THE WALL STREET JOURNAL.

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DJIA 20975.09 ▼ 0.10% NASDAQ 6025.23 ▼ 0.004% NIKKEI 19289.43 ▲ 1.10% STOXX 600 388.73 ▲ 0.47% BRENT 51.82 ▼ 0.54% GOLD 1262.10 ▼ 0.28% EURO 1.0876 ▼ 0.48%

What's News

Business & Finance

Some currency traders could be trading with advance knowledge of U.K. economic statistics, according to a data analysis. **A1**

◆ **Global oil discoveries** fell to a record low last year, raising concerns about the potential for a supply shortage as soon as 2020. **B1**

◆ **Credit Suisse said** it plans to raise $4.02 billion of capital and scrapped a planned spinoff of a Swiss unit as the bank swung to a profit. **B7**

◆ **P&G, Pepsi and Nestlé** said a slowdown in spending by U.S. consumers cut into last quarter's results. **B1**

◆ **European car makers** continued to post strong results, raising expectations that vehicle sales will return to precrisis record levels. **B3**

◆ **Twitter said** nine million new monthly users joined last quarter, but sales fell for the first time since the social network went public. **B3**

◆ **The FCC chairman** proposed rolling back net neutrality rules, touching off a fierce political debate. **B4**

◆ **China's Tencent** opened a data center in Silicon Valley, expanding its cloud-computing services into the U.S. **B4**

◆ **Standard Charter said** pretax profit almost doubled, raising expectations dividend payments will resume. **B7**

World-Wide

◆ **Trump proposed** deep cuts in business tax rates and major changes to the individual tax system, as the president seeks to reinvigorate his economic and legislative agenda. **A1**

◆ **Le Pen and Macron** turned a Whirlpool factory threatened with closure into a stage for debate over reviving French industry. **A3**

◆ **EU officials** are struggling to figure out how to improve economic and security ties with Turkey amid a widening political rupture. **A3**

◆ **The EU executive** is taking a firm stand against Hungary's leader over his "Stop Brussels" campaign. **A3**

◆ **Sarin attack samples** from northern Syria bear "the signature" of Assad's chemical-weapons program, a French minister said. **A3**

◆ **China launched** its second aircraft carrier, and the first one entirely home-built, in another stride in its quest for a world-class navy. **A4**

◆ **The pope will pursue** efforts to reach out to Muslims during a visit to Egypt as Islamist terrorism tests interfaith dialogue. **A4**

◆ **The new No. 2 official** at the U.S. Justice Department faces scrutiny over how he will investigate alleged Russian election meddling. **A6**

◆ **The U.S. is considering** more actions to protect U.S. industries while ramping up free-trade talks, the Commerce Secretary said. **A6**

◆ **Pentagon leaders** are calling for faster development of offensive weapons and combat tactics for space. **B2**

◆ **New Zealand** is rethinking its open-door immigration policies amid a record number of new arrivals. **A4**

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€3.20; CHF5.50; £2.00; U.S. Military (Eur.) $2.20

Trump Proposes Major Tax Cuts

Corporate tax rate would drop to 15% from 35%; Democrats say wealthy are favored

BY RICHARD RUBIN

President Donald Trump called for deep reductions in business tax rates and major changes to the individual tax system in a bid to reinvigorate his economic and legislative agenda as he nears the 100-day mark of his presidency.

The plan largely hews to tax-cut proposals Mr. Trump made during his presidential campaign last year, but it includes several crucial changes.

Most notably, the GOP president is proposing to repeal a provision of the tax code that allows individuals to deduct the state and local taxes they pay from their reportable income. That will hurt residents of high-tax states such as New York, New Jersey and California and spur objections from some Republican lawmakers in those states.

The plan doesn't eliminate the exemptions for home-mortgage interest and charitable contributions. The two deductions are among the most popular for individual U.S. taxpayers, making them two of the most costly for the federal government.

Mr. Trump is also proposing a 35% top tax rate for individuals, down from the current 39.6% rate but above the 33% rate he backed during the campaign. Lower brackets would be set at 10% and 25%. The standard deduction for all individuals would be doubled, but all other deductions, except mortgage interest and charity, would be eliminated.

The corporate tax rate would drop to 15% from 35%, and U.S. companies would owe little or no U.S. tax on their future foreign profits. The tax rate on business income reported on individual returns would also drop to 15% instead of being taxed at individual tax rates.

The estate tax and alternative minimum tax would be re-

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Trump's budget director preps for spending fight **A6**

White House weighing more actions on trade **A6**

Opinion: An economic challenge to Europe **A10**

How Trump's plan would affect Wall Street **B5**

Candidates Converge in Battle for France's Working Class

AGENCE FRANCE-PRESSE/GETTY IMAGES (LEFT); CHRISTOPHE PETIT TESSON/EUROPEAN PRESSPHOTO AGENCY

AMONG THE PEOPLE: Hours apart, Marine Le Pen, left, and Emmanuel Macron visited a Whirlpool factory in Amiens, France, that is threatened with closure. Ms. Le Pen was there first; Mr. Macron later made his way through a crowd chanting 'Marine for president.' **A3**

Currency Trading Data Hint At Leaks In Britain

BY MIKE BIRD

Some investors could be trading with knowledge of U.K. official statistics before they are published, according to a comparison of currency trading data for the Swedish krona and British pound.

Sweden and Britain, two European countries with widely traded currencies, have very different approaches when it comes to policy on who sees official economic data before it goes out.

In Sweden, nobody outside the statistics office, not even the prime minister, is allowed to see sensitive data before release, according to Statistics Sweden, the country's official data provider. In Britain, over a hundred lawmakers, advisers and press officers get to see some numbers up to a day before it comes out.

The British pound often moves sharply in the hour before data is released, but the

Please see U.K. page A4

New Hedge Fund Wager: Betting on Malls' Pain

BY SERENA NG AND ESTHER FUNG

BURLINGTON, N.J.—As a youth, Eric Yip spent weekends working in a small shop at the bustling Burlington Center Mall, where his parents sold housewares and rock band T-shirts. That has given Mr. Yip the insight to make one of the most talked-about trades on Wall Street: a "short" wagering that many malls across America are doomed.

These days, Burlington Center is a silent place. Of around 100 stores, only about a dozen remain open. Macy's and J.C. Penney are gone, leaving Sears as the last anchor tenant. Vacant properties surround a dry fountain whose centerpiece, a

Please see MALLS page A2

WHEN FUND TITANS INVEST ON THE SIDE

Managers are duplicating strategies, creating potential conflicts of interest

BY ANUPREETA DAS AND JULIET CHUNG

In 2010, a firm called Swift River Investments LLC put money into a software company developed by private-equity giant Blackstone Group LP. Five years later, a company Blackstone co-owned acquired the software firm, at a price that gave Swift River a fat profit.

Blackstone's back-and-forth involving Swift River wouldn't be notable but for one thing: Swift River invests personal wealth for Blackstone's president and chief operating officer, Hamilton "Tony" James. A brother of his runs it.

Wall Street billionaires, their fortunes built by investing other people's money, increasingly are putting some of their own in sideline investment ventures, while continuing to operate their hedge funds or private-equity funds for clients.

The side businesses, which often use investment strategies similar to those of the firms their owners run for clients, are a growing concern to the pension funds, university endowments and other institutional investors that make up the clientele of hedge funds and private-equity funds.

Investors worry the side businesses, many of which take the form of "family office" structures set up to handle finances for the ultrawealthy, dilute asset managers' time and energy, betray a lack of confidence in the funds those asset managers oversee and can pose a variety of conflict-of-interest hazards.

"It's a distraction at best and a conflict at worst," said Jonathan Grabel, chief investment officer of the $50 billion Los Angeles County Employees Retirement Association. "To the extent we entrust a firm with retirement savings for a large pool of people, it's not consistent with their fiduciary duty to us as an investor."

If managers grow deeply involved with their family investment businesses, Mr. Grabel said,

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INSIDE

THE FASHION SECRET OF STYLISH MEN

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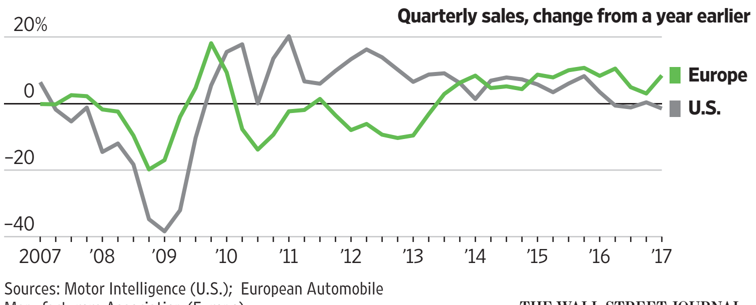
Diverging Roads

Car sales in both the U.S. and Europe dived amid the deep recession nearly a decade ago, but Europe has enjoyed better growth in recent years.



Sources: Motor Intelligence (U.S.); European Automobile Manufacturers Association (Europe)

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Car Sales Strong In Europe

GREEN LIGHT: Europe's auto makers continued to post positive results, appeasing an industry that has been on edge because of geopolitical concerns. **B3**

It's Prom Time! Here's the 21-Page Rulebook

* * *

Schools ban improper attire, even ponytails; preapproved dates

BY TAWNELL D. HOBBS

The rules of prom used to be simple. Get a date, rent a tux or buy a dress, pick up a corsage, and maybe splurge on a limo.

Today, things are a little more complicated. At Boylan Catholic High School in Illinois, the do's and don'ts of prom-wear alone stretch to 21 pages.

Melissa High School in Texas requires female students to have prom dresses preapproved by a school coach. At Archbishop Ryan High School in Pennsylvania, all female students submit a photo wearing their prom dresses, or bring it to school, for approval by a three-person committee.

Carencro High School in Louisiana has no preapproval for dresses—but floor-length ones are required at prom. Earlier this month, a student was barred from entering the prom because her dress was asymmetrical, showing the lower part of one leg beneath the knee.

"If that dress had gone all the way to the ground, that

Please see PROM page A8

CAPITAL ACCOUNT | By Greg Ip

U.S. to World: It's Not Personal, Just Trade

The day after the Trump administration announced a 20% tariff on lumber imports from Canada, Commerce Secretary Wilbur Ross was asked if he was comfortable taking action against "an extremely close ally and neighbor."

"They're an important ally. They're generally a good neighbor," Mr. Ross responded. Dumping lumber, he said, "I don't regard as being a good neighbor."

Mr. Ross's response was a useful reminder that allies can have arguments and remain allies. Indeed, President Donald Trump's more hardheaded approach to trade could catalyze a useful re-examination of the assumption that trade must always be tied to broader geopolitical goals. That served the U.S. and Europe well for most of the postwar period, but in recent decades it has also contributed to a backlash against globalization whose repercussions are still being felt.

The trade wars of the 1930s led Congress to give most authority over trade to the president on the theory he would balance parochial commercial considerations with the broader national interest. After World War II, the U.S. saw commercial and military ties as essential for strengthening its allies against the Soviet Union. It opened its market to West Germany and Japan despite their own barriers to U.S. exports, such as artificially low exchange rates.

To differing degrees, this has remained the preferred U.S. approach ever since. A major rationale for the North American Free Trade Agreement was to turn Mexico into a democratic partner.

Yet the logic that trade can always advance a geopolitical agenda has sometimes been pushed too far. In 2000, Bill Clinton reasoned that admitting China to the World Trade Organization would hasten political liberalization internally. He was wrong. In subsequent years, the combination of China's WTO membership and artificially low currency led to ever larger trade surpluses, displacing millions of U.S. workers, yet China's domestic politics have hardly liberalized.

Other U.S. interests have been elevated over confronting China on trade. When George W. Bush was president, officials debated whether to designate China a currency manipulator. But the currency was a lower priority than getting China's help curbing North Korea's nuclear program. In the end, the U.S. got a backlash against trade and a nuclear-armed North Korea.

A similar logic has long driven European integration. A handful of Western European nations formed the core of the European Union in the 1950s in part to put an end to war, and expanded to Spain, Greece and Portugal to keep them from reverting to military dictatorship.

When the Berlin Wall fell, the EU offered membership to Russia's former Eastern European satellites as a way of permanently drawing them out of its orbit. This expansion, though, strained the bloc's cohesion. An influx of lower-paid Eastern European migrants eventually fueled a backlash by aggrieved native-born workers, a major element in Britain's vote to leave the EU, and bolstered support for France's anti-EU National Front. Yet Hungary has drifted into autocracy despite membership, as has Turkey, which has long pursued membership.

There's no simple formula for when trade and national security policy should be linked, but it helps when both make sense on their own merits. Ronald Reagan took sweeping protectionist steps against Japan in the 1980s, but neither country let that affect their security alliance, which was simply too vital to both.

What can Mr. Trump learn from this?

On China, Mr. Trump's original instinct was to go after its systematic discrimination against U.S. companies through currency and business policies. Yet, like his predecessors, he has since concluded China's cooperation on North Korea is more important and for now held his fire on trade. Whether it succeeds remains to be seen; so far, North Korea has grown more bellicose.

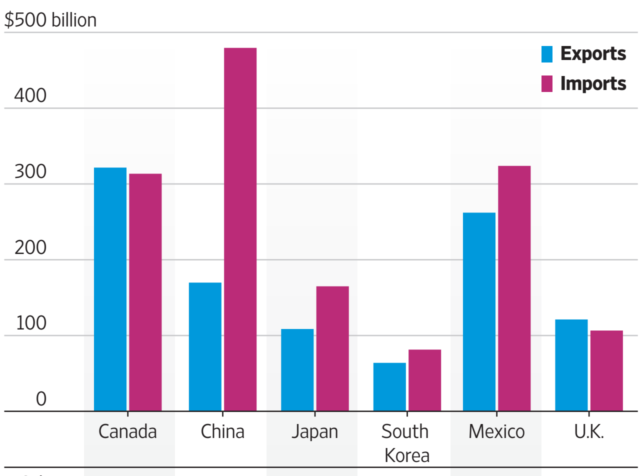
Yet nearby, the Far East provided a potentially more important example of how to balance competing national security and economic priorities. When Vice President Mike Pence visited South Korea last week, he reiterated the U.S.'s "unwavering" commitment to its defense while calling for "reform" of their free-trade agreement, which, he says, leaves too many barriers to U.S. firms. Mr. Pence thus kept trade disagreements and strategic priorities on separate tracks, much as Mr. Reagan did with Japan in the 1980s. (The fact Japan and South Korea are allies makes it easier for the U.S. to maintain such a separation than with China, a potential rival.)

