly sales increase since 2015 for the period ended March 31, and boosted its outlook for this year on signs of recovery in some long-struggling construction and mining markets.

The results mark an unexpected victory for Chief Executive Jim Umpleby, who since taking over on Jan. 1 has pushed ahead with cuts to Caterpillar's workforce and manufacturing footprint and dealt with a raid by federal agents on the company's headquarters in Peoria, Ill.

Caterpillar said it expects to take in up to $41 billion in revenue this year; its previous projection topped out at $39 billion. Caterpillar reported $38.5 billion in revenue in 2016, its fourth straight year of declining sales.

"There are just a lot of positive things happening in our segments that have not happened for quite a while," Chief Financial Officer Brad Halverson said in an interview. "We're feeling positive about things—much better than we felt a year ago for sure."

Caterpillar shares rose more than 7.5% Tuesday afternoon to $104.10.

Rising commodity prices and mining activity in much of the world outside the Americas helped drive a 15% revenue increase for Caterpillar's resource-industries segment in the first quarter, thanks largely to aftermarket parts sales. Revenue in Caterpillar's construction segment increased 1% despite a 7% drop in North America..

Caterpillar was sent reeling in recent years as commodity prices slumped and global mining activity slowed. The downturn consumed the final years of Doug Oberhelman's tenure as chairman and CEO before he retired at the end of March.

In a call with analysts, Mr. Umpleby offered no new insights into the federal government's criminal investigation of the company's tax strategy, one of its Swiss subsidiaries and export filings.

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

—Joshua Jamerson contributed to this article.

BENOIT TESSIER/REUTERS

The beverage giant has been aiming to cut sugar from its products and diversify beyond soda.

Coke to Make Further Job Cuts

By Jennifer Maloney and Anne Steele

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

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

The reductions will come from a global pool of about 5,500 employees who work in or report to headquarters in Atlanta, a spokesman for Coke said.

In 2015, Coca-Cola announced it was cutting at least 1,600 white-collar jobs globally as part of a push to cut $3 billion in costs by 2019. The latest job action contributes to an $800 million expansion of that program.

The company employed more than 100,000 people as of Dec. 31, including 51,000 in the U.S. Five years ago, the company employed 150,900 people around the world. The decline reflects in part divestitures of many of Coke's bottling operations. As a result of the divestitures, Coke has said it expects to have fewer than 40,000 employees world-wide next year.

Overseas weakness and the stronger U.S. dollar have continued to weigh on results for the company, which generates about half its sales abroad but translates results into dollars.

Coke's beverage volumes were flat in the first quarter globally, dragged down by the macroeconomic conditions in some Latin American markets

As soda sales slump, the beverage maker's latest target is 20% of its corporate staff.

and the shift of the Easter holiday into the second quarter. Soda volumes world-wide declined 1%.

Mr. Kent said the company remains on track to meet its revenue and profit targets for the year.

The beverage giant has been aiming to cut sugar from its products and diversify beyond soda as more countries consider special taxes on high-calorie drinks to combat rising obesity and diabetes, and as consumers switch to healthier beverages.

On Tuesday, Mr. Quincey said the company is adjusting its growth model to meet people's changing tastes and preferences.

"These portfolio changes will help our consumers moderate the amount of added sugar they consume," he said.

The company lifted the low end of its earnings outlook for 2017. Coke now expects adjusted earnings per share to decline 1% to 3% from $1.91 in 2016. It previously projected a decline of 1% to 4%.

In all for the latest quarter, Coke earned $1.18 billion, or 27 cents a share, down from $1.48 billion, or 34 cents a share, a year earlier. Excluding certain items, per-share earnings were 43 cents, a penny below the average analyst estimate, according to Thomson Reuters.

Revenue fell 11% to $9.12 billion but came in well above analysts' predictions for $8.87 billion. The company said foreign exchange and refranchising structural changes shaved 1% and 10%, respectively, off its revenue in the quarter.

Coca-Cola shares were little changed Tuesday afternoon, trading off 16 cents at $43.12.

Uber Sets Its Sights On Flying Vehicles

BY GREG BENSINGER

Uber Technologies Inc. detailed ambitious plans to take to the skies with flying cars, as the ride-hailing company is reeling from a series of controversies including a lawsuit that could impede its self-driving vehicle initiative.

Chief Product Officer Jeff Holden said Tuesday that Uber intends to test flying cars within three years near Dallas and Dubai.

The announcement follows a white paper Uber published in October laying out its vision of a network of flying vehicles that can help commuters avoid traffic by zipping above crowded freeways and streets.

The ride-hailing company, which is based in San Francisco, said its goal is to lower commute times and transportation costs. It hopes to experiment with the first versions of vehicles that can vertically take off and land.

Mr. Holden said that Uber has the regulatory muscle and logistical know-how to be a leader in flying-car transport.

Such vehicles have long been the stuff of science fiction and children's imaginations. But regulators are likely to view private flying vehicles with skepticism as even the smallest driver or technology failure could cause death or damage on the ground below.

Mr. Holden said flying cars could one day cost as little as $1.32 per passenger mile, about the same price as the UberX service costs today. "This is why Uber's running at this as opposed to taking a kind of careful approach, a slow approach to this," Mr. Holden said. "We just want to usher it in as fast as possible."

Uber is also working on futuristic self-driving earthbound vehicles that it says could one day eliminate the need for many to own cars, which could also lower costs by cutting out labor expenses. But that technology too isn't yet proven, and Uber is facing a lawsuit from rival Alphabet Inc. alleging it stole technology necessary to make the vehicles feasible.

Uber has been buffeted this year by a series of setbacks over its corporate and workplace culture.

A former engineer alleged a permissive attitude toward sexual harassment and sexism, Chief Executive Travis Kalanick apologized after a video leaked of him berating an Uber driver, and several high-level executives left in rapid succession.

Waymo Self-Drive Tests Expanded

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

BY TIM HIGGINS

ERIC RISBERG/ASSOCIATED PRESS

The Waymo self-driving car attracted a close look at a Google event in December. Testing efforts are being stepped up in Arizona.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

—Mike Colias contributed to this article.

Netflix Secures a Licensing Deal in China

BY LIZA LIN

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

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

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

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

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

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

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

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

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

—Lilian Lin contributed to this article

BUSINESS WATCH

MCDONALD'S

Regulars Lift Restaurant's Sales

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

The burger giant recently pledged not to chase customers who rarely eat fast food. Instead, McDonald's has made more of its hearty breakfast items available all day, priced soda and coffees at $1 and introduced new Big Mac sizes—all at the behest of cost-conscious regulars.

"Our greatest opportunities are at the core of our business," Chief Executive Steve Easterbrook told investors Tuesday.

The tighter focus led to better-than-expected sales globally and in its critical U.S. market in the first quarter.

In all, McDonald's earned $1.21 billion in the quarter, or $1.47 a share, up from $1.12 billion, or $1.25 a share, a year earlier. Revenue slipped 3.9% to $5.68 billion.

—Julie Jargon

KAREN BLEIER/AGENCE FRANCE-PRESSE/GETTY IMAGES

McDonald's earned $1.21 billion in the quarter. Revenue fell 3.9%.

FRESENIUS

Two Acquisitions Boost Clinical Unit

German health-care company **Fresenius SE** & Co. KGaA late Monday announced two acquisitions worth combined more than $5 billion to strengthen the generic-drug business of its Fresenius Kabi clinical nutrition and transfusion operations in the U.S. and Europe.

Fresenius said it agreed to buy U.S. generic-drugs manufacturer **Akorn** Inc. of Lake Forest, Ill., for around $4.3 billion, or $34 a share, plus around $450 million in debt.

Separately, Fresenius Kabi is buying the biosimilars business of German peer **Merck** KGaA for up to €670 million ($728 million).

Fresenius expects the biosimilars acquisition to close in the second half of 2017 and the Akorn deal to close by early next year, due to Akorn shareholder and regulatory approvals still needed.

—Ulrike Dauer

DUPONT

Revenue Rises Ahead of Merger

DuPont Co., looking to wrap up its merger with **Dow Chemical** Co., said its sales rose as the science company benefited from a change in the timing of seed deliveries.

The Delaware-based company also gave a downbeat outlook for the current quarter, projecting adjusted earnings of about $1.26 a share, below the Thomson Reuters consensus of $1.31 a share.

In all for the quarter ended in March, DuPont reported a profit of $1.12 billion or $1.27 a share, down from $1.23 billion or $1.39 a share a year earlier. Revenue rose 4.6% to $7.74 billion.

—Imani Moise

ERICSSON

Write-Downs, Costs Force Hefty Loss

Ericsson AB fell to a hefty net loss in the first quarter after booking provisions, write-downs and restructuring costs of 13.4 billion Swedish kronor ($1.51 billion), but said a more focused business strategy should see the company significantly improve its profitability next year.

The supplier of wireless-communications gear reported a net loss for the three months ended March 31 of 10.9 billion kronor compared with a profit of 2.1 billion kronor a year earlier, missing analysts' expectations for a loss of 8.29 billion kronor, according to a FactSet poll. Revenue was down 11% at 46.4 billion kronor.

—Dominic Chopping

STARTUP

Continued from page B1

was being followed. Rather than dial 911 and talk to an operator, his first instinct was to summon a taxi via the Uber app.

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

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

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

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

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

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

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

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

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

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

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

"They're onto something here," said Steve Souder, who ran 911 in Fairfax County, Va., for years. "Anything is better than what we have now."

Focusing on HR Before Ping-Pong Tables

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

By Vanessa Fuhrmans


JASON HENRY FOR THE WALL STREET JOURNAL

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

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

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

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

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

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

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

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

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

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

"We want our team to reflect the customer base because that creates better business decisions," he said.

Research shows women often don't apply for jobs if they don't meet all the listed criteria—so Magoosh decided to head its postings with, "You have many of the following" instead of simply "Requirements." The postings also stated "Please feel comfortable applying, even if you don't meet all the requirements."

The company's 30 full-time staff have a quarterly check-in with Magoosh's HR manager to discuss career development and any workplace issues.

A 2015 McKinsey & Co. report found that ethnically diverse firms are 35% more likely to outperform industry peers.

The Stanford Project on Emerging Companies, a multiyear study of Silicon Valley startups during the first dot-com boom, found startups that tended to devote more effort upfront to designing their workplace cultures and employment practices were less likely to fail and more likely to go public than other firms.

Some are testing the conventional wisdom that spending time on HR hinders growth.

Magoosh's approach has trade-offs. Because the company vets candidates so thoroughly, Mr. Parikh said it can sometimes take six months or more to fill a senior or technical position. Some candidates lose interest along the way and, on occasion, some employees want to fill a position faster, he said.

Yet Magoosh has gotten results: Compared with the high churn at many startups, only a handful of employees have decided to leave the company since it began hiring full-time staff in 2011, he said.

Venture capitalists have traditionally stayed out of startups' HR matters, though a newer wave of investors such as 500 Startups, Homebrew Ventures and Lowercase Capital are urging companies they invest in to make diversity a priority.

Kapor Capital, whose investments include Magoosh, requires companies in its portfolio to sign a pledge to set and track employee diversity and inclusion goals.

CodeFights' Mr. Sloyan, who aims to double staff to 40 employees by next year, recently talked to one of his major investors, **Felicis Ventures**, about his growth plans. The venture-capital firm's partners encouraged him to take the time necessary to recruit people in sync with the company's values and integrate them into the company in a thoughtful way, he said.

"As long as we're delivering the results, we're going to be in control of what kind of company we build," Mr. Sloyan said.

Kapor has also invested in **HealthSherpa**, a 19-employee startup whose platform helps people obtain and use health coverage. Cat Perez, co-founder and chief product officer, HealthSherpa said has occasionally put its diversity and inclusion efforts over potential sales: In a couple of instances, it has cut ties to insurance agents who have harassed or made other inappropriate remarks to HealthSherpa team members, she said.

Within a year of stepping up efforts to attract a more-diverse pool of job candidates, the share of Hispanic and black employees more than doubled in 2016 to a third of the staff, including those who work directly with customers.

Ms. Perez said those shifts have helped boost the site's so-called net promoter scores, which measure customers' willingness to recommend a company to others, and may have contributed to its 85% jump in 2016 sales.

How Startups React To HR Stumbles

In the scramble to survive, young companies and their founders often focus on hiring quickly. They tend to be slower to invest in other human-resources functions, such as building a strong work culture or protocols to protect employees.

Here is how some Silicon Valley startups have responded:

UBER

Earlier this year, a former **Uber Technologies** Inc. engineer wrote online that the company ignored complaints of sexual harassment and failed to rein in a manager who propositioned female employees. Chief Executive Travis Kalanick condemned the alleged behavior and ordered an investigation into the claims. He has promised changes to the company culture and is seeking management help. Uber didn't respond to a request for comment.

GITHUB

The software startup prided itself on a flat hierarchy with few managers or titles—a style that applied to **GitHub** Inc.'s HR department. In 2014, a female developer alleged harassment, calling the company a hostile workplace for women. A company investigation found no evidence of harassment but determined a lack of workplace boundaries contributed to the problem. Tom Preston-Werner, Github's president and co-founder, stepped down and the company created clearer HR procedures. GitHub declined to comment.

ZENEFITS

Regulatory problems forced the health-benefits brokerage's chief executive to resign last year just as details of Zenefits' frat-house-like work culture also surfaced. Its new CEO suggested that a freewheeling culture was to blame for both. In a memo to employees soon after, he said Zenefits would instill more integrity in how it dealt with customers and compliance, as well as in the workplace. Zenefits didn't respond to a request for comment.

College Seniors Are Ill-Prepared for Job Hunt

By Kelsey Gee

Parents rejoice: 2017 is shaping up to be another healthy year for college hiring.

The latest forecast from the National Association of Colleges and Employers finds that employers expect to hire 5% more graduates than they brought on last year, the eighth year in a row that companies say they are increasing their college hires.

Yet a separate survey of employers and college seniors suggests that, when it comes to courting recruiters, the Class of 2017 has some homework to do.

This year's job-seeking seniors are ill-prepared for the job hunt and many coveted positions, concludes a survey of roughly 400 employers and 400 college students conducted by iCIMS Inc., a recruiting-software company. Among other things, employers reported that one-third of all applications for entry-level roles come from unqualified candidates.

More than 60% of employers in the survey said applicants ought to be more familiar with the company and industry, and must ask better questions in interviews. Plus, three out of four employers say, three out of four applicants fail to send thank-you notes after interviews.

The mismatch extends to hard skills, too. Engineering, business and computer science majors are in highest demand, with at least two-thirds of employers seeking graduates in those fields, according to NACE. But fewer than half of the students surveyed by iCIMS majored in those subjects.

College seniors feel good about their prospects: more than 90% of the students surveyed by iCIMS reported feeling confident about their interview skills. They also expect to earn over \$53,000 in their first job, compared with average salary of \$45,000 that recruiters expect to pay for those positions.

While new grads have a "bloated" sense of their abilities, employers, too, have unrealistically high expectations for 21-year-olds, said Susan Vitale, chief marketing officer for the Matawan, N.J.-based iCIMS. "Hiring managers tend to be a little crazy in their experience requirements, speaking as one myself."

Unlike many employers, **Enterprise Holdings** Inc. doesn't expect college hires to arrive at work with all the exact skills they need.

The car-rental company will hire roughly 10,000 college grads for its entry-level management training program this year. Those management trainees will be put on a two-year career-development program, where they will learn on the job, said Marie Artim, the car-rental firm's head of talent acquisition.

"This is generation that's grown up with syllabuses and structure," which makes them a good fit for such programs, Ms. Artim said.

The College Majors Employers Want

Employers are on the hunt for engineering, business and computer-science graduates; here's how popular those majors are among college seniors.

MAJOR	PCT. OF EMPLOYERS LOOKING TO HIRE	PCT. OF SENIORS IN MAJOR
Business/Accounting	81.3%	19.2%
Engineering	75.9%	5.2%
Computer sciences	64.3%	3.1%
Economics/Social sciences	33.9%	8.8%
Physical sciences	20.5%	1.6%
Humanities	11.6%	2.3%
Agriculture	4.5%	1.9%
Education	1.8%	4.8%
Health sciences	1.8%	11.4%

Note: Current hiring plans compared with degrees conferred in 2015

Sources: National Association of Colleges and Employers; National Center for Education Statistics

THE WALL STREET JOURNAL.

JONATHAN ERNST/REUTERS

The SEC's six division directors often have Wall Street ties.

SEC Pick Assembles Top Staff At Agency

BY DAVE MICHAELS

WASHINGTON—President Donald Trump's choice to run the Securities and Exchange Commission is assembling a cabinet of top staff members who spent their careers on Wall Street or advised companies on big deals, foreshadowing the commission's likely pivot toward a deregulatory agenda.

Aides to Jay Clayton, Mr. Trump's pick as SEC chairman, have interviewed or offered positions to people who would run the divisions that investigate wrongdoing and fraud, regulate public companies and oversee stock exchanges, according to people familiar with the matter.

The group of expected hires includes William Hinman, a partner at Simpson & Thacher LLP, who is likely to run the SEC division that writes the rules for public company disclosures.

The full Senate is expected to vote on Mr. Clayton's nomination as soon as early May.

The SEC's six division directors have often come from Wall Street or from law firms that advise or defend financial companies. Mr. Hinman, who donated to Hillary Clinton's presidential campaign, was the top American lawyer advising **Alibaba Group Holding** Ltd. on its $25 billion initial public offering, one of the biggest ever in U.S. markets. He began his career in New York before moving to Silicon Valley in 1994 and becoming a top legal adviser on tech IPOs.

A spokesman for Mr. Clayton declined to comment on any hiring efforts, saying the nominee "remains focused on the Senate confirmation."

The choice reflects Mr. Clayton's commitment to easing rules that could grease the way for more IPOs, which hit a seven-year low in 2016.

Mr. Hinman's work has included deals in which companies offered limited voting rights to shareholders, a practice that is unpopular with many investors. In the March IPO of Snap Inc., investors received zero voting rights with their shares, a move that angered several public pension funds and other long-term investors.

Mr. Clayton has considered at least two well-known defense attorneys for the role of enforcement director, typically the highest profile staff position at the SEC.

The lawyers include Steven Peikin, a former prosecutor who now works with Mr. Clayton at Sullivan & Cromwell LLP. Mr. Peikin represented Goldman Sachs Group Inc. in its dealings with prosecutors and SEC lawyers over claims a former member of its board of directors, Rajat Gupta, had leaked inside information to a hedge-fund manager.

Another candidate for the top enforcement job is Matthew Martens, a partner at Wilmer Cutler Pickering Hale and Dorr LLP, who was the SEC's top trial attorney from 2010 to 2013.

While at the SEC, Mr. Martens won a civil-fraud lawsuit against former Goldman trader Fabrice Tourre, who was found to have misled investors about a subprime-mortgage deal that lost $1 billion for some institutions that bet on it.

The SEC's acting director of enforcement, Stephanie Avakian, also has been considered for the permanent role. Ms. Avakian joined the SEC in 2014 and was previously a partner at Wilmer Hale.

EU Banks Clash With Regulators

Executives say new rule book is taking too long to develop as political climate shifts

BY JULIA-AMBRA VERLAINE

LISI NIESNER/BLOOMBERG NEWS

Erste Group CEO Andreas Treichl is seen in May 2016. 'I don't care what you do, but get it done,' he told European Parliament Tuesday.

BRUSSELS—European bank executives told regulators they were taking too long to complete the postcrisis financial rule book in a shifting political environment, leaving lenders at competitive disadvantage and putting the bloc's economic recovery at risk.

"I don't care what you do, but get it done and don't change it for the next 10 years," Andreas Treichl, chief executive of Austria's largest lender, **Erste Group Bank** AG, said at a European Parliament hearing Tuesday. "You're not making it very easy for us to create prosperity."