Like Mr. Ross's remarks on Canada, Mr. Pence's comments signaled that just because the U.S. doesn't like how a country trades, that doesn't mean the two can't be friends. Conversely, as the disappointing experience thus far with China and North Korea demonstrate, the Trump team should be under no illusions that holding fire on trade will sway its adversaries.

Sometimes an Ally, Sometimes a Customer

Washington's trade relations aren't necessarily dependent on security arrangements.

U.S. trade of goods and services with major partners, 2016



	Canada	China	Japan	South Korea	Mexico	U.K.
U.S. has a defense alliance	YES	NO	YES	YES	NO	YES
U.S. has a free-trade agreement	YES	NO	NO	YES	YES	NO

Source: U.S. Census Bureau & U.S. Bureau of Economic Analysis

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MALLS

Continued from Page One

life-size bronze elephant, used to spout water onto its back.

The mall's ghostly presence has spurred a financial wager that Mr. Yip, now a New York hedge-fund manager, is pitching to investors many times his size. Starting in late 2015, he began visiting shopping centers across the U.S. to take their vital signs. Concluding that dozens faced a fate akin to Burlington Center's, as internet shopping becomes more dominant, he placed a bearish bet on an obscure index linked to the performance of bonds that are backed by commercial mortgages.

So far, so good. A slice of the index, which Wall Street calls the "CMBX 6," has tumbled 6.3% since the start of this year, according to IHS Markit. The decline is good news for anyone shorting the index, or betting on it to fall, as he is.

Mr. Yip's hedge fund, Alder Hill Management LP, gained 8% in the first quarter of 2017, said people familiar with its performance, fueled in part by the bearish bets on two index slices.

Mr. Yip has been pitching his idea to other investors. This year, he circulated a 58-page report that mapped out a dire outlook for regional shopping centers and said more than two dozen whose debt was reflected in the index were likely to default. He presented his thesis to a group of investment firms at a lunch in Midtown Manhattan.

The daring trade, potential payoff and Mr. Yip's aggressive marketing have drawn comparisons to the way a few canny traders and hedge funds bet against an index tied to subprime mortgage bonds during the housing bubble a decade ago. That wager proved lucrative when housing went into a deep swoon and thousands of homeowners defaulted.

Mr. Yip said investors could make huge profit if, for instance, Sears Holdings Corp. were to file for bankruptcy, which his report called "likely just a matter of timing." The closure of a sea of Sears stores could lead some other retailers to break their mall leases, he said, ultimately leaving struggling malls for dead.

Sears Holdings says it isn't in peril. Howard Riefs, a spokesman, said the company has sold assets and taken other steps to "improve [its] operational performance and financial flexibility." Sears closed 150 of its roughly 1,430 Sears and Kmart stores so far this year.

Corvex Management LP, Aurelius Capital Partners LP and Gratia Capital LLC have all made negative bets on the index similar to Mr. Yip's,people familiar with the funds said. The volume of outstanding bets on the index has swelled by more than $2 billion since Mr. Yip began shopping his trade around.

While many people are bearish on the future of malls, there's little consensus about how an investor might successfully bet against them.

Any downturn in commercial real-estate debt is thought unlikely to be as brutal as the housing meltdown, partly because most of the bonds are backed not just by malls but by a wide variety of properties.

The index Mr. Yip is betting against has a higher concentration of shopping centers than similar financial instruments, but still only around 40 of the roughly 1,500 loans underpinning the index's performance are mall debt. Debt of weaker malls makes up less than 15% of the index, according to Bank of America Merrill Lynch.

"The CMBX is a very blunt tool" for betting against malls, said Alan Todd, head of commercial mortgage research at Bank of America Merrill Lynch.

Investment giants AllianceBernstein LP and Pacific Investment Management Co., or Pimco, have taken the opposite side of the mall-debt trade, with bullish positions on the CMBX 6, according to people familiar with their positions.

Mr. Yip, 42, declined to be interviewed. He confirmed some facts about his background through a spokesman.

Born in Hong Kong to a working-class family, he moved at age 5 with his parents to a New Jersey suburb of Philadelphia. After studying accounting at Villanova and getting some credit training at a bank, Mr. Yip worked as an analyst for the billionaire investors Carl Icahn and David Tepper. Mr. Tepper declined to comment, and Mr. Icahn didn't reply to a comment request.

In 2014 Mr. Yip started Alder Hill, with Mr. Tepper as an investor. It had a rough start. For the year 2015, Alder Hill recorded a loss of 13.6%. Last year, it had a gain of just under 7%.

The exact size of Mr. Yip's bet isn't known. It makes up more than half the assets of Alder Hill Management, which manages about $200 million, said people familiar with his fund.

When Mr. Yip cast a critical eye on regional malls' debt in 2015, the CMBX 6 index was trading near its full value, implying a very low probability of defaults.

Mr. Yip visited malls in Connecticut, Louisiana and elsewhere while on work trips and vacations, sometimes taking his family with him. He noticed some malls seemed poorly maintained and outdated, with a high concentration of mom-and-pop shops that, he figured, probably weren't paying much in rent. Locally owned stores have less staying power than stores that are part of national retail chains.

Three malls he singled out were owned by CBL & Associates Properties Inc., a Tennessee-based firm. Its Arbor Place Mall in Douglasville, Ga., has lots of small, local retailers and competes in "over-retailed" Atlanta, his report said.

CBL said the malls he cited are doing well and their loans are expected to be repaid. It said at Arbor Place Mall, national retailers occupy most of the stores. There are "downright inaccuracies" in Mr. Yip's report, said CBL's chief executive, Stephen Lebovitz.

Burlington Center Mall isn't part of the CMBX index. It doesn't have any debt for the index to reflect. The New Jersey mall is owned by a private-equity firm, Moonbeam Capital Investments LLC, that specializes in distressed assets.

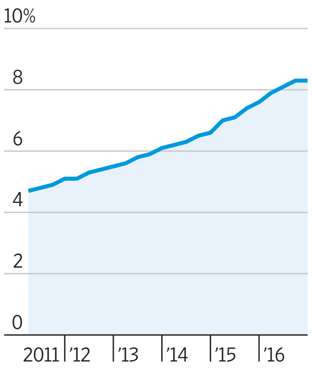
Moonbeam thinks it has a way for Burlington Center to work out. The firm has plans to turn it into a mixed-use retail and small-business park.

The space once occupied by the Yip store, which closed in the 1990s, sits empty.

Staying Home

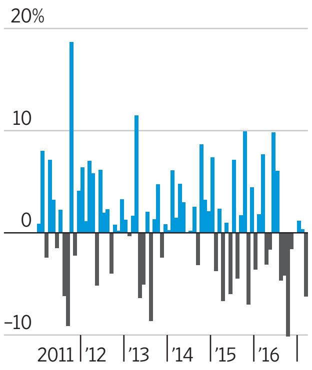
As people turn to the internet more often for shopping...

E-commerce as a percentage of all commerce



...real-estate investment trusts that own malls have sagged.

Total monthly returns for mall REITs



Sources: Census Bureau (e-commerce); National Association of Real Estate Investment Trusts

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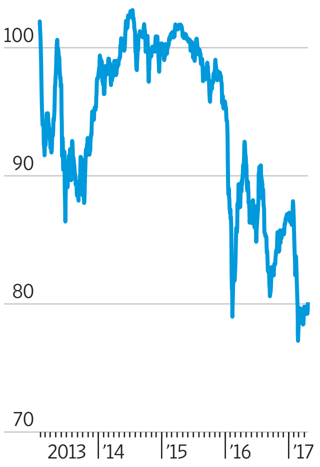
BRIDGET BADORE

Eric Yip of Alder Hill.

A Shopping 'Short'

Some investors are predicting losses among mall-based loans and betting against an index called the CMBX 6 that tracks the values of bonds backed by commercial mortgages.

CMBX 6 INDEX



HOW THE BET WORKS:

1. The CMBX 6 is an index of credit-default swaps designed to mimic the performance of 25 commercial mortgage-backed securities issued in 2012. Credit-default swaps provide protection against defaults. When investors bet on rising defaults, they bid up the cost of protection and push down the index's price.
2. About 40 of the roughly 1,500 loans are tied to shopping malls. Over half of those malls have weak sales trends.
3. If most of the weaker malls default on loans and are liquidated, investors betting against the index stand to collect payouts. They can also profit from price declines in the index.

Note: Chart shows the CMBX.NA.BB.6, a high-risk slice of the index.

Sources: IHS Markit; Trepp; Bank of America Merrill Lynch

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Demonstrations Rock Venezuelan Capital

FERNANDO LLANO/ASSOCIATED PRESS

CONFRONTATION: Antigovernment protesters used slingshots on Wednesday during clashes with state security forces blocking them from marching to downtown Caracas. The security forces stopped the demonstrators with tear gas on the main highway.

CORRECTIONS & AMPLIFICATIONS

China's retail investors can't easily buy bonds directly. A Markets article Wednesday about China's bond market incorrectly said that investors can't buy bonds directly.

Between 1990 and 2007, per capita GDP growth was 2.1% a year in the Netherlands and 1.5% in Germany. A chart with a World News article on Monday about the French economy incorrectly listed both growth figures as the Netherlands'.

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

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WORLD NEWS

Macron, Le Pen Clash at Closing Factory

Presidential rivals put forward different visions of how to save French manufacturing

BY MATTHEW DALTON

CHRISTOPHE PETIT TESSON/EUROPEAN PRESSPHOTO AGENCY

French presidential candidate Emmanuel Macron arriving to meet employees of the Whirlpool plant in Amiens on Wednesday.

AMIENS, France—French presidential candidates turned a **Whirlpool** Corp. factory threatened with closure here into an impromptu stage for an ideological battle over how to revive the country's declining industrial might.

Far-right candidate Marine Le Pen has made the plant's looming closure a national rallying point for her antiglobalist, euroskeptic campaign. The Michigan-based appliance maker announced in January it would close the plant and move production to Poland, a European Union country where wages are a fraction of what they are in France.

Her rival, centrist candidate Emmanuel Macron, held a scheduled meeting on Wednesday with Whirlpool union delegates behind closed doors in the center of Amiens. For 45 minutes he argued for his economic program, preaching the importance of free trade and of guarding France's place in the EU.

Shortly before his meeting was over, Ms. Le Pen showed up in a surprise visit 2 miles away at the Whirlpool plant itself and criticized Mr. Macron for not being there with the workers.

"I'm here exactly where I belong, among Whirlpool workers who are resisting wild globalization," she said in the plant's parking lot. "There are millions of unemployed today, and there will be millions more tomorrow under the economic model Mr. Macron wants to impose."

In a last-minute decision, Mr. Macron's team took him to the factory, where he made his way through a crowd chanting "Marine for president" to present his case to workers. "After the closure of borders, what is there? The destruction of thousands of jobs that need them open," Mr. Macron shouted over jeers and whistles as clouds of black smoke from tires set alight by the workers enveloped the parking lot.

Wednesday's sparring in Amiens, in France's economically struggling north, shows how France's withering industrial regions have become a key battleground in a presidential race that has become a referendum on the EU, free trade and open borders.

Polls show Ms. Le Pen's candidacy facing long odds. With less than two weeks until second-round balloting on May 7, an OpinionWay survey published Wednesday showed she would lose 40% to 60%.

Still, first-round results suggest the country is more divided than ever over the EU. Votes for the main euroskeptic candidates, primarily Ms. Le Pen and far-left firebrand Jean-Luc Mélenchon, accounted for nearly half of the tally on Sunday.

The anger against the political establishment in industrial areas like Amiens is one result of France's industrial decline, which governments of the left and the right have been powerless to stop. French industrial production is 10% lower than it was when France adopted the euro in 1999.

Although the Whirlpool plant is in his hometown region, Mr. Macron has been reluctant to weigh in on the looming factory closure. "My silence is a refusal to manipulate the situation," he said on French TV earlier this month.

Ms. Le Pen has pledged to impose a 35% tax on Whirlpool and other companies that move production out of France. She also said the government would step in to buy the plant if she is elected and no other buyer is found.

Mr. Macron warned the workers surrounding him on the parking lot of the risks of withdrawing from the EU and imposing tariffs at French borders, as Ms. Le Pen has proposed. Another major employer, **Procter & Gamble** Co., whose Amiens plant exports across the EU, would see its business suffer, he said.

"If Ms. Le Pen is elected, that [other] plant closes," he told reporters.

Afterward, David Gallo, who has worked at Whirlpool for more than 20 years, said Mr. Macron was well-spoken but had failed to convince him.

"We've voted left-right, played ping-pong for 20 years," he said. "Finally, we've seen they're the same. We'll try the National Front."

ERIC VIDAL/REUTERS

Prime Minister Viktor Orban.

Brussels Takes On Hungary's Leader

BY VALENTINA POP

BRUSSELS—The **European Union**'s executive branch is ramping up its defense against critics, taking an unusually firm stand against Hungarian Prime Minister Viktor Orban over his "Stop Brussels" campaign and moves against foreign-funded universities and nongovernmental organizations.

The **European Commission** Wednesday took legal action against the Hungarian government in response to its recently adopted law targeting the U.S.-funded Central European University in Budapest. The commission said the law, which obliges CEU to obtain permission from the Hungarian government to continue operations, is in breach of the bloc's rules on freedom to provide services, academic freedom, the right to education and international obligations under trade law.

The commission also criticized Mr. Orban for including "highly misleading claims and allegations" about the EU in his public consultation dubbed "Stop Brussels." The questionnaire, sent to eight million voters in Hungary, suggests that the EU's migration policies have enabled terror attacks and that foreign-funded organizations "jeopardize" Hungary's independence.

"The EU is not and has never been about Brussels; it's a project driven and designed by its member states, each of which has decided individually and democratically that this is the path they wish to adopt. This includes Hungary," said European Commission Vice President Frans Timmermans, who debunked point by point Mr. Orban's "Stop Brussels" questionnaire in a debate in the **European Parliament**.

Mr. Timmermans warned Mr. Orban not to go ahead with a draft law obliging NGOs that receive foreign aid to register with the government, a move critics say is putting Hungary on par with Russia.

EU Strives to Reset Ties to Turkey

BY EMRE PEKER

BRUSSELS—**European Union** officials are struggling to figure out how to improve vital economic and security cooperation with Turkey amid a widening political rupture that threatens the fraught relationship.

After Turkish President Recep Tayyip Erdogan won a referendum this month on constitutional amendments that will drastically expand the power of his office, European officials said the changes to Turkey's democracy would make it incompatible with EU standards.

That brings Brussels and Ankara to a crossroads they have tried to avoid for at least half a decade: deciding the fate of Turkey's all-but-dead talks to join the EU.

"There's an obvious crisis in EU-Turkey relations," European Parliament member Kati Piri, who handles relations with Turkey, said Wednesday. "The EU should officially suspend the accession talks if the constitutional changes are implemented."