Frédéric Oudéa, chief executive officer of France's **Société Générale**, told lawmakers that Europe needed to stop creating new rules given the global political landscape—notably the U.K.'s upcoming exit from the bloc and a fresh U.S. administration under President Donald Trump.

The CEOs voiced their views at a panel of politicians and regulators on rules put forward by the European Commission—the European Union's executive arm—in November.

The proposed legislation would implement new requirements on bank capital, including so-called total loss-absorbing capacity, across the EU as laid out by global standard-setters such as the Basel Committee on Banking Supervision and the Financial Stability Board.

Until recently, European bankers have been reticent to publicly argue about financial oversight with regulators and politicians.

But the political landscape on financial rules has recently changed with the growth of populist, nationalist tendencies at home and in the U.S.

EU banks also are concerned that by implementing the rules before they are agreed upon at the international level—such as the ones proposed by the Basel Committee—they will lose a competitive edge, specifically against in the U.S.

While complaints from bankers about regulatory uncertainty aren't novel, Brexit is another source of unpredictability for the bloc's banks, which will have to relocate staff and are still in the process of transforming business models to adhere to rules built in the aftermath of the Lehman Brothers bankruptcy.

"Two countries have a capital market: Switzerland, which is not part of the EU, and the U.K., which is leaving the EU," said Mr. Treichl. "So who do you think will finance the startups?

"The capital market isn't there, the private investor isn't there, and banks are increasingly facing difficulty doing it."

Unlike in the U.S., European businesses and companies rely on traditional bank lending for cash rather than capital markets.

Mr. Oudéa said it was important to think "strategically" about rules relating to capital-market activities in light of Brexit.

The European Parliament's economic and monetary affairs committee regularly holds public hearings between lawmakers, regulators, supervisors, and senior bankers.

DAVID PAUL MORRIS/BLOOMBERG NEWS

Shareholders backed Citigroup's overall strategy, nixing a breakup proposal, at the annual meeting.

Citigroup Holders Back Plan for Executive Pay

BY TELIS DEMOS

Citigroup Inc. shareholders cast 95% of their votes at Tuesday's annual meeting in support of the bank's compensation plan for top executives, following a jump in the stock price and a pay cut for Chief Executive Michael Corbat.

That reversed tepid support last year, when the bank's annual "say on pay" resolution received 64% of votes cast. The average bank in the S&P 500 index received 91% support, according to proxy advisory firm Institutional Shareholder Services Inc.

In contrast to a rancorous **Wells Fargo** & Co. annual shareholder meeting that also took place Tuesday, Citigroup's conclave was relatively placid. But it wasn't totally uneventful: There was one major interruption when a group took the stage at the Cooper Union hall in New York City for a few minutes to protest the bank's lending related to the controversial Dakota Access Pipeline.

Otherwise, Citigroup shareholders backed the bank's overall strategy, overwhelmingly rejecting a breakup proposal. The current board of directors also received more than 98% support from voters. The breakup measure got 2.5% of votes cast, down from 3.5% last year.

A more extensive debate on the bank's performance could await Citigroup in July, when it will hold its first investor day meeting in several years.

The bank succeeded in tamping down the major concern at last year's meeting, executive pay. Following last year's say-on-pay vote—which isn't a binding measure, but an indication of shareholder support—Citigroup's board made a handful of changes.

For one, it cut Mr. Corbat's pay. For 2016, Mr. Corbat is expected to receive total compensation of $15.5 million, a 6% decrease from the previous year.

That helped the bank match up more favorably with its stock performance and peers. The cut came despite Citigroup stock generating a 16% total return in 2016, from negative-4% in 2015, when Mr. Corbat's pay rose.

95%

Percentage of votes backing the plan, up from 64% last year

Last year, proxy advisory firms Glass Lewis & Co. and ISS recommended that shareholders vote against the say-on-pay resolution. This year, both firms recommended voting in favor, citing the measures the bank took after last year's vote.

"The board has demonstrated sufficient responsiveness," ISS said in a report this month.

Like most big banks, Citigroup's stock has jumped since the U.S. presidential election, in part on hopes that the Trump administration will give firms a wider berth to return capital.

Citigroup returned $11 billion to shareholders last year, and expects to increase that number. Mr. Corbat told shareholders that Citigroup pressed the case for a bigger payout when the bank made its 2017 stress-test submission to regulators.

The company made other changes after the 2016 vote, including shifting more pay from cash to stock, and basing future performance-based stock grants in part on 2019 return on capital and profitability.

Mr. Corbat acknowledged that the bank fell short on several measures in 2016, such as a decline in net income and a drop in return on assets. He said that was driven by decisions to make new investments in several areas, including credit cards, consumer banking in Mexico, and stock trading, which will generate faster growth and capital return.

"We have a clear path to producing better returns in the future," he said.

FINANCE WATCH

EUROPEAN CENTRAL BANK

Negative Rates Encourage Lending

Survey data from the European Central Bank showed Tuesday that its policy of paying negative rates on deposits held with it is encouraging eurozone banks to make loans.

The ECB's Bank Lending Survey, which polls lenders across the currency zone, reported that the negative deposit rate, in place for nearly three years, "while having a negative impact on banks' net interest income, is assessed by banks to have a positive impact on their lending volumes."

The survey also showed that demand for financing from firms is expected to grow in the current quarter.

More banks are set to tighten standards on loans to companies in the current quarter than ease them, the survey showed. Most are likely to keep standards unchanged, it said. *—Todd Buell*

CHINA CITIC BANK

Gains on Trading Boost Net Result

China Citic Bank Corp. said net profit in the first quarter rose 1.7% from a year ago to 11.39 billion yuan ($1.65 billion), buoyed by trading gains.

Net interest income at the commercial lender, which is China's 10th-largest by assets, fell by 8.9% to 25.1 billion yuan. Net fee and commission income fell 2.1% to 10.8 billion yuan, the bank said Tuesday.

The bank also reported 51.32 billion yuan of nonperforming loans at the end of the latest quarter, up from 48.58 billion yuan three months earlier. The lender's bad-loan ratio rose to 1.74% from 1.69%.

—Chuin-Wei Yap

SWEDBANK

Mortgage Lending Props Up Earnings

Swedbank AB, one of the Baltic region's largest lenders, Tuesday posted a rise in net profit for the first quarter, as higher net interest income from mortgages helped offset a rise in expenses and credit losses.

The bank said its net profit for the three months ending March 31 totaled 5.12 billion Swedish kronor ($577.2 million), compared with 4.31 billion kronor for the same period last year.

The bank said it increased loan-loss provisions for oil-related commitments within its Large Corporates & Institutions business.

"Our Swedish operations saw a high level of activity, mainly in mortgage loans, which generated increased volumes and margins," said Chief Executive Officer Birgitte Bonnesen.

—Dominic Chopping


KAI PFAFFENBACH/REUTERS

The ECB has kept deposit rates negative for almost three years

Rising Rates Hit Students

By AnnaMaria Andriotis


DAVID PAUL MORRIS/BLOOMBERG NEWS

Social Finance, under CEO Mike Cagney, has expanded to other loans, including mortgages.

Mortgage refinancing isn't the only lending business that could face pressure from rising short-term rates.

Interest-rate savings on student-loan refinancing are also shrinking as short-term rates have started to rise, according to a new report.

Refinancing student loans has taken off in the past five years as financial-technology lenders, led by **Social Finance** Inc., or SoFi, have been offering to replace borrowers' federal student loans with new loans that have lower interest rates. Until recent years, rates on many federal student loans weren't based on market rates, but a higher uniform rate set by the government.

Now, the savings are declining for some of the most creditworthy borrowers. Those with the highest credit scores who refinanced early this year received an interest rate that on average was about 2.2 percentage points lower than the rate on their original loan, according to **LendKey Technologies** Inc., which tracks student loans at credit unions and community banks. In 2014 and 2015, the average interest-rate savings exceeded 3 percentage points.

Rates on private student loans are usually pegged to the one-month or three-month London interbank offered rate, which have been moving up in recent months with the Federal Reserve's short-term interest-rate target.

Meanwhile, interest rates on newly issued federal student loans are down. Unsubsidized Stafford loans given to undergraduate students for the current academic year have a fixed rate of 3.76%, compared with 4.66% two years before and 6.8% four years prior.

The decline in federal student-loan pricing is largely the result of a repricing strategy implemented by the federal government starting for the 2013-14 academic year. Since then, federal student-loan rates have been based on a rate from the last 10-year Treasury auction that occurs each May. Between 2006 and this change, federal student-loan rates had been set in advance by federal law.

LendKey says student-loan refinances topped $200 million in 2016 for the institutions on its platform, up 80% from a year earlier. It says the savings borrowers receive remain substantial, adding that the decline in savings is likely due to the small number of borrowers in some of its credit-score brackets.

But the dip in savings among certain credit scores points to a broader issue for the student-loan refinance industry. Sustaining growth for these lenders has been largely based on how long they can offer rate savings that are large enough to give consumers the incentive to refinance.

SoFi's chief executive, Mike Cagney, has warned that the growth period in student-loan refinancings is limited as rates move up. He said that lenders who enter the market just to focus on student-loan refinances aren't pursuing a good strategy. SoFi has in recent years expanded to other loans, including mortgages and personal loans.

Nasdaq Composite Is More Than Tech

By Ben Eisen

Today's Nasdaq Composite Index isn't quite the same as the one often associated with the dot-com boom and bust.

Once known as the benchmark that tracked young technology companies, the Nasdaq is now more diversified than it typically gets credit for. That is one reason why investors aren't too concerned about a tech bubble as the index passed 6000 for the first time ever on Tuesday.

Sure, the most heavily weighted names in the index are still the tech giants you would expect, such as **Apple** Inc. and **Microsoft** Corp., but tech makes up only 44% of the index, down from about 60% when the dot-com bubble burst early in the last decade.

The index has diversified into other sectors, particularly consumer companies. Consumer-goods stocks, which made up 3.2% of the index at the end of 2011, made up 5.3% at the end of March. And consumer services accounted for 21% at the end of last month, up from 18% at the end of 2011.