EU officials have signaled, however, that they wouldn't unilaterally end Turkey's aspiration to join the bloc. "It is for Turkey to clarify its intentions toward the EU," European Commission Vice President Valdis Dombrovskis said Wednesday after a meeting of the bloc's executive body.

For many officials in Brussels, a move by Ankara to drop its bid for EU accession would helpfully eliminate what has been a venue for mutual recriminations and mistrust.

Although Ankara says joining the EU remains a strategic objective, Mr. Erdogan has called for a referendum on the issue. He has also said he would back reinstating the death penalty, which was abolished to secure membership talks and has been called a red line by EU officials.

Mr. Erdogan's political survival depends in part on the support of Turkish nationalists, whom he wooed in the referendum by bashing Europe with accusations of anti-Muslim views, fascism and Nazi practices. He faces re-election in two years, when the enhanced executive powers will kick in, and is therefore unlikely to abandon the rhetoric, an EU official said.

Such disagreements illustrate how far apart Turkey and the EU have drifted in recent years after seeking closer relations for more than half a century. A failed coup in Turkey in mid-July accelerated the deterioration. Mr. Erdogan placed Turkey under a state of emergency and has presided over the arrests or detention of more than 100,000 civil servants—more than 1,000 people were detained on Wednesday—in an effort to root out supporters of the alleged coup plotters.

The EU has called the emergency rule undemocratic. The president hit back that Turkey's Western allies were siding with putschists.

The developments make it harder for policy makers to find common ground. At stake is close cooperation on global issues such as fighting Islamic State, ending the Syrian war and addressing the refugee crisis, which destabilized Europe until Brussels struck a deal with Turkey to curb illegal immigration.

"If some people think they can wag their finger from Europe to Turkey and get it in line, they're mistaken," Mr. Erdogan's spokesman, Ibrahim Kalin, said on Tuesday.

Mass Arrests Target Cleric's Followers

Coordinated raids yield more than 1,000 detentions of people linked to U.S.-based Gulen

ISTANBUL—Turkish police detained more than 1,000 people suspected of links to a network Turkey blames for a failed coup attempt in July.

The coordinated nationwide raids on Wednesday targeted followers of the U.S.-based cleric Fethullah Gulen. Interior Minister Suleyman Soylu said the people were "covert imams" and had "infiltrated Turkey's police force and were working to direct it from the outside."

Mr. Gulen and his organization have denied any role in the military coup attempt.

"This is an important step for the Republic of Turkey," Mr. Soylu said of the raids, some of the biggest against the alleged Gulen network in months. A total of 1,009 people were detained in 72 provinces, and the raids were continuing, he said.

The raids came after President Recep Tayyip Erdogan secured an important political victory last week. In a referendum marred by irregularities, voters narrowly passed amendments to the Turkish constitution that will center power on the president.

—Ned Levin

France Ties Syria to Chemical Attack

By Sam Schechner in Paris and Raja Abdulrahim in Beirut

Samples from a deadly sarin attack in northern Syria bear "the signature" of the Assad regime's chemical-weapons program and demonstrate its responsibility for the assault, France's foreign minister said.

The disclosure by Jean-Marc Ayrault on Wednesday, based on a French intelligence report, is the strongest proof yet that the Assad government carried out the April 4 attack on the rebel-held town of Khan Sheikhoun in northern Idlib province that killed more than 80 people, according to the White Helmets, a civil defense organization.

The French government's findings support previous assertions by Turkey, along with the U.S. and other Western countries, that the Syrian regime was behind the strike.

They also back suggestions by the Trump administration that the Syrian government has retained chemical weapons, despite President Bashar al-Assad's repeated insistence that his government relinquished all of its chemical weapons following a deal brokered by the U.S. and Russia in 2013.

OMAR HAJ KADOUR/AFP/GETTY IMAGES

A man collects samples from the site of the attack in Idlib province.

Turkey and the nongovernmental global chemical-weapons watchdog, the Organization for the Prohibition of Chemical Weapons, have said sarin was used in the April 4 attack.

The Turkish finding was based on blood and urine samples of victims who received medical treatment or were autopsied in Turkey. Ankara supports the rebel groups fighting to take out the Assad regime.

In its report, the French government said its intelligence services took the necessary steps to obtain its own soil and blood samples from the attack. In those samples, investigators detected the chemicals hexamine and diisopropyl methylphosphonate, or DIMP. Citing information gathered by French intelligence, the report says the recipe used by the regime to manufacture sarin includes hexamine as a stabilizer and produces DIMP as a byproduct.

"It's the method that bears the regime's signature, and that allows us to establish its responsibility," Mr. Ayrault said.

The same mixture of chemicals was discovered in an unexploded grenade recovered from a chemical attack carried out by a Syrian military helicopter on the northern town of Saraqeb on April 29, 2013, the report said.

The foreign minister said the chemical evidence, together with the presence of a Syrian government airplane that carried out airstrikes in the vicinity of Khan Sheikhoun on April 4, left no doubt that the Syrian regime had made and deployed the deadly gas.

"France is convinced of the Syrian regime's responsibility," he said, adding that the perpetrators "will have to answer for their crimes both before international courts and the judgment of history."

The Syrian government had no immediate response to the French findings.

Mr. Assad has repeatedly denied that his forces were behind the April 4 attack and has called the evidence of the regime's use of sarin in Khan Sheikhoun fabricated.

Russia, whose military forces provide crucial support to the regime, rejected the report's findings.

Damascus and Moscow have said the sarin came from a rebel-run chemical factory that was hit in a regime airstrike, though they have offered no evidence to back the claim.

—Thomas Grove in Moscow contributed to this article.

WORLD WATCH

CANADA

Minister Voices Hope For Lumber Deal

Canadian Foreign Minister Chrystia Freeland voiced confidence about the ability of Washington and Ottawa to strike a new deal on softwood lumber and end the latest flare-up in the decades-old trade row.

"A negotiated deal is achievable and there is a deal to be had," Ms. Freeland told reporters in Canada during a conference call Wednesday. "We have made progress in our conversations, but we are not there yet."

This week, the U.S. Commerce Department unveiled a 20% countervailing tariff on imports of Canadian softwood lumber, after a probe determined Canadian imports were harming U.S. lumber producers.

—Paul Vieira

HONG KONG

Two Lawmakers Arrested Over Oaths

Police arrested two pro-independence lawmakers who were disqualified in a dispute over their oaths last year, in the latest round of legal action against activists involved in Hong Kong's pro-democracy movement.

Sixtus Leung and Yau Wai-ching were arrested and questioned for several hours before being released on bail.

They told reporters they were charged with unlawful assembly and attempted forcible entry and must report to court on Friday.

The two activists angered Hong Kong's Beijing-backed government when they used their swearing-in ceremony in October to stage an apparent protest by inserting anti-China insults into their oaths.

Mr. Leung and Ms. Yau were among lawmakers advocating greater separation from the mainland who were newly elected to office last year.

—Associated Press

NIGERIA

Meningitis Outbreak Kills More Than 800

A meningitis outbreak in Nigeria has killed 813 people so far this year, the country's health minister said, as Africa's most populous country and aid organizations attempt to tackle the surge in infections.

The government on Wednesday approved a house-to-house search in northern Nigeria to identify those afflicted with meningitis for vaccination and treatment.

The West African nation in April launched a mass vaccination campaign as part of its emergency response to the outbreak in its northwestern states, the Nigeria Center for Disease Control has said. The NCDC said the infection killed 33 people in 2016.

—Reuters

WORLD NEWS

New Carrier Expands China Fleet

Launch of first aircraft vessel built at home marks an advance in Beijing's naval goals

BY JEREMY PAGE

BEIJING—China launched its second aircraft carrier—and the first one entirely home-built—taking another stride in its quest for a world-class navy that can protect Chinese economic and security interests far from its shores.

The new carrier, festooned in red flags and ribbons and with a bottle of champagne smashed over its bow, slid from a dry dock into the water in a shipyard ceremony in the northeastern port city of Dalian on Wednesday, state media reported. About two years of sea trials are expected before the still-unnamed ship becomes fully operational, Chinese and Western military experts say.

"We aim to safeguard our sovereignty and state interests and world peace by developing our military forces including maritime forces," a Chinese Foreign Ministry spokesman said at a regular news briefing on Tuesday.

China has been rapidly modernizing and expanding its naval operations over the past two decades, partly to ensure military superiority over Asian neighbors, some of which contest Chinese territorial claims, and to prevent the U.S. from intervening in regional conflicts.

India has one active carrier—a refurbished Soviet ship—and launched its first indigenous model in 2013, but that ship isn't expected to become operational until the early 2020s. Japan's has two large helicopter carriers but none capable of launching jet fighters.

China has also been sending ships and submarines deep into the Indian and Pacific oceans in recent years. That is part of a longer-term strategy to establish itself as a global military power capable of protecting its overseas economic interests, especially oil and gas supplies, as well as its expatriate citizens, military experts say.

China's first two carriers are both conventionally powered and significantly smaller than the U.S. Navy's 10 nuclear-powered Nimitz class carriers, which can sail for far longer without refueling and each handle about double the number of aircraft.

The U.S. also has decades of experience of operating carriers, whereas Chinese pilots began learning to take off and land at sea only five years ago, and their capabilities remain unclear. Still, China's carriers significantly boost its efforts to build a blue-water navy, capable of conducting combat and other missions far from its shores.

"China wants to put an emerging trickle of aircraft carriers at the center of basic blue-water operations: dazzling with naval diplomacy, strengthening influence across strategic sea lanes, and responding to emergencies that don't require fighting other great powers," said Andrew Erickson, an expert on China's military at the U.S. Naval War College.

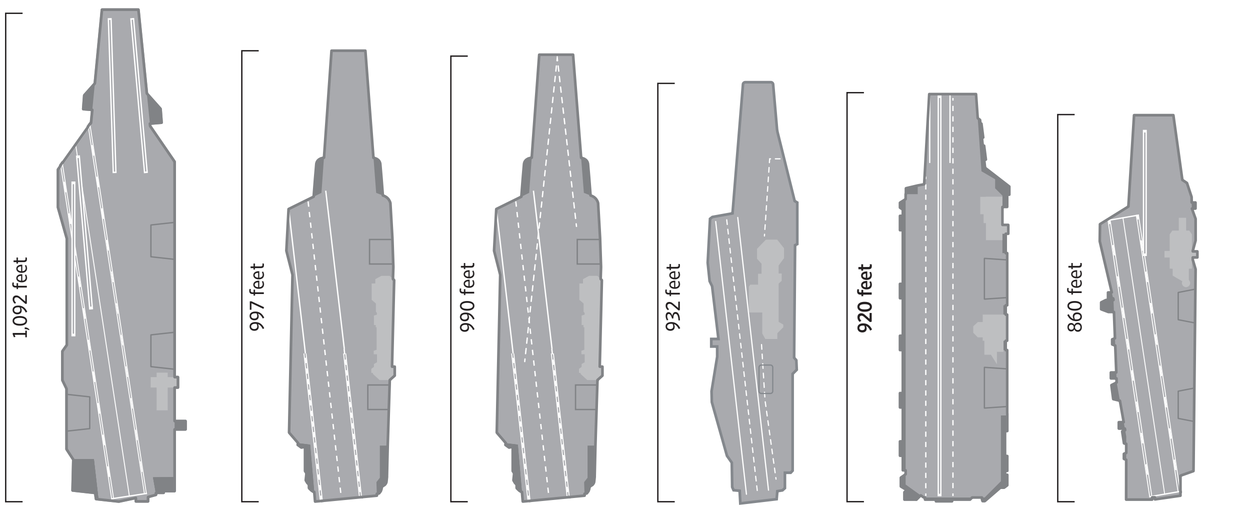
He said other evidence of China's long-term plans included constructing a new class of supply vessels modeled on leading U.S. counterparts, a new class of cruisers designed in part to protect carriers, and its first overseas naval facility, in the East African nation of Djibouti.

China "appears to be priming other ports to support its growing seaward presence," Mr. Erickson said.

China ultimately needs at least three aircraft carriers to have one conducting operations, one undergoing repairs and one being used for training, at all times, military experts said. But the country could be aiming to deploy as many as six, these people say.

Rulers of the Waves

As China begins trials of its second aircraft carrier, provisionally known as Type 001A, the U.S. still dominates the world's oceans. Here are the countries with the biggest aircraft carriers.*



NAME	USS Gerald R. Ford	Type 001A	Kuznetsov	INS Vikramaditya	Queen Elizabeth	Charles de Gaulle
NATION	U.S.	CHINA	RUSSIA	INDIA	U.K.	FRANCE
AIRCRAFT CAPACITY	52-75	Not available	37	18-30	Approx. 40	30
CREW	4,550	Not available	3,452	1,326	1,681	2,571
DISPLACEMENT In metric tons	101,605	Approx. 50,000	59,439	46,129	65,000	43,182

*The list doesn't include Brazil, which is decommissioning its carrier, and Italy and Thailand, whose sole carriers are relatively small.
Sources: U.S. Navy; Jane's Fighting Ships; Indian Navy

THE WALL STREET JOURNAL.

Pope Francis to Visit Egypt After Attacks

Pope Francis will pursue efforts to reach out to Muslims during a visit to Egypt this week that comes as rampant Islamist terrorism is posing the greatest test to dialogue between the faiths since the Vatican made it a priority a half-century ago.

By Francis X. Rocca in Vatican City and Dahlia Kholaif in Cairo

The pope has earned approval in the Muslim world for his attempts to improve relations. He has washed the feet of Muslims during Holy Week liturgies and, when he brought a dozen Syrians back with him from a Greek refugee center last year, all were Muslims.

He condemned the 2015 massacre in Paris of the staff of Charlie Hebdo after it mocked the Prophet Muhammad, but also said those who deride other faiths can expect a strong response.

ALBERTO PIZZOLI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Pope Francis has said 'authentic Islam' is opposed to violence.

Yet some Catholics also want the pope to challenge Muslims more vigorously to repudiate religiously inspired violence and intolerance, amid continuing Islamist terrorism and persecution of Christians in some Muslim-majority countries—including church bombings in Egypt on Palm Sunday that killed more than 40 people.

The pope should call on Muslim leaders "to reinterpret the Quran for today in a way that fosters peace," said the Rev. Samir Khalil Samir, an Egyptian Catholic priest and professor at the Pontifical Oriental Institute in Rome, who said he raised the subject with the pope in June 2016.

The Vatican spokesman, Greg Burke, said that the "pope is constantly condemning those who kill in God's name. What he doesn't want to do is encourage a clash of civilizations."

Such concerns could come to the fore when Pope Francis arrives on Friday in Egypt, where he will speak that day at Al-Azhar University, considered the most authoritative religious institution in the Sunni Muslim world.

The words of the pope—who has said "authentic Islam" is "opposed to every form of violence"—will be scrutinized in a country with a large Christian minority.

Egyptian President Abdel Fattah Al Sisi has in the past blamed intolerant interpretations of Islam for the "violence and terror and killing and destruction that we witness all around us today," and called on Al-Azhar to "revolutionize our religion" by rejecting "extremism and its erroneous understanding of Islam."

Al-Azhar has rejected such criticisms, saying in a statement last week that its instruction promotes "peace and stability among Muslims themselves and between Muslims and others."

The Second Vatican Council established dialogue between the faiths as a priority for the Catholic Church in the 1960s.

Migration Policies Stir New Zealand

BY BEN COLLINS

WELLINGTON, New Zealand—In recent years, this remote South Pacific country has caught the eye of Hollywood filmmakers, Chinese billionaires and even a future adviser to U.S. President Donald Trump. Now, the picturesque nation of less than five million people is rethinking its open-door policies amid a global backlash against immigration.

New Zealand experienced its strongest migration ever in the year through March, official data published on Wednesday show. While credited by lawmakers for keeping the country from recession, the flow of new arrivals is putting a strain on infrastructure, schools and a frothy real-estate market.

The ruling center-right National government this month unveiled new curbs on migration, including pay thresholds designed to keep out unskilled migrants who compete with locals for lower-paid jobs. "The government has a 'Kiwis first' approach to immigration," Immigration Minister Michael Woodhouse said.

This year, the main Labour opposition party questioned aspects of the citizenship policy after officials released documents showing Peter Thiel, a wealthy tech investor and now an adviser to Mr. Trump, was granted citizenship in 2011. Despite not living in the country and having no plans to do so, he was accepted, in part, because of its investments in local technology companies.

The opposition party is promising to slash immigration by tens of thousands of people if it wins office in a general election in September. Recent polls suggest the current government will win a fourth term, but with a reduced majority and possibly even in a minority coalition with the populist New Zealand First party, which takes a tough line on immigration.

Migration has become a hot-button issue in many developed economies where mainstream political parties face a populist backlash. Last week, Australia tightened rules on skilled-worker visas and rolled out plans to test citizenship applicants on their acceptance of the country's culture—a change it denies targets Muslims. The switch was in line with "America First" policy promises made by Mr. Trump.

Officials say the wave of migrants helped New Zealand's economy grow at 3.1% in 2016, outpacing most other developed countries.

U.K.

Continued from page A1

krona shows no signs of moving ahead of Swedish numbers, an analysis of trading data between January 2011 and March 2017 suggests.

During the hour before unexpectedly strong or weak U.K. data is made public, the pound moved 0.065% versus the dollar on average in the same direction it subsequently did after those numbers came out, according to an analysis prepared for The Wall Street Journal by Alexander Kurov, associate professor of finance at West Virginia University.

It showed that the average change in the pound's value one hour before and after such economic data announcements is 0.127%, meaning around half of the shift associated with the statistics came ahead of their official release.

The Swedish krona moved by an average of 0.163% versus the dollar over the same period before and after unexpectedly strong and weak data releases, according to the analysis. But in the hour ahead of public dissemination, the krona drifted only 0.003% in the direction it would end up going after publication.

"The evidence of informed trading before U.K. macroeconomic news is very strong," said Prof. Kurov. "The data offers no indication that informed trading is taking place before comparable Swedish announcements."

Stronger-than-expected data will typically boost a currency as investors factor in a healthier economy and the increased likelihood of higher interest rates. Weaker-than-expected numbers will mainly have the opposite effect.

U.K. statisticians and some lawmakers have long been concerned that widespread access to official data ahead of release increases the risk of it being leaked.

Last month, a senior U.K. lawmaker asked Britain's financial regulator to investigate whether economic data is being leaked and traded upon. That followed a Wall Street Journal article that found British government bond futures were also moving as if traders were aware of U.K. economic data before its release.

After the Journal article on Wednesday, Susan Kramer, the Treasury spokeswoman for Britain's opposition Liberal Democrat party, said the FCA "must immediately investigate these allegations."

The Financial Conduct Authority, U.K.'s financial market regulator, declined to comment on Prof. Kurov's latest findings. Representatives for the Office for National Statistics and the U.K.'s Cabinet Office, which is responsible for prerelease access policies, also didn't comment on the findings but said that they take compliance with rules on prerelease access extremely seriously.

There may be other reasons why markets move ahead of embargoed data. But the comparison with Sweden may undermine one potential explanation for British bonds and the pound appearing to anticipate statistics: that traders have simply become better at estimating economic data before it is released.

Previous research by Prof. Kurov has also shown that traders in the U.S. aren't anticipating government released statistics with the same precision as those in Britain appear to be. In the U.S., only the president and the chairman of the Council of Economic Advisers receive that data a day in advance.

The analysis conducted by Prof. Kurov looked at 254 releases of U.K. consumer-price inflation, industrial production, retail sales and labor-market data over the six-year period. The releases were considered by the market to be surprises, meaning that the figure came in above or below the consensus estimate of analysts.

For Sweden, Prof. Kurov looked at 297 surprises across the same set of economic indicators as well as gross domestic product data, and across the same period of time.

Sweden has had a policy of no early access to official data for at least 15 years, said Nizar Chakkour, press officer at Statistics Sweden. Mr. Chakkour said that this policy helps to make data releases independent from the government and ensures equal access to data for everyone.

Officials in the U.K. say that British lawmakers have traditionally liked to see the data ahead of time so they can prepare ahead of briefing the media and other politicians. For U.K. unemployment data, for instance, 118 people have prerelease access, according to ONS.

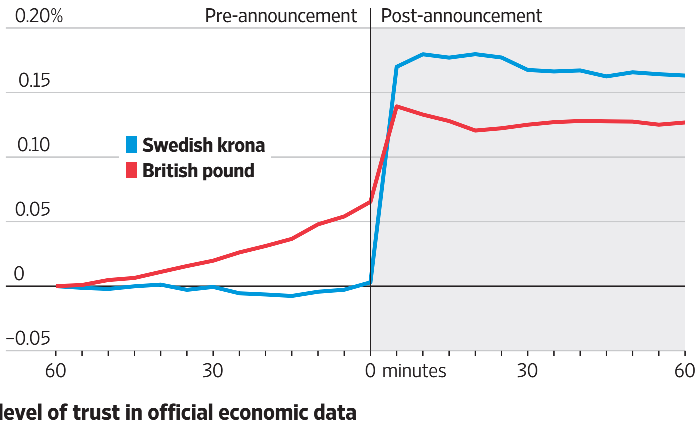
But many statisticians and some lawmakers believe that this wide and early distribution of data increases risks of leaks.

The Journal's March article on suspicious movements in the bond market prompted a call by Andrew Tyrie, head of the British Parliament's Treasury Select Committee, for the FCA to investigate whether economic data is being leaked and traded upon for "inappropriate gain in financial markets."

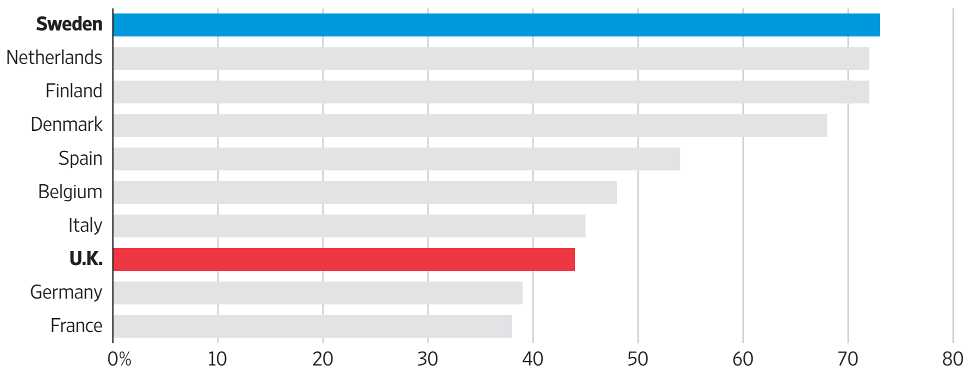
Shifting Sterling

An analysis produced for The Wall Street Journal of trading ahead of the release of U.K. and Swedish economic data from 2011 to March 2017 shows a suspicious drift in sterling before releases, but none for the krona.

Average change in pound and krona exchange rate with the dollar before and after key economic data* Trading should show no distinct positive or negative pattern if traders are uninformed. Exchange rate data show the magnitude of the price move. They are normalized to show all moves as rises.



Survey results showing the level of trust in official economic data



*Sweden data uses GDP, CPI, retail sales, industrial production and unemployment data, U.K. analysis doesn't include GDP
Sources: Methodology for price drift analysis used by Alexander Kurov, Alessio Sancetta, Georg Strasser and Marketa Halova Wolfe in 2016 paper; Spring 2015 Eurobarometer survey of 31,868 participants conducted May 16-27, 2015; margin of error +/- 1.3-3.1 percentage points (trust)

THE WALL STREET JOURNAL.

U.S. NEWS

Russia Probe Looms for Justice Deputy

New official will face immediate scrutiny over investigation into 2016 election

By Aruna Viswanatha

Rod Rosenstein, confirmed as the Justice Department's No. 2 official, will face immediate scrutiny on a potentially volatile question: how he will run the department's probe into alleged Russian meddling in the 2016 election.

Mr. Rosenstein served on the independent Whitewater investigation that led to former President Bill Clinton's impeachment, and was assigned by the Obama administration to help lead a leak investigation. Now he faces pressure from Democrats to appoint a special prosecutor—outside the department's ordinary chain of command—for the Russia probe.

But in an interview before his confirmation late Tuesday, Mr. Rosenstein voiced skepticism of such out-of-the-ordinary investigative arrangements. "Nobody thought it was efficient," he said of Kenneth Starr's independent counsel office, which was created under a statute that Congress has since allowed to expire.

"For some people, there is political significance to what the chief investigator is called, but for me, the issue is how is the investigation being conducted," Mr. Rosenstein said. "That should have nothing to do with what you call the chief investigator....There are plenty of people in the Department of Justice who are capable of handling" such investigations, he said.

JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY

Deputy Attorney General Rod Rosenstein, center, faces pressure from Democrats to appoint a special prosecutor for the Russia probe.

But Democrats like Sen. Richard Blumenthal of Connecticut say there is more to it than that. In an inquiry like the Russia probe, which could enmesh the president's top associates, they say, it is critical to appoint an investigator outside the chief executive's chain of command.

The issue highlights the questions facing the 52-year-old Mr. Rosenstein, who will have no time to relax quietly into the job. With President Donald Trump's former campaign under scrutiny, and Attorney General Jeff Sessions recusing himself as a former Trump campaign adviser, it falls to Mr. Rosenstein to supervise the politically fraught investigation. Mr. Trump and his staff have dismissed the allegations, as has Russia.

Among Mr. Rosenstein's tasks is overseeing James Comey, director of the Federal Bureau of Investigation, who has become a political target of sorts for his handling of politically sensitive probes and his disclosures about them. Mr. Comey has said he felt obligated to inform the public and Congress about some developments in such probes.

Mr. Rosenstein may get some protection from his bipartisan three-decade career at the Justice Department. He was appointed as the U.S. attorney in Maryland under President George W. Bush, and was retained by President Barack Obama. Mr. Rosenstein is described by colleagues as a deliberative, unassuming prosecutor who rarely speaks about politics. That contrasts with Mr. Sessions, an outspoken conservative and former senator who has vowed to overturn Obama-era policies.

Mr. Rosenstein now will be tasked with reversing some policies he enforced under Mr. Obama, notably undertaking a tough-on-crime strategy to reduce violent crime, as murder rates have ticked up in some cities in recent years.

But it is his oversight of the Russia investigation that is likely to garner most attention in coming months. It isn't clear if Mr. Rosenstein will follow Mr. Comey's lead and speak publicly about the results. "My philosophy is, we conduct our investigations and do our talking in court. Now there are exceptions to that, there are appropriate times when we need to" speak publicly, Mr. Rosenstein said.

His record suggests he will be deliberative almost to a fault. "He would listen to everybody, weigh all sides [and] do research until three o'clock in the morning," said Barbara Sale, who worked for Mr. Rosenstein in the Maryland U.S. attorney's office. "At which time he would send a question."

—Beth Reinhard contributed to this article.

White House Weighing More Actions on Trade

By Jacob M. Schlesinger And Bob Davis

WASHINGTON—The Trump administration is considering launching trade actions to protect the U.S. aluminum, semiconductor and shipbuilding industries, while at the same time ramping up free-trade talks with the European Union, Japan and the U.K., Commerce Secretary Wilbur Ross said in an interview Tuesday.

Mr. Ross also left open the possibility that the U.S. government might intervene to help prop up Westinghouse Electric Co., the nuclear-reactor company that filed for bankruptcy protection in the U.S. last month, and may also try to block any new foreign entities from investing in the firm. Westinghouse is a unit of Japan's **Toshiba** Corp.

"Having a nuclear-power capability is obviously a matter of national security," Mr. Ross said.

President Donald Trump has turned to Mr. Ross to play a lead role shaping his "America First" trade policy, and the 79-year-old billionaire investor was speaking after having overseen two major trade actions over the past week: launching a probe into curbing global steel imports because of national security concerns and moving to impose tariffs on Canadian lumber products over allegedly unfair subsidies.

Mr. Ross made clear in the interview that he saw those actions as just the beginning of a more aggressive trade-enforcement strategy.

At the time he launched the steel probe last week, the administration named six "core industries" for its trade agenda—steel, aluminum, vehicles, aircraft, shipbuilding and semiconductors.

Shipbuilding is "essentially demolished....We clearly need shipbuilding as an industry," he added.

At the same time, Mr. Ross laid out an ambitious agenda for renegotiating existing trade pacts, while launching new ones.

He said he expected to complete a rewrite of the North American Free Trade Agreement this year, which would be a highly accelerated timetable compared with the usual pace of trade talks. Negotiations can't start until late July at the soonest, because the administration needs to give Congress notice of 90 days before starting talks. Notice hasn't yet been given.

BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Commerce Secretary Wilbur Ross says he expects a rewrite of Nafta to be completed this year.

"Hopefully they could get finished pretty quickly," Mr. Ross said of the pending Nafta talks.

Mr. Trump has said he would like to negotiate a raft of new bilateral trade agreements. Asked to detail that plan, Mr. Ross named the U.K. and the EU, and said the administration was considering reopening talks to revamp a free-trade deal with South Korea and reinvigorate one with China.