Even the big part of the index that is still made up of tech stocks is different than it used to be.

Amid the dot-com bubble of 1999 and 2000, the index was chock-full of companies that had gone public recently in a bid to cash in on investors' hearty—if often ill-advised—appetite for technology shares. Many of those companies had no earnings. Many others, including many more-established Nasdaq-traded firms, had only modest earnings relative to their share prices.

Accordingly, the price/earnings ratio on the index exceeded 70 as the Nasdaq was near its peak in 2000, a condition that traders and analysts agreed set the stage for what would become a historic rout. These days, it is trading at about 27.5 times the earnings of the past 12 months, according to Thomson DataStream.

Now, the Nasdaq includes companies such as Apple, which has been transformed over the past 15 years into arguably the world's most successful company. It makes up more than 8% of the index by weighting. Microsoft makes up 5.7%. **Facebook** Inc. and **Alphabet** Inc.'s Class C shares both make up more than 3% of the index.

The shrinking of the Nasdaq's tech sector stands out at a time in which tech stocks have been rising sharply, making up an increasingly large share of other benchmarks, such as the S&P 500 index.

BOB RIHA/LIAISON/GETTY IMAGES

The pets.com puppet became a symbol of the dot-com bubble.

BOJ's Message: Don't Expect Tighter Policy

By Takashi Nakamichi

TOKYO—Japanese central-bank officials have lately emphasized that Japanese inflation is weak, a calculated move to reduce expectations of a rate increase this year, say people familiar with their thinking.

One of the Bank of Japan's chief messages ahead of a policy meeting on Wednesday and Thursday is that any talk of tightening measures is premature because prices aren't recovering as strongly as the economy. That stance suggests the bank will keep both its main policy rates unchanged, while possibly lowering its view on prices to offset an improved outlook for the economy.

"The most important thing now is to keep a low profile," one of the people said, emphasizing the need to tamp down any speculation of a rate increase.

The bank's attitude highlights the rapid change of direction in global central banking. The Federal Reserve raised rates in March for the second time in three months and signaled further increases ahead in a sign of confidence in the U.S. economy, while other central banks around the world also look set to tighten rather than loosen policy as their next step.

But Bank of Japan officials are worried that if expectations for an early rate increase strengthen, the yen could bounce back in a blow to Japan's exports, according to the people. The export-driven nature of Japan's recent economic growth means that the bank will want to avoid any sharp gains in the yen as long as domestic consumption remains weak, they said.

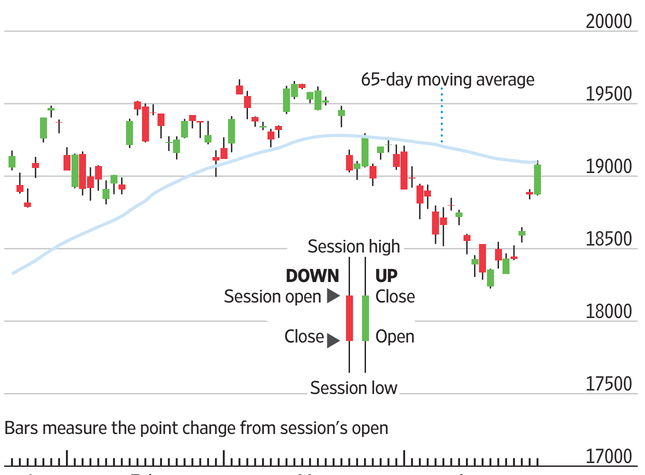
MARKETS DIGEST

Nikkei 225 Index

19079.33 ▲203.45, or 1.08%

High, low, open and close for each trading day of the past three months.

Year-to-date		▼ 0.18%
52-wk high/low	19633.75	14952.02
All-time high	38915.87	12/29/89



STOXX 600 Index

386.91 ▲0.82, or 0.21%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲ 7.05%
52-wk high/low	386.91	308.75
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 4 p.m. New York time

2388.61 ▲14.46, or 0.61%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.39	24.11
P/E estimate *	18.24	17.80
Dividend yield	1.98	2.17
All-time high:	2395.96, 03/01/17	

* P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2737.69	22.87	0.84	2193.75	2739.74	8.3
	MSCI EAFE	1836.01	10.24	0.56	1471.88	1956.39	7.0
	MSCI EM USD	982.43	11.07	1.14	691.21	1044.05	23.7
Americas	**DJ Americas**	575.88	3.12	0.54	480.90	577.65	6.6
Brazil	**Sao Paulo Bovespa**	65007.78	618.76	0.96	48066.67	69487.58	7.9
Canada	**S&P/TSX Comp**	15753.16	40.70	0.26	13535.54	15943.09	3.0
Mexico	**IPC All-Share**	49815.49	402.23	0.81	43902.25	49821.47	9.1
Chile	**Santiago IPSA**	3746.32	14.55	0.39	2998.64	3786.05	16.2
U.S.	**DJIA**	20996.12	232.23	1.12	17063.08	21169.11	6.2
	Nasdaq Composite	6025.49	41.67	0.70	4574.25	6036.02	11.9
	S&P 500	2388.61	14.46	0.61	1991.68	2400.98	6.7
	CBOE Volatility	10.73	–0.11	–1.01	9.97	26.72	–23.6
EMEA	**Stoxx Europe 600**	386.91	0.82	0.21	308.75	386.91	7.1
	Stoxx Europe 50	3186.76	7.62	0.24	2626.52	3198.41	5.9
Austria	**ATX**	2948.31	8.58	0.29	1981.93	2958.09	12.6
Belgium	**Bel-20**	3889.69	1.82	0.05	3127.94	3898.88	7.9
France	**CAC 40**	5277.88	9.03	0.17	3955.98	5295.47	8.5
Germany	**DAX**	12467.04	12.06	0.10	9214.10	12482.90	8.6
Greece	**ATG**	697.32	14.02	2.05	517.10	697.75	8.3
Hungary	**BUX**	33519.07	292.61	0.88	25126.36	34334.92	4.7
Israel	**Tel Aviv**	1402.91	0.38	0.03	1372.23	1490.23	–4.6
Italy	**FTSE MIB**	20805.52	121.11	0.59	15017.42	20883.66	8.2
Netherlands	**AEX**	524.05	0.32	0.06	409.23	526.25	8.5
Poland	**WIG**	61182.78	1121.37	1.87	42812.99	61182.93	18.2
Russia	**RTS Index**	1120.89	4.31	0.39	873.58	1196.99	–2.7
Spain	**IBEX 35**	10783.10	16.30	0.15	7579.80	10828.80	15.3
Sweden	**SX All Share**	578.81	4.11	0.72	443.66	579.74	8.3
Switzerland	**Swiss Market**	8775.24	63.92	0.73	7475.54	8787.37	6.8
South Africa	**Johannesburg All Share**	53257.44	336.03	0.63	48935.90	54704.22	5.1
Turkey	**BIST 100**	94634.91	832.10	0.89	70426.16	94634.91	21.1
U.K.	**FTSE 100**	7275.64	10.96	0.15	5788.74	7447.00	1.9
Asia-Pacific	**DJ Asia-Pacific TSM**	1563.88	8.36	0.54	1308.52	1570.38	9.9
Australia	**S&P/ASX 200**	5871.80	...	Closed	5103.30	5934.00	3.6
China	**Shanghai Composite**	3134.57	5.04	0.16	2806.91	3288.97	1.0
Hong Kong	**Hang Seng**	24455.94	316.46	1.31	19694.33	24593.12	11.2
India	**S&P BSE Sensex**	29943.24	287.40	0.97	25101.73	29974.24	12.5
Japan	**Nikkei Stock Avg**	19079.33	203.45	1.08	14952.02	19633.75	–0.2
Singapore	**Straits Times**	3163.93	19.90	0.63	2729.85	3187.51	9.8
South Korea	**Kospi**	2196.85	23.11	1.06	1925.24	2196.85	8.4
Taiwan	**Weighted**	9841.71	123.76	1.27	8053.69	9972.49	6.4

Source: SIX Financial Information; WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	1.669	38.2	43.5	51.5	122.1	1.669	1.767	2.059
4.750	10	2.607	27.9	33.2	34.8	72.7	2.607	2.761	2.643
3.000	**Belgium** 2	-0.501	-178.7	-175.2	-175.8	-131.0	-0.519	-0.505	-0.472
0.800	10	0.823	-150.5	-150.1	-152.9	-142.9	0.774	0.883	0.488
0.000	**France** 2	-0.406	-169.2	-167.8	-174.6	-128.9	-0.444	-0.493	-0.451
1.000	10	0.890	-143.8	-144.2	-141.7	-130.8	0.833	0.996	0.608
0.000	**Germany** 2	-0.679	-196.6	-192.9	-199.2	-133.0	-0.696	-0.739	-0.492
0.250	10	0.377	-195.1	-194.5	-200.6	-165.0	0.330	0.406	0.266
0.300	**Italy** 2	-0.050	-133.7	-130.0	-133.1	-83.4	-0.067	-0.078	0.004
2.200	10	2.264	-6.4	-8.6	-18.5	-38.0	2.190	2.228	1.537
0.100	**Japan** 2	-0.208	-149.5	-144.2	-151.2	-110.8	-0.209	-0.259	-0.270
0.100	10	0.021	-230.7	-225.3	-234.8	-198.7	0.022	0.065	-0.071
4.000	**Netherlands** 2	-0.604	-189.1	-186.4	-199.0	-132.4	-0.631	-0.738	-0.486
0.750	10	0.604	-172.5	-170.9	-176.2	-156.8	0.566	0.651	0.349
4.750	**Portugal** 2	0.372	-91.5	-89.1	-133.6	-57.6	0.343	-0.084	0.263
4.125	10	3.578	125.0	126.5	138.6	120.1	3.540	3.799	3.117
2.750	**Spain** 2	-0.231	-151.8	-145.6	-145.0	-86.2	-0.223	-0.197	-0.023
1.500	10	1.655	-67.3	-67.0	-71.7	-27.3	1.605	1.696	1.644
4.250	**Sweden** 2	-0.629	-191.6	-188.7	-180.8	-122.3	-0.653	-0.556	-0.385
1.000	10	0.648	-168.0	-168.1	-173.6	-97.2	0.595	0.676	0.945
1.750	**U.K.** 2	0.117	-117.0	-115.0	-110.0	-30.5	0.083	0.153	0.533
4.250	10	1.085	-124.3	-122.4	-121.5	-30.6	1.051	1.198	1.611
1.250	**U.S.** 2	1.287	...	...	...	...	1.234	1.253	0.838
2.250	10	2.328	...	...	...	...	2.275	2.413	1.917

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 4/24/2017

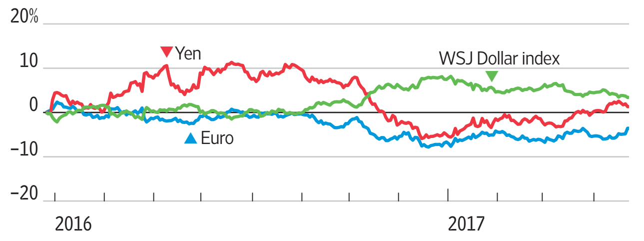
Commodity	Exchange	Last price	One-Day Change Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	371.50	6.00	1.64%	393.75	360.75
Soybeans (cents/bu.)	CBOT	965.75	-6.00	-0.62%	1,092.50	941.25
Wheat (cents/bu.)	CBOT	427.50	8.25	1.97	488.75	416.00
Live cattle (cents/lb.)	CME	115.925	1.075	0.94	117.575	103.150
Cocoa ($/ton)	ICE-US	1,860	44	2.42	2,270	1,756
Coffee (cents/lb.)	ICE-US	132.30	0.40	0.30	161.55	130.50
Sugar (cents/lb.)	ICE-US	16.27	-0.05	-0.31	20.81	16.17
Cotton (cents/lb.)	ICE-US	79.37	0.58	0.74	80.27	71.86
Robusta coffee ($/ton)	ICE-EU	1922.00	-14.00	-0.72	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.6030	0.0380	1.48	2.8400	2.4905
Gold ($/troy oz.)	COMEX	1265.40	-12.10	-0.95	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	17.650	-0.282	-1.57	18.725	16.100
Aluminum ($/mt)*	LME	1,933.50	-6.00	-0.31	1,972.00	1,688.50
Tin ($/mt)*	LME	19,550.00	-350.00	-1.76	21,225.00	18,760.00
Copper ($/mt)*	LME	5,644.00	11.00	0.20	6,156.00	5,518.00
Lead ($/mt)*	LME	2,159.00	18.00	0.84	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,612.00	7.00	0.27	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,350.00	-110.00	-1.16	11,095.00	9,350.00
Rubber (Y.01/ton)	TCE	220.90	3.70	1.70	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2486.00	-44.00	-1.74	3,004.00	2,450.00
Crude oil ($/bbl.)	NYMEX	49.70	0.47	0.95	57.95	47.58
NY Harbor ULSD ($/gal.)	NYMEX	1.5548	0.0070	0.45	1.7833	1.4910
RBOB gasoline ($/gal.)	NYMEX	1.6277	unch.	0.12	1.9012	1.5908
Natural gas ($/mmBtu)	NYMEX	3.166	0.006	0.19	3.5410	2.8170
Brent crude ($/bbl.)	ICE-EU	52.70	0.57	1.09	60.09	50.29
Gas oil ($/ton)	ICE-EU	469.75	2.75	0.59	526.50	448.00

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on April 25

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0648	15.4271	–2.8
Brazil real	0.3161	3.1634	–2.8
Canada dollar	0.7346	1.3613	1.3
Chile peso	0.001510	662.20	–1.1
Colombia peso	0.0003445	2902.92	–3.3
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0528	18.9238	–8.7
Peru sol	0.3081	3.2458	–3.2
Uruguay peso-e	0.0353	28.330	–3.5
Venezuela bolivar	0.099227	10.08	0.8
Asia-Pacific			
Australia dollar	0.7533	1.3275	–4.4
China yuan	0.1452	6.8858	–0.8
Hong Kong dollar	0.1285	7.7797	0.3
India rupee	0.0155	64.3249	–5.3
Indonesia rupiah	0.0000753	13286	–1.8
Japan yen	0.009008	111.01	–5.1
Kazakhstan tenge	0.003203	312.19	–6.4
Macau pataca	0.1251	7.9914	0.9
Malaysia ringgit-c	0.2291	4.3643	–2.7
New Zealand dollar	0.6944	1.4401	–0.3
Pakistan rupee	0.0095	104.725	0.3
Philippines peso	0.0201	49.655	0.1
Singapore dollar	0.7178	1.3932	–3.7
South Korea won	0.0008865	1127.97	–6.6
Sri Lanka rupee	0.0065815	151.94	2.4
Taiwan dollar	0.03325	30.071	–7.3
Thailand baht	0.02906	34.410	–3.9
Europe			
Bulgaria lev	0.5586	1.7903	–3.7
Croatia kuna	0.1465	6.824	–4.9
Euro zone euro	1.0941	0.9140	–3.8
Czech Rep. koruna-b	0.0407	24.565	–4.4
Denmark krone	0.1470	6.8010	–3.8
Hungary forint	0.003510	284.87	–3.2
Iceland krona	0.009406	106.31	–5.9
Norway krone	0.1169	8.5515	–1.1
Poland zloty	0.2588	3.8633	–7.7
Russia ruble-d	0.01780	56.195	–8.3
Sweden krona	0.1141	8.7675	–3.7
Switzerland franc	1.0069	0.9931	–2.5
Turkey lira	0.2792	3.5823	1.7
Ukraine hryvnia	0.0376	26.6190	–1.7
U.K. pound	1.2837	0.7790	–3.8
Middle East/Africa			
Bahrain dinar	2.6527	0.3770	–0.05
Egypt pound-a	0.0555	18.0035	–0.7
Israel shekel	0.2746	3.6417	–5.4
Kuwait dinar	3.2835	0.3046	–0.3
Oman sul rial	2.5970	0.3851	0.02
Qatar rial	0.2747	3.641	0.02
Saudi Arabia riyal	0.2666	3.7505	–0.01
South Africa rand	0.0763	13.1074	–4.3

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.51	0.10	0.11	–3.69

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Apr 25

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3275	1.6973	1.3364	0.0120	0.1706	1.4521	0.9751	...
Canada	1.3613	1.7473	1.3706	0.0123	0.1750	1.4892	...	1.0255
Euro	0.9140	1.1733	0.9203	0.0082	0.1175	...	0.6715	0.6887
Hong Kong	7.7797	9.9860	7.8337	0.0701	...	8.5105	5.7152	5.8612
Japan	111.0080	142.5000	111.7700	...	14.2690	121.4400	81.5500	83.6200
Switzerland	0.9931	1.2748	...	0.0089	0.1277	1.0867	0.7296	0.7483
U.K.	0.7790	...	0.7844	0.0070	0.1001	0.8524	0.5723	0.5869
U.S.	...	1.2837	1.0069	0.0090	0.1285	1.0941	0.7346	0.7533

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	0.99222%	0.43770%
Three month	1.17039	0.63435
Six month	1.42361	0.91190
One year	1.77483	1.24260
Euro Libor		
One month	-0.39571%	-0.34914%
Three month	-0.36143	-0.27286
Six month	-0.25871	-0.15643
One year	-0.14329	-0.03014
Euribor		
One month	-0.37100%	-0.34300%
Three month	-0.32900	-0.25200
Six month	-0.24800	-0.14300
One year	-0.12100	-0.01400
Yen Libor		
One month	-0.01507%	-0.06600%
Three month	0.00850	-0.03864
Six month	0.03357	-0.01143
One year	0.13500	0.07579
	Offer	**Bid**
Eurodollars		
One month	1.1000%	1.0000%
Three month	1.2000	1.1000
Six month	1.3500	1.2500
One year	1.6000	1.5000
	Latest	**52 wks ago**
Prime rates		
U.S.	4.00%	3.50%
Canada	2.70	2.70
Japan	1.475	1.475
Hong Kong	5.00	5.00
Policy rates		
ECB	0.00%	0.00%
Britain	0.25	0.50
Switzerland	0.50	0.50
Australia	1.50	2.00
U.S. discount	1.50	1.00
Fed-funds target	0.75-1.00	0.25-0.50
Call money	2.75	2.25
Overnight repurchase rates		
U.S.	0.91%	0.39%
Euro zone	n.a.	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