Even though Mr. Trump pulled the plug on one Obama-era trade initiative—the 12-nation Trans-Pacific Partnership—Mr. Ross said the administration was open to reviving two dormant Obama trade pacts that had been negotiated but never completed: the Transatlantic Trade and Investment Partnership with the EU and the Bilateral Investment Treaty with China.

Talks to Test Budget Chief

By Peter Nicholas And Nick Timiraos

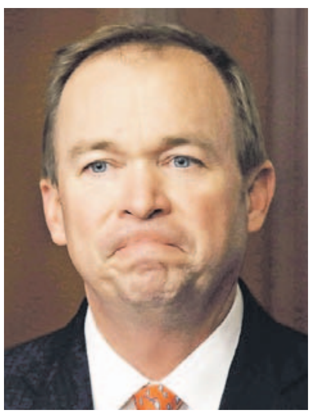
WASHINGTON—When health-care reform collapsed in Congress last month, President Donald Trump's budget director, Mick Mulvaney, says he felt he deserved much of the blame.

He apologized to the president for failing to grasp the divisions inside a Republican caucus in the House of Representatives that he had been part of for six years as a congressman. The depth of mistrust between conservative and moderate factions within the GOP was nothing he had foreseen, he says, and hampered his role as a White House emissary on one of the administration's top priorities.

"I told the president that I feel like I let him down on the first run through at health care," said Mr. Mulvaney in an interview in his office across from the White House. "I completely misunderstood and misread the tensions in the House."

The collapse of the health-care push appears to have done little to diminish Mr. Mulvaney's standing in an administration known for its intramural fractiousness. White House chief strategist Steve Bannon calls him a "rising star" who "knows the math and the Hill."

And it is Mr. Mulvaney who is taking the lead role in negotiations with Congress over a



CARLOS BARRIA/REUTERS

Budget director Mick Mulvaney

spending measure that would avert a partial government shutdown at the end of this week, coinciding with the president's 100th day in office.

He made a late push to include in the spending bill funds to start construction of a wall along the border with Mexico. Facing resistance from lawmakers, however, Mr. Trump on Monday night said he could wait until later in the year for money to build the wall.

Mr. Mulvaney's ability to navigate Capitol Hill will again be put to the test. It will be up to him to present Mr. Trump's initial budget proposal for the fiscal year that starts in October. That blueprint could form the basis of a congressional budget resolution that Republican leaders want to use to advance a sweeping tax overhaul through Congress by year's end.

Mr. Mulvaney, 49, was first elected to a South Carolina House seat in 2010 as part of the tea party wave. He was a founding member of the sharply conservative House Freedom Caucus, a faction that helped scuttle Mr. Trump's health-care reform effort.

While in Congress, he embraced spending cuts and voted against keeping the government funded and raising the debt limit, putting him at odds with party leaders. In his new role, he has clashed with his former Freedom Caucus colleagues as he implements the agenda of a president who is much less wedded to conservative economic doctrine.

Mr. Trump hired Mr. Mulvaney after a 20-minute talk on their first meeting during the presidential transition, according to a person familiar with the matter. Mr. Mulvaney plays down differences with the president, with whom he meets several times a week.

"I was talking to some of my Freedom Caucus guys and they were like, 'Oh, you've got your ass kicked over there,' " Mr. Mulvaney recalled. "And I'm like, 'Guys, I've got some news for you. I got my ass kicked when we were in the House together.' "

While he may still lose arguments, he added, "At least now I'm in a position to make them to the president of the United States."

—Kristina Peterson contributed to this article.

TAXES

Continued from page A1

pealed.

Mr. Trump's plan leaves several crucial issues unresolved, including whether companies could immediately write off capital expenses, what happens to personal exemptions, where to set the one-time tax rate on U.S. companies' stockpiled foreign earnings, how a break for child care would be structured and where the tax brackets for individuals would be set.

Treasury Secretary Steven Mnuchin and Gary Cohn, the director of Mr. Trump's National Economic Council, said those issues would be worked out later, partly in negotiations with Congress.

"Clearly we have a unique opportunity to do something major here," Mr. Cohn said. "It's our intention to create a huge tax cut and equally as important, a huge simplification of the tax system in America."

Mr. Trump's tax agenda is headed for a challenging road through Congress, where budgetary hurdles and complex politics could make it difficult for him to get a quick victory. Unless he can attract Democratic votes—which appears unlikely—the plan must comply with legislative procedures that allow it to be approved by a majority vote, instead of the 60 votes that are typically needed.

The key to those procedures: Any tax plan can't increase budget deficits beyond a 10-year period.

Asked if he can promise his tax plan won't balloon the deficit, Mr. Trump said: "It's a great plan. It's going to put people back to work."

Mr. Mnuchin said the tax cut would be the biggest ever. Asked how he measured that, he pointed to the size of the rate cut for corporations from 35% to 15%.

Still, it wasn't clear Wednesday how big the overall tax reduction would be and how that compares with previous tax cuts.

Republicans largely praised the plan in the days and hours leading up to Wednesday's announcement, though they cautioned that differences remained to work through. Republicans are split on how big a tax cut they think is feasible and what tax breaks should go away.

"It really makes clear the president's commitment on tax reform and delivering it in a very bold way this year," Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee, said. "We've still got some work to do."

Democrats said the plan appeared heavily tilted toward high-income households. They pointed to lower rates on individuals, the 15% rate for pass-through businesses and estate-tax repeal as significant benefits for some of the wealthiest taxpayers.

Sen. Chuck Schumer of New York, the chamber's Democratic leader, said the proposal to cut tax rates for pass-through businesses would just benefit high-income people like the president himself.

Most U.S. businesses are pass-throughs, called that because their income and deductions pass through to their owners' individual returns.

"The very wealthy are doing pretty well in America," Mr. Schumer said. "God bless them. Let them do well. They don't need another huge tax break."

—Nick Timiraos and Will Mauldin contributed to this article.

CARLOS BARRIA/REUTERS

Treasury Secretary Steven Mnuchin, left, and Gary Cohn, director of the National Economic Council, discuss the tax plan Wednesday.

SIDE

Continued from Page One

"they're no longer arguably bringing that same dedication to managing the money."

The personal investments can also entangle hedge funds or private-equity firms in sticky situations, such as one involving Fortress Investment Group LLC and the Milwaukee Bucks basketball team, which sparked a public protest over taxpayer-funded arena financing.

In the Blackstone/Swift River matter, Blackstone said its transactions involving Mr. James's family investment firm were cleared by Blackstone's conflicts committee, and Mr. James wasn't involved in the decisions. He declined to be interviewed.

Family offices are being used more and more by clans with fortunes of $250 million and up for personal investing. They are largely unregulated entities, providing both secrecy and flexibility. Increasingly, they invest not just in stocks and bonds but directly in companies, including Silicon Valley startups.

At least 20 founders or top executives of prominent U.S. hedge funds and private-equity firms have set up family offices or similar private investing ventures, according to a Wall Street Journal tally. Among these executives are the three co-founders of Apollo Global Management LLC, one of the world's largest private-equity firms; David Bonderman, a founding partner and chairman of another such firm, TPG; and Paul Tudor Jones of the hedge-fund firm Tudor Investment Corp. Some family offices are evolving into full-fledged businesses that share staff, offices and ideas with their owners' main funds.

Apollo co-founder Joshua Harris's family office, called HRS Management LLC, includes a team that pursues private-equity transactions. It and Apollo have sometimes

Swift River invests personal wealth for Blackstone's Hamilton 'Tony' James, above.

looked at some of the same potential deals, although HRS generally focuses on smaller transactions and Apollo gets first dibs on any project, said people close to Apollo.

Through his family office, Mr. Harris also co-owns and helps manage three sports teams, including the Philadelphia 76ers. A person familiar with Mr. Harris's business said he spends 85% of his time on Apollo.

Some clients of hedge and private-equity funds say they don't understand why asset managers don't have all of their own money in funds they charge hefty fees to manage. Other clients say diversification can make sense for the managers and don't mind as long as their funds perform.

"We want to make sure the fund is always the primary beneficiary of investment ideas and the primary beneficiary of the portfolio manager's time," said Michelle Knudsen of London-based Partners Capital Investment Group LLP, which advises clients on the investment of about $18 billion. On occasion, Partners has pulled out money when it felt a fund manager's focus was wandering, she said.

Managers of investment funds for clients are legally bound to act in the best interest of those funds. Their specific duties are set by contracts with clients. These sometimes require managers to commit substantial time and a certain portion of their own money to their funds.

To minimize conflicts, some fund firms have their compliance departments clear any private investing by fund executives. Family offices, for their part, sometimes steer clear of an industry that is a focus of the owner's fund for clients, or they stick to a different corner of the industry.

William Ackman's Pershing Square Capital Management LP lets its employees invest in private companies, real estate and other assets because Pershing Square invests only in public companies. The hedge fund's employees have to run their investments by the firm's chief compliance officer.

Even so, things can get complicated. In 2015, Mr. Ackman personally spent $7 million for about a 1.5% stake in Sprout Pharmaceuticals Inc., the maker of a female libido drug. One of Pershing Square's biggest positions at the time was in Valeant Pharmaceuticals International Inc.

Valeant and Sprout began discussing a linkup later that year. Sprout sought Mr. Ackman's input on Valeant's management team and he vouched for it, said a person familiar with the transaction. Valeant acquired Sprout for $1 billion.

That was good for Sprout shareholders, who roughly doubled their money, but less so for Valeant. Safety and effectiveness concerns hobbled sales of the libido pill, Addyi, and marketing plans for it were slowed by a slate of problems that arose at Valeant, including a controversy over its ties to a mail-order pharmacy.

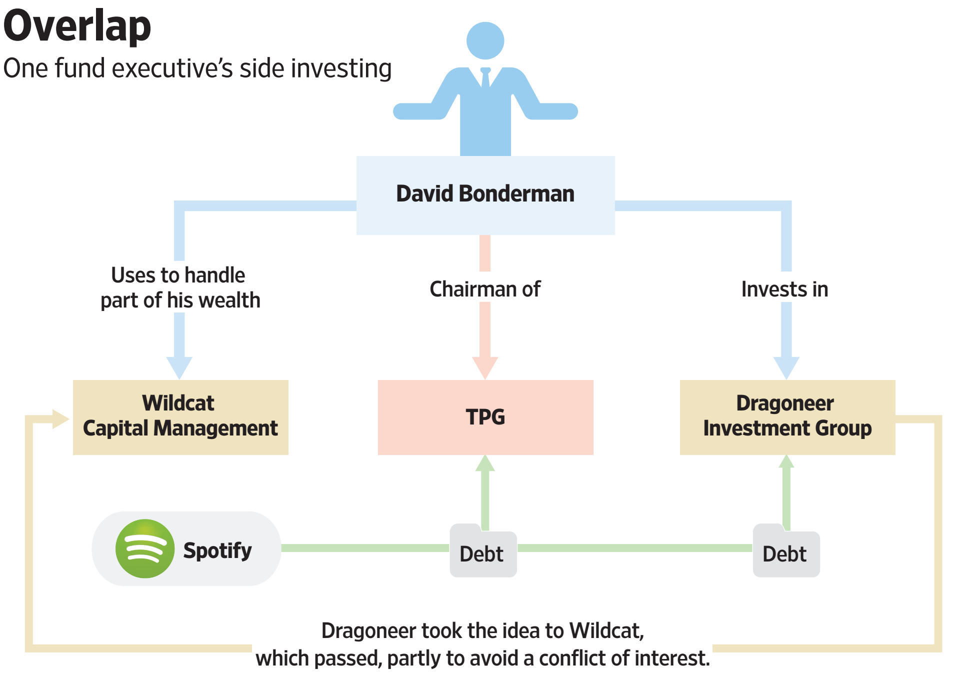
Mr. Ackman told Pershing Square shareholders he had played no role in Valeant's decision to acquire Sprout. His economic interest in Pershing Square was larger than his interest in Sprout, said a person familiar with his holdings. Valeant spokeswoman Lainie Keller said Addyi is FDA-approved "with a well-documented safety and efficacy profile."

At Blackstone, regulatory filings have described two potential conflicts linked to Swift River, the firm investing money in private-equity deals for Blackstone's president, Mr. James.

One involved software developer iLevel Solutions LLC, which Blackstone built and then sold part of seven years ago. Swift River invested just under $7 million in iLevel and came to own around a quarter of it.

GARY DINEEN/NBAE/GETTY IMAGES

Fortress co-founder and Milwaukee Bucks co-owner Wesley Edens at an April 2015 game.



Goldman Sachs brought the idea of purchasing Spotify debt to Dragoneer and also brought the idea to TPG. Dragoneer and TPG both bought convertible debt, leaving Mr. Bonderman invested in Spotify both through funds TPG runs for clients and through a personal investment.

Source: the company and WSJ reporting

THE WALL STREET JOURNAL.

Then in 2015, a company Blackstone co-owned acquired iLevel. The price was at least $75 million, said people familiar with the purchase, enabling Swift River to more than double its money.

Blackstone said in regulatory filings that it had talked to about 20 potential investors before selecting Swift River as one of the primary 2010 buyers. It said negotiations were led by an outside investor not linked to the James family.

In the other potential conflict it cited in filings as linked to Swift River, a Blackstone business-development affiliate provided financing to an oilfield-services company in which Swift River indirectly owned a stake. Blackstone filings said Mr. James didn't work on the financing for the oilfield company, Allied-Horizontal Wireline Services LLC.

"All of our people are required to clear personal outside investments," said a Blackstone spokeswoman, Christine Anderson. "We have strict policies and procedures around conflicts and we follow them. Rare conflicts are subject to extensive approvals and disclosure."

The brother of Tony James who runs Swift River, David James, said Swift River is no longer as active as before. Last year Tony James started a new firm called Jefferson River Capital LLC—named for a river that runs through his family's Montana ranch—to invest in small private-equity deals, according to people familiar with the matter.

At Apollo, regulatory filings say executives' family offices may not "usurp opportunities for Apollo's clients" and must clear stock trades of a certain size with the compliance division.

Two founders, Mr. Harris and Marc Rowan, have cashed out some of their shares in Apollo, which went public in 2011, while Chief Executive Leon Black has held onto his.

Mr. Rowan's family office, RWN Management LLC, invests its roughly $1 billion in farmland, debt and real estate, according to people familiar with the matter, who added he is considering converting the property unit into a publicly traded real-estate investment trust.

RWN launched its real-estate team, which invests about $200 million, two years after Apollo started a dedicated real-estate fund. RWN invests in some of the same markets but mostly makes equity investments of $5 million to $50 million, while Apollo focuses on larger commercial-property loans, according to people familiar with the investment.