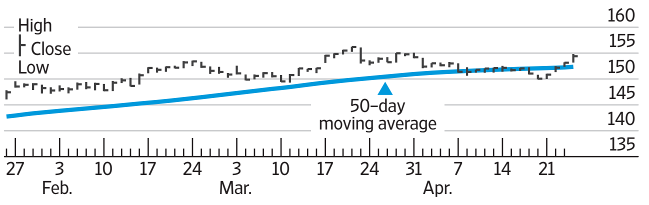
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK$	AIAGroup	1299	50.35	1.10	15.09
¥	AstellasPharma	4503	1552.50	0.16	-4.37
AU$	AustNZBk	ANZ	31.98	0.53	5.13
AU$	BHP	BHP	23.94	-0.42	-4.47
HK$	BankofChina	3988	3.77	1.89	9.59
HK$	CKHutchison	0001	96.85	1.89	10.18
HK$	CNOOC	0883	9.08	0.22	-6.39
AU$	CSL	CSL	128.59	0.13	28.06
¥	Canon	7751	3560.00	1.69	8.04
¥	CentralJapanRwy	9022	19000	2.29	-1.20
HK$	ChinaConstructnBk	0939	6.35	1.93	6.37
HK$	ChinaLifeInsurance	2628	23.45	1.96	16.09
HK$	ChinaMobile	0941	83.20	0.48	1.22
HK$	ChinaPetro&Chem	0386	6.43	2.06	16.91
AU$	CmwlthBkAust	CBA	86.23	0.69	4.64
¥	EastJapanRailway	9020	9938.00	1.18	-1.60
¥	Fanuc	6954	22835	0.20	15.24
¥	Hitachi	6501	596.90	1.08	-5.55
TW$	Hon Hai Precisn	2317	97.90	0.93	16.27
¥	HondaMotor	7267	3189.00	0.76	-6.62
KRW	HyundaiMtr	005380	144500	2.12	-1.03
HK$	Ind&Comml	1398	5.10	2.20	9.68
¥	JapanTobacco	2914	3762.00	0.70	-2.13
¥	KDDI	9433	2893.50	-1.55	-2.23
¥	Mitsubishi	8058	2356.00	1.73	-5.38
¥	MitsubishiElectric	6503	1508.00	1.45	-7.46
¥	MitsubishiUFJFin	8306	703.10	2.19	-2.37
¥	Mitsui	8031	1552.00	1.77	-3.42
¥	Mizuho Fin	8411	202.10	2.02	-3.67
¥	NTTDoCoMo	9437	2580.00	-2.14	-3.12
AU$	NatAustBnk	NAB	33.37	0.91	8.80
¥	NipponTeleg	9432	4778.00	-1.57	-2.73
¥	NissanMotor	7201	1057.00	1.68	-10.08
¥	Panasonic	6752	1334.50	2.03	12.19
HK$	PingAnInsofChina	2318	43.20	1.89	11.34
$	RelianceIndsGDR	RIGD	44.55	0.68	41.20
KRW	SamsungElectronics	005930	2135000	3.54	18.48
¥	Seven&I Hldgs	3382	4601.00	0.83	3.32
¥	SoftBankGroup	9984	8342.00	2.06	7.43
¥	Sony	6758	3715.00	-0.40	13.44
¥	Sumitomo Mitsui	8316	4101.00	1.21	-8.05
HK$	SunHngKaiPrp	0016	116.20	1.04	18.57
TW$	TaiwanSemiMfg	2330	192.00	1.05	5.79
¥	TakedaPharm	4502	5334.00	0.30	10.32
HK$	TencentHoldings	0700	242.80	2.02	27.99
¥	TokioMarineHldg	8766	4696.00	1.78	-2.09
¥	ToyotaMtr	7203	6000.00	1.92	-12.77
AU$	Wesfarmers	WES	43.75	-0.32	3.82
AU$	WestpacBanking	WBC	34.61	0.76	6.17
AU$	Woolworths	WOW	26.67	0.60	10.66
Stoxx 50					
CHF	ABB	ABBN	23.96	0.84	11.55
€	ASMLHolding	ASML	123.10	0.37	15.42
€	AXA	CS	25.00	-0.12	4.23
€	AirLiquide	AI	110.95	0.18	5.02
€	Allianz	ALV	175.50	0.20	11.78
€	AB InBev	ABI	104.50	0.63	3.93
£	AstraZeneca	AZN	4688.00	0.55	5.65
€	BASF	BAS	92.16	-0.40	4.36
€	BNP Paribas	BNP	66.95	0.44	10.57
£	BT Group	BT.A	313.45	-0.18	-14.57
€	BancoBilVizAr	BBVA	7.63	0.21	20.15
€	BancoSantander	SAN	6.04	0.67	21.80
£	Barclays	BARC	222.80	1.64	-0.29
€	Bayer	BAYN	108.45	-0.23	9.40
£	BP	BP.	449.25	-0.01	-11.84
£	BritishAmTob	BATS	5290.00	-0.71	14.47
€	Daimler	DAI	68.70	1.36	-2.86
€	DeutscheTelekom	DTE	16.46	0.64	0.64
£	Diageo	DGE	2259.00	-0.09	7.06
€	ENI	ENI	14.48	-0.41	-6.40
£	GlaxoSmithKline	GSK	1599.00	0.88	2.37
£	HSBC Hldgs	HSBA	642.50	0.66	-2.19
€	INGGroep	INGA	14.98	-0.53	12.08
£	ImperialBrands	IMB	3817.00	-0.50	7.75
€	IntesaSanpaolo	ISP	2.76	2.00	13.60
€	LVMHMoetHennessy	MC	223.15	3.94	23.02
£	LloydsBankingGroup	LLOY	66.95	1.07	7.10
€	LOreal	OR	184.65	-0.49	6.49
£	NationalGrid	NG.	1010.50	-0.69	6.19
CHF	Nestle	NESN	77.20	-0.13	5.68
CHF	Novartis	NOVN	75.70	2.16	2.16
DKK	NovoNordiskB	NOVO-B	253.70	1.48	-0.39
£	Prudential	PRU	1694.00	0.15	4.09
£	ReckittBenckiser	RB.	7305.00	...	6.08
£	RioTinto	RIO	3099.50	-0.42	-1.87
CHF	RocheHldgctf	ROG	257.00	0.78	10.49
£	RoyDtchShell A	RDSA	2044.50	0.57	-8.83
€	SAP	SAP	93.13	0.15	12.46
€	Sanofi	SAN	85.09	0.29	10.65
€	SchneiderElectric	SU	73.92	-0.38	11.81
€	Siemens	SIE	132.70	-0.04	13.61
CHF	Syngenta	SYNN	456.80	0.82	13.49
€	Telefonica	TEF	10.52	0.29	19.22
€	Total	FP	47.83	...	-0.86
CHF	UBSGroup	UBSG	16.53	1.22	3.64
€	Unilever	UNA	48.00	-0.50	22.72
£	Unilever	ULVR	4014.50	-0.16	21.93
€	Vinci	DG	77.72	0.90	20.12
£	VodafoneGroup	VOD	202.50	-0.05	1.33
CHF	ZurichInsurance	ZURN	273.00	0.66	-2.64
DJIA					
$	AmericanExpress	AXP	80.64	0.24	8.86
$	Apple	AAPL	144.54	0.63	24.80
$	Boeing	BA	183.55	0.82	17.90
$	Caterpillar	CAT	104.38	7.82	12.55
$	Chevron	CVX	106.73	0.76	-9.32
$	CiscoSystems	CSCO	33.42	0.42	10.59
$	Coca-Cola	KO	43.13	-0.35	4.03
$	Disney	DIS	115.16	1.28	10.50
$	DuPont	DD	82.20	3.57	11.99
$	ExxonMobil	XOM	81.73	0.76	-9.45
$	GeneralElec	GE	29.43	-0.41	-6.87
$	GoldmanSachs	GS	226.68	1.55	-5.33
$	HomeDepot	HD	153.06	0.77	14.16
$	Intel	INTC	36.87	0.33	1.65
$	IBM	IBM	160.39	-0.22	-3.37
$	JPMorganChase	JPM	88.26	0.87	2.28
$	J&J	JNJ	123.43	0.44	7.13
$	McDonalds	MCD	141.68	5.55	16.40
$	Merck	MRK	62.30	0.26	5.83
$	Microsoft	MSFT	67.92	0.58	9.30
$	Nike	NKE	55.45	-0.04	9.09
$	Pfizer	PFE	33.77	0.09	3.97
$	Procter&Gamble	PG	90.01	0.51	7.05
$	3M	MMM	195.12	0.46	9.27
$	Travelers	TRV	121.32	0.62	-0.90
$	UnitedTech	UTX	116.84	0.45	6.59
$	UnitedHealth	UNH	174.05	1.00	8.75
$	Visa	V	92.11	0.28	18.06
$	Verizon	VZ	46.70	-0.74	-12.51
$	Wal-Mart	WMT	75.04	0.35	8.56

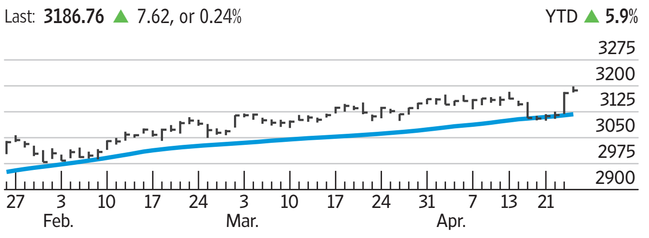
Asia Titans 50

Last: 154.40 ▲ 1.25, or 0.82% — YTD ▲ 9.5%



Stoxx 50

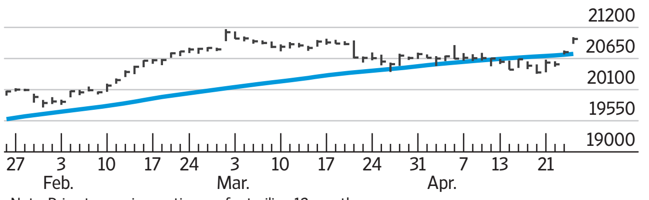
Last: 3186.76 ▲ 7.62, or 0.24% — YTD ▲ 5.9%



Dow Jones Industrial Average

P/E: 21

Last: 20996.12 ▲ 232.23, or 1.12% — YTD ▲ 6.2%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

WeWork Plans 'Co-Working' for Giants

Communal-office pioneer for startups now wants to oversee facilities at big firms

BY PETER GRANT

PEI XIN/XINHUA/ZUMA PRESS

A WeWork branch in Shanghai, shown last year. WeWork says it can manage facilities for large firms at a lower cost than traditional real-estate firms can.

WeWork Cos., the startup that caters to entrepreneurs and small companies looking for communal office space and short-term commitments, is launching a new business that will put it in direct competition with **CBRE Group** Inc., **JLL** and other established giants in the commercial real-estate services industry.

WeWork, a pioneer of the "co-working" office-space trend popular in the technology and startup worlds, wants to take over the design, development and management of major facilities for some of the world's top companies.

WeWork executives say they can do this at lower cost and with better workplace results than traditional real-estate firms.

WeWork, which is valued at about $17 billion and has more than 135 locations in 14 countries, is offering to create personalized WeWork centers for big companies that employ hundreds or even thousands of workers.

Many of these centers will resemble WeWork facilities, which use food, beverages, events, games and new concepts in design to encourage interaction and creativity.

David Fano, WeWork's chief product officer, said the difference between traditional offerings and WeWork is like the difference between Barnum & Bailey and Cirque du Soleil.

"We're trying to be entirely different: It's the hospitality, it's the amenities, it's the data and the analysis and truly understanding how you're leveraging your real estate," he said.

Executives at traditional real-estate companies say they don't think WeWork is a big threat, partly because they offer a much wider range of designs and workplace concepts than WeWork does.

"One vibe doesn't fit all," said Laura Whelan, senior managing director at Savills Studley, a real-estate services firm.

WeWork's business until now has focused on leasing big blocks of space in urban settings and converting it into trendy co-working centers available to entrepreneurs, tech firms, startups and other companies. Customers can rent a desk, an office or entire floors on a month-to-month basis.

The new centers will be leased by the companies but managed by WeWork for fees. There likely will be a modest "powered by WeWork" logo somewhere on the site, but the branding will mostly be of the companies leasing the space. WeWork will make most of its money on the monthly service contracts.

"We're not going to just do design and construction services," Mr. Fano said. "What we really want to do is help them with their culture and their environment and reinvigorate the business."

WeWork plans to add dozens of people for the new business, which it calls Onsite Solutions.

WeWork executives say they will be able to build installations at lower costs than competitors because WeWork is expanding rapidly, adding new facilities throughout the world. "We get volume discounts and we can pass those through," Mr. Fano said.

But real-estate industry executives predict WeWork will have a hard time convincing many companies to hand over soup-to-nuts development and management of new office space. Most major space users have in-house departments with long-term relationships with architects, brokers, construction companies and others that they will be reluctant to give up.

Mr. Fano acknowledged this is an issue. "We're trying to tread lightly," he said.

Commercial real-estate firms also can be expected to fight fiercely to protect their turf in the facilities development and management business. In recent years, they have invested heavily in the business as they have tried to diversify beyond commissions, which fluctuate widely. In 2015, for example, CBRE purchased Johnson Controls' facility management business, named Global Workplace Solutions, for $1.48 billion.

Major commercial real-estate services firms now make about 50% to 70% of their revenue from recurring sources like facility management, compared with 25% to 35% a decade ago, according to Brandon Dobell, an analyst at William Blair.

Of JLL's $6.8 billion in revenue last year, $3.1 billion was revenue from managing projects and properties. Because it also has a huge brokerage business, JLL gets involved with tenants even before they are looking for space.

JLL began working on co-working concepts long before they became fashionable, said Maureen Ehrenberg, president of JLL's Global Integrated Facilities Management division. New workplace designs "aren't something that just happened," she said.

Analysts say it will take a few years to determine how much of a threat WeWork poses to traditional firms. "You're at the start of something that's evolving," said Mitchell Germain, an analyst at JMP Securities.

Call Centers Are Going to the Mall

BY ESTHER FUNG

A giant home-goods retailer is moving into an indoor mall west of Orlando this summer, but it isn't opening a store.

Instead, **Bed Bath & Beyond** Inc. is leasing roughly 75,000 square feet at West Oaks Mall for a call center, taking up about a third of the space that was formerly occupied by a Belk department store.

While retailers look to pare back traditional brick-and-mortar retail space, some landlords are looking to repurpose struggling centers by offering portions of them for back-office facilities to support orders placed online.

Malls could also meet a rising industrial real-estate demand from e-tailers and logistics companies that are scouting for locations closer to where people live as they compete to offer speedier delivery to customers.

The moves also show how internet retailing and changing shopping preferences are beginning to reshape real estate and local labor markets. By walling off sections of previously vacant retail space, landlords are making more efficient use of their properties even as they create new employment centers and alter the look and feel of venues that have been centerpieces of communities.

Private-equity firm Moonbeam Capital Investments LLC, which owns West Oaks Mall, said it is transforming the 1.1-million-square-foot property—which has a 14-screen AMC movie-theater complex and anchor tenants such as J.C. Penney and Dillard's—into a mixed-use office and retail building.

Before the recent deal with Bed Bath & Beyond, Conduent Inc., formerly the services business of Xerox Corp., leased almost half of the 144,907 square feet previously occupied by Sears for a back-office customer-service center to process toll transactions for the Florida Department of Transportation. Together with Bed Bath's center, these offices will employ as many as 1,000 people when fully staffed, Moonbeam said.

"It's a little more reassuring that we're going to get paid regardless of how well they are doing," said Steven Maksin, founder and chief executive officer of Moonbeam Capital.

The firm owns eight enclosed malls across the U.S., as well as open-air shopping centers, outlets, residential and hotel assets, and specializes in buying and repositioning distressed properties.

Moonbeam had bought the struggling mall from foreclosure proceedings in 2012 for $15.9 million and had been weighing options for the property. At that time, the single-story mall was 60% occupied.

Mall landlords need to provide renderings to help prospective office tenants view how doors, walls and windows might look in a space that is still a store, said Casey Barnes, vice president of business development at Orlando Economic Partnership, a not-for-profit, public/private partnership in Central Florida.

Mr. Barnes said he had toured the Sears store at West Oaks Mall years ago with a firm that was looking for space for its software engineers but in the end decided on a regular office building. "There were lawn mowers in the store," said Mr. Barnes, who added that the tenant couldn't visualize the space for office use.

Apart from West Oaks, the arrival of office workers, in particular from the technology sectors, has helped revitalize once-bustling retail spots such as Church Street Station in Orlando that had suffered in the 2000s after Disney and its surrounding real estate took a lot of business, Mr. Barnes said.

West Oaks Mall opened in 1996 with four department-store anchors. It was the dominant shopping mall for a while, but suffered during the recession and from competition from a newer, open-air shopping center about a 17-minute drive away.

"Is it better for me to find 20 3,000-square-foot tenants or is it better to find one tenant to take the whole space that would pay more money?" asked Mr. Maksin. "Retailers are not earning as much as before."

Mr. Maksin says businesses like the idea of call centers in malls because the centers have big parking lots and food and beverage options already available for the staff. Office towers often have tighter configurations that can pack more people, but that also triggers greater demand for parking.

Bed Bath & Beyond, which also has a call center in a building next to Layton Hills Mall near Salt Lake City, didn't respond to requests to comment.

Some real-estate consultants say putting a call center in a mall to fill up space is generally seen as a short-term fix that hurts the long-term viability of the building as a retail center, because stores live off each other.

"It's like pulling roof shingles off your house to put in a fireplace," said Jim Fagan, senior managing director at Cushman & Wakefield of Connecticut Inc., overseeing the Stamford, Conn., Westchester County and New York offices.

MOONBEAM CAPITAL INVESTMENTS

West Oaks Mall in Ocoee, Fla., will be getting a Bed Bath & Beyond call center soon.

Real-Estate Investors See Life After the Euro

BY PETER GRANT

Nationalist movements in Europe have made some commercial property investors so jittery they are including contingency provisions in contracts spelling out what happens if the euro is no longer in use, lawyers said.

With anti-euro politician Marine Le Pen moving into the second round of voting in the French presidential election, some owners and lenders are worrying about being exposed to unexpected foreign currency risk in long-term leases or loans.

To protect themselves, some are including contract provisions they think will reduce their risk if France leaves the euro or if the entire currency is dissolved.

"You see the sensitivity increasing," said Olaf Schmidt, a managing director in the Milan office of global law firm **DLA Piper**. "You have asset managers influenced by banking institutions who are discussing those clauses."

Mr. Schmidt said he recently was involved in two lease negotiations involving German owners of property in another European country that resulted in clauses requiring tenants to pay rent in euros even if the country leaves the currency. In another situation, a landlord wanted a lease provision that set how rent would be paid if the euro ceases to exist.

In that case, the tenant and landlord couldn't agree on a clause. It got too complicated, Mr. Schmidt said.

"The more specific you become, the more disastrous the scenarios were," he said.

Tom Bridgford, a partner at law firm Eversheds Sutherland, said it is increasingly advising clients on the need for contingency clauses. "Often these focus on the impact of exchange-rate movements," he said in an email.

The euro, introduced 15 years ago, is imperiled by the wave of nationalist fervor in Europe and the U.S. that swept Donald Trump into the White House and is sweeping the U.K. out of the European Union. Ms. Le Pen has said that if she wins she will hold a referendum on France's membership in the European Union and use of the euro.

The second round of balloting in the French election, set for May 7, will pit Ms. Le Pen against centrist Emmanuel Macron, who seeks deeper European Union integration. Opinion polls suggest Mr. Macron has a sizable lead and market activity indicates investors expect the euro to survive.

Still, polls also predicted the defeat of President Donald Trump and last year's Brexit initiative in the U.K.

Some contracts contain provisions for what happens if the euro ceases to exist.

"As events in 2016 showed us, it is wise to prepare for the unexpected," Mr. Bridgford said.

If Ms. Le Pen wins and France moves to exit from the euro, it likely would take years for the process to take place. Still, real-estate industry officials are concerned because leases and financing contracts tend to be long term.

The biggest worry is coming from foreign property owners who like getting paid rent in euros and don't want the risk of being paid in a local currency that a country might adopt. They want contract provisions that would require tenants in such a situation to buy euros to pay the specified terms.

"It may be incredibly expensive for the other contract party to procure that currency," Mr. Schmidt said.

Tenants also are looking into contract provisions that lock in currency rates, according to Erwan Heurtel, a Paris-based partner of Mayer Brown. "They want to be sure their financial exposure is fixed," he said.

MARKETS

China Bond Selloff Shows Stress

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

By Rachel Rosenthal

GILLES SABRIÉ FOR THE WALL STREET JOURNAL

Credit growth picked up in 2015, when the People's Bank of China, in the background above, lowered short-term rates.

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

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

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

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

At the eye of the recent storm lies fresh criticism from regulators of the plethora of investment products sold by banks with the promise of higher returns than standard deposit accounts deliver.

A particular focus now are so-called entrusted investments—pools of customer money that Chinese banks hold, some of it off their balance sheets, and channel to outside asset managers to invest. Regulators are concerned these investments have helped stoke markets from corporate bonds to soybeans in recent years.