RWN said in a securities filing that Mr. Rowan can make recommendations about his family office's strategy but "has sought to address the conflict associated with his role at Apollo by delegating the day-to-day management and investment authority" to RWN's CEO, former hedge-fund executive Ken Glassman. "RWN's investments are intended to have different durations and risk-return profiles than those made by Apollo's funds," Mr. Glassman said.

Mr. Bonderman of TPG invests his wealth through a firm called Wildcat Capital Management LLC. He is also an investor in a firm called Dragoneer Investment Group LLC, run by a TPG alumnus, whose investments in technology companies have at times overlapped with those of TPG. Dragoneer and TPG invested together in Airbnb Inc. and Spotify AB.

Goldman Sachs Group Inc. brought a deal to purchase Spotify convertible debt to Dragoneer and also brought the deal to TPG.

Dragoneer took the idea to Wildcat, which passed, partly to avoid a conflict of interest. But Dragoneer and TPG both bought debt last year, leaving Mr. Bonderman invested in Spotify both through funds that TPG manages for clients and through Dragoneer.

Wildcat executives run their potential investments by TPG's compliance department. In some cases, Dragoneer has restructured deals so Mr. Bonderman wasn't part of an investment in a company where TPG was also an investor. TPG, which isn't publicly held, tells clients Mr. Bonderman may have investments outside TPG but doesn't disclose his affiliations with Wildcat and Dragoneer, a person familiar with the matter said.

"TPG funds are always given the first opportunity to invest," said a TPG spokesman, Luke Barrett. Mr. Bonderman declined to comment.

At Fortress, which was one of the first private-equity firms to go public, a handful of employees work solely on the personal financial matters of co-founders, who reimburse Fortress. It discloses the arrangement in its filings.

Fortress said the expenses came to $2.4 million in 2016 and $5.2 million in 2015.

Fortress said employees are barred from any activity or personal interest that could conflict with the interests of clients. Senior executives' personal investments get additional scrutiny from the compliance department to make sure they don't impinge on the main business, a spokesman said.

The precautions didn't prevent a tangled situation in Milwaukee from developing. A public Fortress unit pledged a multimillion-dollar donation to help city residents at a time when the city was pondering a move that could benefit a Fortress executive.

Wesley Edens, a Fortress co-founder and co-chairman, was part of a group that bought the Milwaukee Bucks for $550 million in 2014. The group sought public financing from the city and elsewhere to partially finance a new arena with a zinc exterior that would evoke Wisconsin's forests and rivers.

The proposed use of taxpayer money ignited protests, and it didn't take long for Fortress to become enmeshed in the financing fight.

A community organizer called Common Ground discovered Mr. Edens was the chairman of Nationstar Mortgage Holdings Inc., a publicly traded company majority-owned by Fortress. Nationstar serviced mortgages for thousands of Milwaukee homes, some of which had been foreclosed on and were in disrepair. Common Ground campaigned against the stadium financing, labeling Mr. Edens a "slumlord."

A few weeks before Milwaukee officials were to vote on the arena deal, Nationstar agreed to donate $30 million to help distressed homeowners in the city.

A spokeswoman for Nationstar said the move was unrelated to the city's approval of a new Bucks arena, which soon followed. She said Nationstar works with government agencies and nonprofits to find solutions for struggling homeowners, and the relationship with Milwaukee was no different.

Mr. Edens, who has since stepped down as Nationstar chairman, declined to be interviewed. A spokesman for Fortress, Gordon Runté, said, "The notion that the city had special leverage in its negotiations with Nationstar is ridiculous," adding: "Wes had nothing to do with the negotiations between the city and Nationstar and never addressed the matter with management."

PROM

Continued from Page One

student would have been accepted," said Joe Craig, Lafayette Parish School System chief administrative officer. "Kids are always going to probably think things are more old-fashioned than they should be."

School administrators say that prom rules can be added annually to address new trends and safety concerns. But students see it as a buildup of rules, most noticeable in the past couple of years, as multipage prom guidelines have become more popular.

Some administrators have banned canes, mouth grills and saggy pants, as well as dresses with mesh cutouts to give the illusion of bare skin. Shawls, coats and sweaters used to cover dresses not in compliance are sometimes forbidden. And two-piece dresses come with strict guidelines, or have been banned, as showing midriff is a concern.

When Dominique Davis learned that a rule at Danville High School in Illinois would forbid students with three or

THE NEW YORK PUBLIC LIBRARY

The New York Public Library hosts an annual free 'Anti-Prom' event in New York City for students 12 to 18. Above, last year's event.

more unexcused-absence days since the winter break from going to prom, she talked to peers to gauge support for an alternative prom. Now, she and 11 other students are holding that event on May 20, the same day as the official prom.

"Everyone should be able to go to their prom," said Ms. Davis, 18, an organizer of the student-led prom. "I feel like they were trying to target certain students because they think they're bad."

Danville Principal Kimberly Norton said the rule is in place "to make sure that students are focused on learning."

Students at Boylan Catholic are also organizing their own prom after concerns that the 21-page dress code contributed to body shaming. A rule in the document, which includes pages of pictures of what's acceptable and not, states: "Some girls may wear the same dress, but due to body types, one dress may be acceptable while the other is not."

"The girls were offended by it," said Boylan student Ben Calkins, 18, one of the organizers of the alternative prom, dubbed Morp 2017—prom spelled backward. "Somebody needed to step up and do something."

Boylan President Amy Ott said in a statement that the dress code, developed by a committee of teachers and students for all school dances, is reviewed regularly and parents say it is very helpful.

Bryce Maine hoped to take his grandmother, Catherine Maine, to his prom at Eufaula High School in Alabama this year since she had never been to one. But the 69-year-old exceeded the maximum prom age of 20 and couldn't go. "I was mad. We went to go get her a dress a week before," said Mr. Maine, 18, who skipped the school prom and celebrated at his grandma's home instead.

Mitzi Clayton, a spokeswoman for Eufaula City Schools, said Ms. Maine's attending the prom could have prompted other students to invite older relatives—people who would be old enough to consume alcohol and present a safety issue. "It just causes problems," Ms. Clayton said. "Where do you draw the line?"

After the issue got public attention, the school district decided to join with a senior center to host an annual prom for senior citizens.

Many schools use committees made up of staff members, and sometimes students, to recommend prom rules, with final approval by the principal. At Glenbard East High School in Illinois, students must arrive by 8 p.m. and can't leave before 10 p.m., which is 30 minutes before prom ends.

That way parents know their children are safe until the designated end time, said Antoine Anderson, an assistant principal at Glenbard.

Students in New York can skip the prom rules and contracts altogether. The New York Public Library is hosting its annual free "Anti-Prom" event in New York City in June for students 12 to 18 to attend no matter what they wear.

All of the high schools in the Archdiocese of Philadelphia system, which includes Archbishop Ryan High School, require students to bring a date of the opposite sex to prom. Spokesman Kenneth Gavin said the rule is in place because the schools are Catholic and school activities are meant to "contribute to the holistic formation of young Christian men and women."

At most schools, dates aren't required but are difficult to change at the last minute. "Date request" forms for guests not enrolled at the school are becoming standard. The forms almost always need signed verification that the guest is in "good standing" at school or validation by an employer if the guest isn't in school.

In the Sanger school district in Texas, guests must undergo a criminal-background check. "We used to let everyone in the door, but unfortunately circumstances change," said Rhonda Bilbrey, the district's assistant superintendent.

Principal Mick Cochran requires all students to take a Breathalyzer before entering prom at Joshua High School in Texas. But when it comes to prom-wear, he relaxes dress-code rules, saying students have earned it. "Where we have no cleavage normally, they might get away with just a little bit that night," he said. "And our boys can't have ponytails, but we let them that night if they want to put it in a man bun."

FASHION

The Fashion Secret of Stylish Men

There's stretchy material in their suits and shirts; retailers now admit they're using stretch

BY RAY A. SMITH

ILLUSTRATION BY C. J. BURTON; PHOTOS FROM TOP: DOCKERS; J.CREW

CLOTHING RETAILERS used to whisper about the stretch in their mens clothing, out of fear of scaring away men.

This spring, the whisper is becoming a shout.

Men finally seem OK with fabrics with elasticity—a staple in women's fashion for decades. Technology has made stretchy material less boingy and thus less noticeable, which appeals to men who previously saw even 2% spandex in a suit and thought cycling shorts. Tighter-fitting styles for suits and casual wear also make a little give appealing, or even feel like a necessity. Men say they want some leeway around the shoulders, elbows, thighs and knees.

"We've embraced stretch and we're proud of it," says online retailer Bonobos' chief creative officer Dwight Fenton. "We let everybody know that it's our thing."

Bonobos, which is in talks to be acquired by Wal-Mart Stores Inc., last month introduced a line of pants: Stretch Weekday Warriors. The company also didn't shy away from the word in promoting them with the tagline, "Stretch your weekday further with extra comfort." Mr. Fenton says, "Not long ago we would have told mills not to show us stretch fabrics."

Dustin Godsey, chief marketing officer for the Milwaukee Bucks, had never purchased pants with stretch until a couple of months ago, when they arrived as part of a clothing subscription service. Had it not been for the service, the 38-year-old wouldn't have bought pants with stretch, he says. He has long thought clothes with stretch "almost seem not appropriate for work or business attire," he said. "I don't want to wear sweatpants to work."

But he liked the way the stretch made the new pants feel and they were comfortable. "It's the same look, [as jeans and dress pants] but it feels like your sweatpants." Earlier this week, he tweeted: "I resisted for a long time, but let me tell you folks...getting pants with just a little bit of stretch in them is life altering." Regarding the tweet, he said, "I'm a fairly recent convert and I just felt like people should know."

J.Crew in February posted a video to reassure men that a little stretch is OK. In the 30-second clip, models wear stretch jeans while they pop wheelies on a motorbike, play tennis in a suit made with stretch, and slide on a wet plastic Slip 'N Slide style tarp in a pair of stretch chinos. J.Crew posted it on its website and YouTube channel, where it has gotten 617,277 views since February.

In a new J.Crew campaign on its website, men can click on a tab that says "Shop all stretch." There was no such thing two years ago, when J.Crew first started adding stretch to men's clothes. That's a change from the past. Often "when a guy thinks stretch, he thinks running leggings" or something clingy, says Frank Muytjens, head of men's design at J.Crew, who left the company on Tuesday amid a raft of changes.

Dockers Smart 360 Flex khakis, below left, use a four-way stretch fabric. J.Crew touts stretch. It added stretch to its 9" shorts, far left.

"We introduced stretch in a small way, in a garment-dyed short, just to test, to see how our guy would react," Mr. Muytjens says. Now there is a bigger variety. Over the past year the company has launched a version of its top-selling cotton 9" shorts with stretch, stretch dock shorts, stretch chinos, and a line of its Ludlow and Crosby suits in a new stretch fabric.

Dockers plans to highlight stretch "very loud and proud for him" with in-store packaging and at cash registers when it launches this fall a new line of khakis with twice as much stretch as its other khakis, says Robert Dellaporte, a Dockers spokesman.

The newer clothes don't look stretchy—unlike those seen on disco dance floors in the 1970s. Advances in weaving technology have reduced the much-disliked shiny effect and made blending stretch with natural fabrics more seamless.

The brand Theory was considered groundbreaking when it launched in 1997, for using Lycra in its office-friendly womenswear. Theory debuted menswear two years later and added stretch there too, but never really talked about it. When the company promoted its new Neoteric pant, made with 5% elastane, a type of stretch, and 95% polyamide, a synthetic fiber, it used technological-breakthrough terms. The company has since launched two new styles of the pants and for fall, will introduce a technical tailored wool suit with 7% elastane.

Theory's levels of stretch are higher than some other companies. Bonobos' Stretch Weekday Warrior pants include 2% elastane and Ralph Lauren's knit oxfords in stretch cotton, launched in 2015, contain 2% elastane. Dockers' new Smart 360 Flex khaki pants use 4% stretch, up from 2% in prior versions. The new line uses four-way stretch, meaning the stretch fabric extends sideways and up and down. The four-way fabric extends to the waistband too, so it expands and snaps back into place.

FOOD

IF YOU'LL SHOP, SUPERMARKETS WILL CHOP

BY ANNE MARIE CHAKER

GETTING US TO COOK at home more may come down to chopping vegetables.

The task is just-time-consuming and just-messy enough that it sends people who are on the fence to takeout at the witching hour of 5 p.m.

Supermarkets, in their continuing efforts to win back shoppers who increasingly turn to takeout, restaurants and meal kits, are trying more services that sell chopped vegetables and other short-cuts. They appeal to people's preference for choosing their own food in person.

Hy-Vee Inc., a chain of 244 Midwestern supermarkets, has begun a meal-preparation program that runs similarly to a book club. A group of five to 12 customers schedule a time to gather in a separate room in the store that may have large working tables, a stove and a dishwasher. Each group member selects one recipe. The group prepares and divides up the meals for everyone to take home.

Store staff does all the chopping and cleanup. Customers can sip wine while assembling ingredients. Cost is about $10 a person plus the grocery bill, divided evenly among participants.

Brianna Lane, a 36-year old stay-at-home mom in Davenport, Iowa, and 11 of her friends meet every six weeks in the "club room" of their Bettendorf, Iowa, Hy-Vee store. Last week the group prepared recipes including sweet-and-sour meatballs and Monterey chicken. They split portions into freezer bags to take home. Ms. Lane says she stacks hers in the freezer and uses them over the next several weeks to feed her family of nine.

JASON RESNER

Price Chopper/Market 32 stores organize meat, sauces and sides in one display case.

"The convenience of knowing exactly what you're going to make at 5 o'clock is awesome," she says.

Schenectady, N.Y.-based PriceChopper/Market 32 stores, a regional chain of 137 stores in the northeast, has launched a choose-your-own-adventure case in the meat department. Customers start with a sauce, such as lemon-garlic or Marsala mushroom, and select their meat, which is prepared and cut. Then, they are led to prepared and packaged vegetable mixes, such as Brussels sprouts, onion and apple, or squash and onions for $2.99. Then, the starch: Packages of lime-cilantro rice or mashed sweet potatoes for $4.49. Below are recipe cards with preparation suggestions. Customers can select a seasoning mix. The recipes take 15 minutes to prepare, says Mona Golub, a vice president for the supermarket chain, serve four and cost $20 to $25.

Julia De Marco, a 25-year-old pet-store manager and yoga teacher, says that the "easy gourmet meals" case has become part of her weekly routine. She likes the quick solution for her and her fiancé. Unlike takeout, "you can see the ingredients. You know where it's coming from," she says. She also likes that she can go to one location in the store, grab exactly what she needs and be home in 10 minutes without spending any time roaming through aisles.