While there are no official data, entrusted investments exploded to between 5 trillion yuan and 6 trillion yuan ($726 billion and $871 billion) by the end of 2016, according to research by Sinolink Securities, a brokerage. At least 80% has been funneled into China's bond market, analysts say.

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

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

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

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

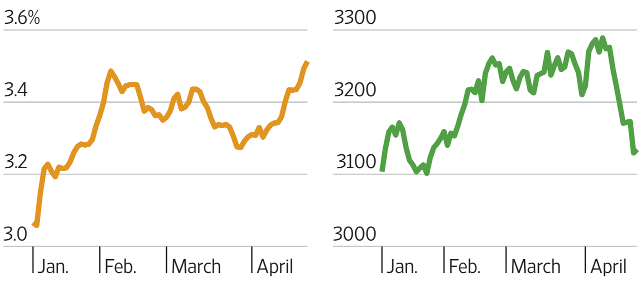
"It's healthy volatility," said BNP's Mr. Sambor. "It's one more tick in a very welcome box."

The ramp-up of credit growth started in 2015, when the People's Bank of China lowered short-term borrowing rates to juice the sluggish economy.

Many investors used the cheap funds to buy financial products. Much of the money ended up in bonds, which investors often then used as collateral to buy even more financial assets.

Bears in a China Shop

Regulatory crackdowns have triggered selloffs in China this year.



Source: Thomson Reuters

THE WALL STREET JOURNAL.

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

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

—*Yifan Xie and Saumya Vaishampayan contributed to this article.*

Treasurys Pull Back On Return To Risk

By Min Zeng

A wave of selling swept the U.S. government-bond market on Tuesday amid a rally in stocks.

The Nasdaq Composite Index rose above 6,000 points for the first time Tuesday, a sign of robust demand for riskier assets.

The yield on the benchmark 10-year Treasury note was at 2.330% late Tuesday in New York, up from 2.275% late Monday. Yields rise as bond prices fall.

The two-day stock rally and price slump in haven bonds offer some tentative signs of a return to the so-called Trump trade after a recent pullback. Buying stocks and selling Treasurys have been the popular ways for investors to bet that large U.S. fiscal stimulus would lead to stronger economic growth and higher inflation.

President Donald Trump was scheduled to offer some updates on his tax plan on Wednesday. The Wall Street Journal reported Tuesday afternoon that Mr. Trump is planning to unveil a proposal to slash the top tax rate on so-called pass-through businesses, including many owner-operated companies, to 15% from 39.6%.

"Optimism expressed in the stock market about corporate earnings and tomorrow's tax announcement is finally taking a toll on Treasury bond prices," said Jim Vogel, market strategist at FTN Financial.

Risk appetite was also improved by Sunday's first round of French presidential elections. A mainstream candidate prevailed, reducing worries over a potential French exit from the eurozone.

HEARD ON THE STREET

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High Hopes For Big Tech Lift Nasdaq

Tech investors have been throwing a party, but some new faces aren't feeling welcome.

The Nasdaq Composite crested the 6000 mark Tuesday to set a new milestone. It signifies a notable comeback for a sector that fared a bit poorly last year—especially following the U.S. presidential election. The Nasdaq is now up nearly 12% in the year to date, nearly double the returns of the Dow Jones Industrial Average and S&P 500. Megacap tech stocks including **Apple** Inc., **Amazon.com** and **Facebook** have been key drivers, with each gaining more than 20%.

That contrasts with a somewhat bleaker picture for the swelling ranks of tech startups hoping to break onto the markets. As the number of richly valued private tech companies has risen, investors looking for exits face a challenge. Venture capitalists have already begun curbing their investments in tech startups.

That isn't a sign that tech investors are avoiding risk, but the Nasdaq's recent run shows a clear preference for scale that goes with that risk. Amazon is an expensive stock at 129 times forward earnings. About one-quarter of the world's population already checks in with Facebook monthly, and that user count is expected to grow 16% this year.

That makes the Nasdaq at 6000 now look more stable than the Nasdaq at 5000 back in the dot-com bubble. But isn't exactly cheap either at a 25% premium to the S&P 500 as a multiple of forward earnings. That is a growing bet that big tech companies can continue to defy the law of gravity.

—*Dan Gallagher*

A Divide on Shares and Economy

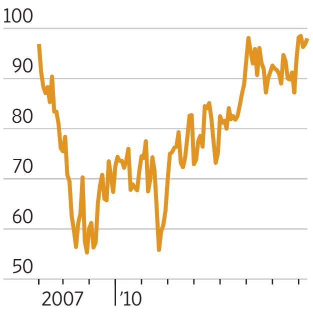
Americans' divisions over the policies of President Donald Trump may not be weighing on stocks, but the economy could be another matter.

Mr. Trump is completing his first 100 days in office with the lowest job-approval rating for a new president in the history of Wall Street Journal/NBC News polling. Even so, he continues to receive high ratings from his fellow Republicans. It is a phenomenon that extends into people's assessment of the economy. The University of Michigan's continuing survey of consumers shows that Americans' outlook has improved since the election, but that has been largely driven by Republican optimism. Democrats are deeply pessimistic about where the economy is headed.

But with stock indexes dancing at or near records, investors seem indivisibly bullish on the economy's trajectory. Part of the reason for that might be that investors skew more Republican than the average American. Another might be that when there are deep disagreements in the stock market, bearish investors often retreat rather than fight.

The Victors

University of Michigan index of consumer sentiment



Source: University of Michigan

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PHOTO: REUTERS

People pass shop windows in Boston.

Betting against stocks is more difficult and costly than betting on them. That can leave the bulls in charge of the market.

When it comes to consumer spending, however, there may be a different dynamic at work. First, the spending of the on-average poorer and younger people who identify as Democrats may be more responsive to shifts in confidence than Republicans. Economists at the Federal Reserve Bank of Chicago, for example, have found that drops in sentiment appear to affect poorer households' spending more than richer households' spending. Presumably, that is because the poor hold fewer assets to help cushion the blows of a bad economy.

But even if the roles were reversed, the pessimists might exert more of an influence than the optimists. Because worries about future financial losses tend to motivate people more than hopes for future gains, the pessimists have more of an incentive to step up precautionary saving than the optimists do to step up spending.

If so, the overall rise in confidence measures may be illusory, with the division between economics optimists and pessimists amounting to no more than a wash. Bullish investors could one day wake up to realize that stock-market valuations have left the economy behind.

—*Justin Lahart*

OVERHEARD

Exchange-traded funds have been by far the fastest-growing part of the financial-services industry. It was only a matter of time, then, before there was an ETF designed to benefit from the boom.

Dubbed the **ETF Industry Exposure & Financial Services ETF** (yes, ETF appears in the name twice), the fund follows a booming sector of the industry. According to Merrill Lynch, $2.9 trillion has flowed into ETFs in the past decade at the expense of traditional active mutual funds.

The fund includes shares of big ETF companies such as **BlackRock**, but also names like **Nasdaq**, **Goldman Sachs** and **Morningstar** that only have a small portion of their businesses tied to ETFs.

But rest assured, the index that was created for the ETF to track was designed by a group of "finance industry thought leaders." Merrill is less confident, dubbing the fund's launch as "Peak ETF."

Fullshare's Stock Drop Shows Hong Kong Bubble Bursting

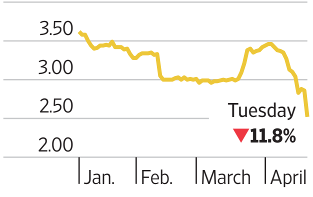
Hong Kong's stock market is becoming a byword for dangerous bubble-blowing.

The latest stock to burst is **Fullshare Holdings**, a Chinese property developer valued at around $7 billion. Its stock slumped 12% on Tuesday, before the company suspended trading in its shares. The plunge came after California-based short seller **Glaucus Research**, which has shorted Fullshare, published a report claiming the stock is "one of the largest stock manipulation schemes trading on any exchange anywhere in the world." Fullshare declined to comment, but said it would release a statement at a later point.

Glaucus's claim, which is based on analysis of trading patterns and Chinese filings, may be hard to prove. But in truth, investors should have spotted problems at Fullshare a while back. The company, which was valued at an eye-watering 10 times book value as recently as last autumn, has generated most of its profits recently from paper gains on its 8.2% stake in another developer, **Zall Group**, whose share price tripled last year. The problem: Zall in turn earns most of its profit from a reciprocal 3.5% stake in Full-share, whose shares doubled last year. The bubbles in both companies' stocks have fed on each other, giving a false image of how their businesses are doing. Zall declined to comment.

Emptying Out

Fullshare's stock price



HK$10 = $1.29

Source: FactSet

THE WALL STREET JOURNAL.

If that weren't enough, trading in Fullshare has also shown some unusual patterns. Glaucus says the stock has shown abnormally high returns in the final hour of trading—a pattern that was seen in previous Hong Kong stock bubbles such as Hanergy and Tech Pro. A look at trading data from FactSet from January to April this year seems to confirm the thesis. An investor buying Full-share's stock one hour before the market close and selling it at close, would have made a 44% return over the period. A simple buy-and-hold strategy, however, would have lost the investor 14%.

Riskier still is the way both Fullshare and Zall have loaded up on debt using their overpriced stocks. As of December, Zall had pledged all its Fullshare stocks in return for a loan. Fullshare had likewise pledged a large portion of its financial assets, which are mainly Zall shares. Zall's chairman has also pledged 8% of the company's shares to borrow money. If lenders to the companies are worried about the value of their collateral, they could dump the shares into the market, potentially leading to a stampede—similar to the recent fate of China Huishan Dairy, whose shares dropped 85% in an hour last month.

Who could suffer when the bubble finally pops? Passive funds that were forced to buy the company when MSCI added the stock to its indexes in November. **Vanguard**, for example, owns 1.4% while **BlackRock** has 0.9%, according to FactSet.

Fullshare's stock price has never been sustainable given its high valuation and lack of a strong underlying business, but the latest report could be the final straw.

—*Jacky Wong*