Grocery stores have pulled out many other tricks, but without much success. Some opened drive-through windows. Some launched full-service restaurants, says supermarket analyst David Livingston in Waukesha, Wis. Until five years ago, nine of 11 California-based Bristol Farms Inc. stores had sit-down restaurants with waiters and waitresses. Today, only two stores have them. "There's such a variety of grab-and-go food that it was redundant," says Bristol Farms chief executive Kevin Davis.

Supermarkets are constantly trying to adapt to the changing way people shop. People's food standards—from wanting to know which farm the lettuce is from, to how it is grown—are higher than ever, and their time increasingly limited. Grocery stores are also feeling pressure from online sales, subscription meal-kit services and restaurants. In a study conducted by Harris Poll for Nielsen last December, 25% of 2,015 adults surveyed said they purchased a meal kit in the past year.

"If someone goes to Chipotle for lunch, that's still a customer we didn't get," Mr. Davis says.

But grocers' big advantage is that most people still like to shop in person, wooed by smells and textures, squeezing avocados and turning over apples before bagging.

REVIEW & OUTLOOK

Make the Net Neutral Again

One of President Trump's more ambitious appointees is Federal Communications Commission Chairman Ajit Pai, who on Wednesday unveiled an outline for rolling back Obama Administration rules that regulated the web like a 1890s railroad. Mr. Pai will be maligned by the left for undermining the "open internet," but his plan would restore freedom and innovation that the federal government disrupted.

Ajit Pai's FCC moves to roll back political control of the web.

Mr. Pai in a speech at Washington's Newseum sketched out a plan to untangle the 2015 "net neutrality" rules that classified the internet as a public utility under the Communications Act, a law carbon-dated to the 1930s. The rules give the FCC broad authority to dictate whether broadband practices are "reasonable." Liberal pressure groups like Public Knowledge and Free Press said that nefarious cable companies might someday, somewhere block websites or slow browsing. Years later, no one can drum up an example.

The Pai plan would revert to the bipartisan consensus that the internet should be "unfettered by Federal or State regulation," as Congress put it in a 1996 update to the Communications Act. Thus the agency will vote in May on a proposal to designate the internet as an information service, the status quo of two years ago. The Supreme Court upheld this "light touch" framework in 2005, and Mr. Pai explained in his speech that government nonintervention helped spur $1.5 trillion of private investment that built high-speed internet pipes.

But then came the regulatory uncertainty of a government takeover of the internet. Between 2014 and 2016, Mr. Pai notes, capital expenditures on broadband from America's 12 largest internet-service providers dropped 5.6%, or $3.6 billion, a decline he called "extremely unusual" in prepared remarks. This is "the first time that such investment has declined outside of a recession in the internet era."

Among the losers are rural areas where profit margins are low: For instance, a provider that serves about 475 customers in northern Illinois recently delayed plans to rev up network speeds to 20 Mbps from 3 Mbps. One irony is that net-neutrality advocates claimed Comcast and a handful of others wielded a broadband monopoly—and then enacted a policy that crushes small competitors.

As part of the return to normalcy, Mr. Pai proposes to eliminate a 2015 rule known as the internet conduct standard. This is an arbitrary directive that he says gave the agency "a roving mandate to micromanage the internet," sometimes going after wireless companies for the high sin of providing popular services. FCC launched a probe into plans that allow customers to stream unlimited videos or music. The commission closed the investigation after the election, but repeal will prevent future expeditions.

The commission will also ask for comments on how to move forward with "bright-line rules" from 2015 that include a ban on "fast lanes" for content or "paid prioritization." That ban forbids providers from charging more for carrying more content, which makes as much sense as telling FedEx that the company can offer two-day shipping but not overnight delivery.

By the way, these "fast-lanes" are hypothetical, and no broadband provider is interested in creating them, in part because they are impractical to engineer. Even so, the government walls off future innovation by stipulating that cat videos must be treated the same as telemedical X-rays or Amber alert notifications. The irony is that Google and Facebook already offer faster delivery for services like "instant articles" that appear at 10 times the normal speed.

A promise not to block or slow content could be stipulated in terms of service agreements. A violation could be punished by the Federal Trade Commission, which enjoys broad authority to police anticompetitive behavior. The FTC's enforcement power has long obviated the need for an FCC net-neutrality scheme.

Mr. Pai said he'll advance his proposal under a notice and comment procedure, instead of offloading the rules with a blunt agency tool known as a declaratory ruling. This is a welcome departure from his predecessor, Tom Wheeler, who ditched his own net-neutrality proposal after President Obama ordered the agency to invoke public-utility regulation. Mr. Wheeler's final 300-page order was rushed out to avoid public scrutiny, but Mr. Pai has promised to release his proposal to the public this week.

Mr. Pai's open process won't prevent a synaptic breakdown by the lobbyists who want political control of the internet and are calling him a shill for cable companies and a fascist who wants to squelch speech on the web. No matter that Mr. Pai wants to divest government and himself of discretionary power. Mr. Pai deserves particular credit for calling out Free Press as a "spectacularly misnamed" group that deployed net neutrality as a pretext for government control.

The Pai plan will take regulatory shape in stages over the next few months, and perhaps his actions will galvanize Congress to take the hint and codify his protections into law. Mr. Pai on Wednesday described the internet as "the greatest free-market success story in history," and with his help the web will continue to be a tremendous engine of innovation.

Trump's Economic Challenge to Europe

Not that they'll ever admit it, but Donald Trump could turn out to be an economic boon for Europeans. Faster U.S. economic growth could offer a trans-Atlantic bailout to Europe's exporters, and his tax- and regulation-cutting drive could even shake the Continent out of its policy torpor.

The President could be the reform muse the Continent needs.

The tax plan is the big story, and the outline Mr. Trump offered on Wednesday is a long way from passage. The important point for starters is that if anything approaching Mr. Trump's pledge to slash U.S. corporate rates to 15% from 35% passes Congress, Europe will face new and urgent choices about its own taxes. About time.

A 15% rate would be lower than any corporate tax in Europe save Ireland's 12.5%. Britain's rate is due to fall to 17% by 2020. In Germany it's nearly 30%, and nearly 32% in Italy. These rates are barely tenable now, to judge by sluggish growth since Europe's 2010 crisis. They'll be less so if the world's largest economy undercuts them.

That might finally prompt Europe to change its tune on taxation. Brussels has spent years claiming the Continent's biggest corporate-tax problem is evasion instead of suffocating rates. Antitrust enforcer Margrethe Vestager tried to ding low-tax EU governments such as Ireland and the Netherlands for offering illegal "subsidies" by enforcing their own tax codes to extract less revenue from large companies.

The Trump plan instead gives political cover to European tax cutters. The U.S. proposal boosts the case of French Presidential front-runner Emmanuel Macron that France must cut its corporate rate to 25% from 33.33% to stay globally competitive. And Theresa May can stand pat on Britain's rate if Brussels tries to push for less tax competition from London in Brexit talks.

Mr. Trump is setting the stage for similar competition on other matters. The Administration's pro-market revamp of internet regulation (see above) comes as Brussels is debating its own new tech rules. Drafts of those policies would double down on treating innovating tech companies as old-style utilities, for instance by applying privacy rules designed for monopolist telecoms to competitive new communication apps on smartphones.

A deregulation drive at the Federal Communications Commission gives ammunition to Europeans arguing that Brussels shouldn't stifle its own tech industries. On both technology and taxes, Europe for too long has skated by without any serious competition. Without intending to, Mr. Trump is creating an opening for European reformers—if they can take advantage.

Campus Struggle Session

By now you may have heard about the student mob at Vermont's Middlebury College that roughed up Charles Murray, a visiting speaker and social scientist. The March mayhem ended with Mr. Murray's faculty escort in a neck brace, but so far the public shaming has been reserved for a professor who dared to promote the free exchange of ideas.

Last week Bert Johnson, chair of Middlebury's political-science department, apologized in the campus newspaper for offering "a symbolic departmental co-sponsorship" to the Murray event "without wider consultation." It seems Mr. Johnson lent the department's imprimatur to the invitation to Mr. Murray that had come from a student group.

Mr. Johnson lamented in his statement that his decision "contributed to a feeling of voicelessness that many already experience on this campus," though anyone paying (or getting subsidized) $200,000 for a college degree and a four-year respite in the Green Mountain state is not among America's marginalized.

Mr. Johnson has since said on Twitter that he intended merely to extend good will, not to walk back his commitment to free speech. And Mr. Johnson is a unicorn on campus for his research on why campaign-spending limits are less effective than allowing more spending and more political speech. Yet his letter does read like a hostage confession to students who had screamed, punched fire alarms and jumped on cars.

What happened to those students? A Middlebury spokesman says more than 30 students have "accepted disciplinary sanctions," though he won't offer details. That could mean the dean invited folks to discuss their hurt feelings, when the correct punishment for violence is suspension or expulsion.

Meanwhile, the Middlebury faculty is divided over endorsing free-speech principles that the University of Chicago, Purdue University and others have adopted. The fallout from Mr. Murray's visit has dragged on for nearly two months, but the drama will continue until the administration decides to restore order, punish offenders and govern the place as adults.

Rating America's Semi-Accidental President

BUSINESS WORLD

By Holman W. Jenkins, Jr.

In an interesting piece of analysis, two sociologists semi-independently find that photos of Donald Trump on election night show him displaying facial expressions typical of sadness, not joy.

Randall Collins, of the University of Pennsylvania, using standard, well-tested metrics of facial expression and emotion, speculates that Mr. Trump is sad because he realizes "his life is going to change, drastically" in ways that won't be fun.

Mr. Collins, in a blog posting, cites a colleague, Anne Nassauer of the John F. Kennedy Institute for North American Studies in Berlin, as the originator of this line of Trumpian inquiry. Ms. Nassauer tells me that while "we can only speculate as to why President-elect Trump showed facial expressions of sadness, it is surprising that he showed these expressions directly after his victory in the election."

Those in New York business circles who know Mr. Trump best generally saw his presidential dabblings as a brand-building endeavor. This column certainly questioned repeatedly whether he really wanted to be president. He wasn't willing to spend enough of his own money to give him a chance in the popular vote. He found himself in the White House only due to a flukishly small margin of voters in three states that delivered him the Electoral College.

The self-flagellation of the media in the aftermath was mainly about preserving the utility of the media's beloved hindsight fallacy, in which unexpected outcomes are always the result of somebody failing to do their job. In fact, pollsters gave Mr. Trump a 15% chance of winning, which seems about right. Things with a 15% chance of happening happen roughly one time out of 6.67.

Harry Truman is often cited as an accidental president, and now is rated by historians as a successful president. People forget what a colossal disaster the Korean War was seen to be at the time.

The standards by which presidents are assumed to have been great are peculiar. They are deemed great if the country survives disasters they didn't prevent, whereas citizens and voters at the time surely would have preferred a quiet life without disasters.

So, in this sense, Americans may feel they got their money's worth ($400,000 per annum plus perks) from Mr. Trump if he avoids disasters.

The Trump stock rally has been interpreted by some as belief that this inexperienced president can work legislative miracles, but it's usually a mistake to attribute unrealism to investors. They likely just see an end to the Obama-Clinton program of higher taxes and increased regulation, a bonus Mr. Trump can continue to reap without any heroic effort on his part.

He was perhaps never likely to enact a health-care bill, in which case some GOP House members will suffer and some voters will be made unhappy by losing their ObamaCare subsidies. But an ObamaCare meltdown is a survivable political event.

Less than 2% of Americans get health insurance from the ObamaCare exchanges. All the other handouts that 71% of Americans depend on—Medicare, expanded Medicaid, the giant tax deduction for employer-provided insurance—will remain intact. Plus the administration has ways to help restore a non-exchange market for individual health insurance, and the states can do the rest, including subsidizing certain consumers if they choose to do so.

If he does nothing, America will be better off. If he delivers tax reform, he'll be great.

If he can get corporate-tax reform done and otherwise stop harassing the economy the way Mr. Obama did, a judicious America might even decide it had a lucky election night. Historians too. An improvement in the growth rate by itself would allow Mr. Trump rightly to say he left America better positioned to confront its long-term fiscal challenges than Mr. Obama did. That's not nothing.

In the meantime, with some of his worst habits (according to critics) like his indisciplined tweeting, Mr. Trump may actually be usefully demystifying the presidency. Right now, 72 hours of cable television a day are devoted to his doings. A pundit takes his livelihood in his hands by choosing to write about anything else. And no two Chicken Littles have ever enjoyed a run like that of Richard Painter and Norman Eisen, the lawyer-ethicists who constantly proclaim that the sky is falling due to this or that Trumpian conflict of interest.

This is all ridiculous. Americans are too much encouraged to see their presidents as action heroes somehow intervening daily to influence the lives of millions. The desire to inflate the stakes of politics (the Earth is in danger; every election is the most important in a century) is an unhealthy tic. The 100-day panic, as we're seeing this week, is a formula for presidential mischief.

A cartoon in the Eisenhower era had the president saying to his cabinet, "Gentlemen, what should we refrain from doing next?" So much of Mr. Trump's recent career involved pretending, not doing. The day may come when we have to admit this is one of President Trump's chief virtues.

Repeal Yale's Trustee Gag Rule

By Lauren Noble And Richard West

With free speech under attack on campuses nationwide, university trustees have generally remained on the sidelines. Yale seems determined to keep them there. The William F. Buckley Jr. Program recently began an effort to encourage a more open process for electing alumni trustees, known as fellows. So far we've gotten nowhere.

Last year we invited the three candidates for alumni fellow to participate in a web forum on free speech and diversity of thought. To our surprise, not one responded. Then we received an email from Kimberly Goff-Crews, Yale's vice president for student life, explaining it was "university practice that Alumni Fellow candidates do not campaign in any way" but "stand for election solely based on the biographical statements in the Alumni Fellow ballot." This she described as "both a constraint placed on candidates, and a promise made to them in terms of the demands of the election process."

This year we penned an open letter to the trustees asking them to encourage candidates to participate in our forum. More than 400 alumni have signed on. So far Ms. Goff-Crews hasn't budged. In an interview with the Yale Daily News, she repeated, almost word for word, last year's assertion that campaigning is forbidden. University administrators also canceled the Daily News's scheduled interviews with the trustee candidates.

The executive director of the Association of Yale Alumni, Weili Cheng, defended the gag rule. The Daily News reports "she feared that campaigning might lead to conflict in the alumni community" and quoted her as saying: "Look what happened with the presidential campaign."

But the current process is unfair to the candidates and the alumni. If university administrators will not provide the basis for both groups to help ensure an informed choice of trustees, what is the purpose of having an election?

In decades past, candidates for alumni fellow did offer their ideas and opinions on major issues facing the university. In 1972 the candidates included John H. Chafee, the Navy secretary and future senator from Rhode Island, and Lloyd N. Cutler, who served as White House counsel to Presidents Carter and Clinton. Chafee focused on the need for Yale to "remain free from restrictive pressures—pressure to support currently popular ideas, pressure to be more 'relevant,' and pressure from government." Cutler emphasized the importance of maintaining an "academically free institution."

We asked candidates their views on free speech. The university told them they were obliged to shut up.

A recent editorial in the Yale Daily News argued: "We do not pick leaders based on credentials alone; we elect them based on their character and values." We could not agree more and hope our petition will convince the Yale Board of Trustees to change its policy. But given the way university governing boards across America have been behaving, we are not optimistic.

Ms. Noble is founder and executive director of the William F. Buckley Jr. Program at Yale. Mr. West is dean emeritus of New York University's Stern School of Business and a board member of the Buckley Program.

OPINION

Growth Can Solve America's Debt Dilemma

By Stephen Moore

The U.S. Congressional Budget Office's latest report on the nation's fiscal future is full of doom and gloom. The national debt will double in the next 30 years to 150% of gross domestic product—which is Greece territory. Interest payments may become the largest budget line, eclipsing national defense. Federal spending is expected to soar over 20 years to 28% of GDP from 22%. Never outside of wartime has Washington's burden been so heavy on the economy.

> Hitting 3% would mean an economy that's $13 trillion larger in 30 years—causing fiscal woes to vanish.

But the report's most troubling forecast, by far, is for decades of sluggish economic growth. The CBO projects that America will limp along at an average 1.9% annual growth over the next 30 years. This is a sharp downgrade from historical performance. Between 1974 and 2001, average growth was 3.3%. An extra percentage point makes a world of difference. If weak growth persists, there is almost no combination of plausible spending cuts and tax increases that will get Washington anywhere near a balanced budget.

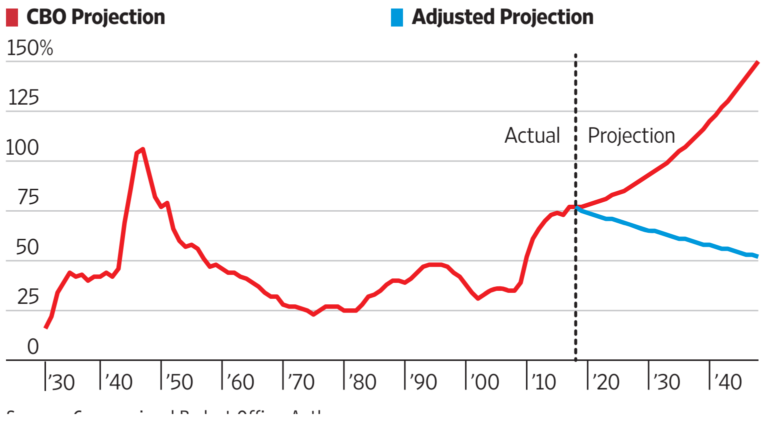
But consider what happens to the CBO's numbers assuming 3% annual growth. By 2040 the economy would expand not to $29.9 trillion, but to $38.3 trillion, according to an analysis by Research Affiliates, a California investment firm. That's an additional output of $8.4 trillion—roughly the entire annual production today of every state west of the Mississippi River.

By 2047, the economy would grow to $47.1 trillion, almost $13 trillion more than the CBO's baseline estimate. That would spin off new tax revenue to Washington of about $2.5 trillion each year. That money ought to be more than enough to pay all the bills and cover most of the unfunded costs of Social Security and Medicare. The old saying is right: The most powerful force in the universe is compound interest.

Growth of 3% would stop the debt-to-GDP ratio from skyrocketing. Instead it would start to fall almost immediately, eventually to about 50%, because the economy would be so much larger. Congress and the White House ought to understand that what matters most for heading off a fiscal crisis is making sure that the economy grows faster than the government. No other debt-reduction policy—certainly not a tax increase—comes close to having the fiscal effect that sustained prosperity does.

The Power of an Expanding Economy

Federal debt held by the public as a share of GDP, 1930-2047, CBO projection (assuming 1.9% growth) and adjusted projection (3%)



A good example is the late 1990s, the only time in recent history that Washington balanced its budget. Surpluses were the result of good policy: A 16-year economic surge allowed revenues to catch up to expenditures. A booming stock market, aided by a cut in the capital-gains tax, brought in unexpected revenue. Spending was restrained under President Clinton and a Republican Congress.

Many blue-chip economists agree with the CBO that a growth rate of about 2% is the best that America can achieve. They believe that growth in productivity and the country's workforce is too slow to recapture the glory days.

But the right policies can counter these trends. Productivity should surge with improvements in robotics, artificial intelligence and automation. Self-driving cars could cut transportation costs dramatically in coming years. Washington could facilitate this renaissance by giving companies an incentive to invest. The Tax Foundation predicted last year that the House Republican tax reform alone would raise wages by 8%, GDP by 9% and capital investment by 28%. If this is even close to being right, pass the tax cut now and stop obsessing about whether it is paid for within the short-term budget window.

The demographic problem is a greater challenge, with the baby boomers retiring. But according to my calculations at least seven million Americans in their prime working years—18 to 65—would be on the job today if labor-force participation had not dropped since 2000. A strong economy, paired with welfare reforms, could draw millions back to work. And immigration is America's natural demographic safety valve. Letting in more legal immigrants—especially those with skills and special talents—may not happen under President Trump, but it can and should eventually.

This isn't a call for budget complacency. Congress should cap spending and flatten the payout formulas for entitlement programs But there's simply no way to fix the long-term fiscal problems with 1.9% growth, no matter how sharp the budget knife. What America needs is real and sustained growth.

Mr. Moore is an economic consultant at Freedom Works and a senior economic analyst at CNN.

Who Watches a Murder Streamed Live on Facebook?

UPWARD MOBILITY
By Jason L. Riley

The most shocking aspect of the Easter Sunday Facebook murder of 74-year-old Robert Godwin Sr. might be that this sort of social media mayhem is losing its ability to shock.

In March, a video of a 15-year-old girl being sexually assaulted by several teenage boys was streamed on Facebook.

In February, a teenager was convicted of fatally shooting his friend; the killer implicated himself by sending a selfie with the victim on Snapchat.

In January, four people were arrested after broadcasting a video on Facebook that showed them taunting and beating a mentally disabled teenager who had been bound and gagged.

Already this year, a 14-year-old girl in Florida and a 33-year-old man in California have committed suicide on Facebook.

Last year, an armed woman in Maryland live-streamed her fatal standoff with the police, and a 12-year-old in Georgia recorded her own suicide by hanging via the Live.me app.

Shortly after Facebook launched its new video-streaming service last April, CEO Mark Zuckerberg told BuzzFeed that the goal was to support "the most personal and emotional and raw and visceral ways people want to communicate." But preventing abuse of these platforms has been a challenge.

There's been a smattering of calls from public officials and activists to suspend these streaming capabilities until better filters are in place, but the popularity and profitability of live video make that course of action unlikely. Besides, the safe-harbor provisions of the U.S. Communications Decency Act, passed by Congress two decades ago, give operators broad protection from liability for content posted by their users.

Sure, some grandstanding member of Congress can call for a hearing, or a state attorney general looking to boost his profile can announce a lawsuit, but neither is really necessary. Social-media behemoths such as Facebook, Twitter and YouTube currently have every incentive to protect their services from the freaks, sociopaths and others intent on spreading violent or disturbing images. "Facebook Murderer" or "YouTube Shooter" pasted in CNN bulletins and newspaper headlines is the kind of publicity that companies work to minimize without any prompting.

> Robert Godwin's killing was replayed 1.6 million times. AI can help, but not with human nature.

With nearly two billion users, Facebook wants to be not only the place where you connect with family and friends but also your main source of news and information. Those dual objectives have made Facebook more willing to restrict objectionable content. Twitter took a more libertarian stance in its early days, though lately its position has softened in the name of thwarting harassment of the Milo Yiannopoulos variety. YouTube, meanwhile, has found a middle ground, allowing some content that Facebook doesn't, but with warning labels for minors and the wary.

"Let the marketplace sort it out," says Ryan Radia, who follows telecom policy at the Competitive Enterprise Institute and welcomes the different approaches. "Let these platforms rise or fall based on consumer preferences." That solution isn't foolproof, he adds, but it's vastly superior to Big Brother alternatives.

But for the steps that social-media outlets already take to scrub commercial content, online human depravity would be even more prevalent. A fascinating 2014 article in Wired magazine details how social media relies on "an army of workers employed to soak up the worst of humanity in order to protect the rest of us."

Quoting an industry insider, the article speculates that these so-called content moderators—many of whom are young college graduates "just happy to have found employment that didn't require a hairnet"—number well over 100,000, or "about twice the total head count of Google and nearly 14 times that of Facebook."

In response to the Godwin murder, Mr. Zuckerberg said that for now Facebook would continue to rely mostly on users who report violations of company policy and that "the long-term solution is going to be having better artificial intelligence tools." The bigger problem, however, is the demand side of the equation—i.e., the social-media denizen who votes with his mouse, the person who doesn't want to be protected.

The Godwin video was viewed more than 1.6 million times, even as the victim's grandson pleaded on Twitter for people to stop sharing the link. The video of the girl in Georgia who committed suicide eventually found its way to YouTube and Facebook and garnered millions of combined views. And no one who saw the livestreamed sexual assault of the teenager in Chicago reported it to police. "As a society we have to ask ourselves, how did it get to the point where young men feel like it's a badge of honor to sexually assault a girl . . . to not only do this to a girl, but broadcast it for the world?" a relative of the victim told the Chicago Tribune.

Social media is changing our habits but not our base appetites. Artificial intelligence won't save us from ourselves.

America's 'Strategic Patience' Runs Out

POLITICS & IDEAS
By William A. Galston

U.S. Secretary of State Rex Tillerson declared in Seoul last month that the U.S. policy of "strategic patience" toward North Korea had ended. Four weeks later, during an extensive diplomatic mission to East Asia and Australia, Vice President Mike Pence repeated this statement.

President Trump has underscored the urgency of the North Korean threat. This united front, which has not been characteristic of the Trump administration's foreign dealings thus far, reportedly reflects an intensive and well-organized policy-review process. It should be taken seriously at home and abroad.

The Obama administration's embrace of strategic patience rested on assumptions that subsequent developments undermined. The U.S. couldn't afford to wait for North Korea to decide to denuclearize, as President Obama had hoped, because its regime had no intention of doing so. No wonder Mr. Obama told President-elect Trump that North Korea was the most urgent and difficult foreign-policy problem he would face when he took the oath of office.

Even though the Trump administration has rejected the status quo and committed to a change of course, its deliberations will continue to be bounded by the constraints that bedeviled its predecessors.

First, there are no good military options. A pre-emptive strike against North Korea's nuclear facilities would certainly trigger a massive attack against Seoul, only 35 miles from the demilitarized zone. The magnitude of the projected death and destruction is sobering. And Pyongyang could decide to use whatever nuclear weapons survive a U.S. first strike. This would devastate not only South Korea's population, but also the more than 28,000 U.S. troops stationed there.

Second, the U.S. has a longstanding network of security obligations throughout the region, including formal treaties with both Japan and South Korea. In the event of an attack on these allies, the U.S. is committed to their defense. Failure to do so would destroy America's credibility as a security guarantor.

Third, China has interests that diverge from those of the U.S. Still, there are signs of mounting Chinese frustration with North Korea's unpredictable and belligerent adventurism. China, too, would welcome a denuclearized North Korea. At this point, Beijing's relations with Seoul are warmer than with Pyongyang.

Nevertheless, China's longstanding, overriding concern is that the collapse of the Kim family's heredity tyranny could send millions of North Korean refugees surging across its border and lead to the reunification of the Korean Peninsula under a pro-Western government. The prospect of South Korean and U.S. troops on its border led Mao Zedong to send 700,000 Chinese troops across the Yalu River during the Korean War. It is far from clear that Beijing's fundamental calculus has changed in the ensuing decades.

Within these constraints, the essential first step is to reach a clear understanding with Beijing. The Trump administration should make clear that the U.S. regards North Korea's nuclear threat to its neighbors as intolerable—and that the North Koreans cannot be permitted to develop a nuclear-armed missile capable of reaching any American target. Given the history of North Korea's nuclear program over the past three decades, the only acceptable outcome is permanent and complete denuclearization. Whatever may have been the case in the past,

> Trump confronts the North Korea problem, his most urgent foreign challenge.

China's President Xi jinping must know that these concerns now take priority over every other aspect of the bilateral relationship.

Two policies would follow from this new understanding with Beijing. The U.S. would continue to ramp up the antimissile systems being deployed in South Korea and perhaps elsewhere in the region, and China would accept them as consistent with its own security interests.

The U.S. would also put in place a policy of "secondary sanctions" against North Korea, as recommended by former Deputy CIA Director and Treasury Undersecretary David S. Cohen in the Washington Post this weekend. This would force Beijing to choose between continuing its financial relationship with North Korea and maintaining access to the U.S. financial system.

The U.S. would also accelerate its development of cyberwarfare tools to disrupt the functioning of North Korean missiles and destroy them early in their launch trajectory.

The Korean War never formally concluded. If North Korea permanently and verifiably ends its nuclear program, the U.S. should agree to sign a peace treaty recognizing the indefinite division of the Korean Peninsula until the two Koreas peacefully agree on terms to reunify.

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The 'Hundred Days' Humbug

By Charles Kesler

President Trump is criticized for things he has done and for things he has left undone. What is unreasonable is the additional arbitrary standard to which he, like all modern presidents, is held liable: what he has accomplished, and failed to, in his first hundred days in office.

Why is the figure of 100 days so important? As though Franklin D. Roosevelt doesn't have enough to answer for, here is another of his legacies.

FDR spoke of "the hundred days which had been devoted to the starting of the wheels of the New Deal" in his fireside chat of July 24, 1933—142 days after his March 4 inauguration. He was referring to "the historical special session of the Congress" he had convened, which opened March 9 and adjourned June 16. That is, the Hundred Days were legislative days, not executive days.

Today's Congress commonly leaves Washington three days a week. If you wanted to apply Roosevelt's implicit criterion of 100 congressional days, you'd be counting not to April 30, but into July or August—or even September or later, since Congress is in recess the whole month of August.

It's true that in 1933 Roosevelt put the 73rd Congress through its paces. But the reason, or excuse, for the rush of legislation was an economic emergency, signaled by the steadily worsening bank panic. To get the closed banks open again was the aim of the first piece of legislation submitted, the Emergency Banking Act—introduced on March 9 at 12:37 p.m., and on its way to the president at 7:23 p.m.

Absent the bank panic, the Hundred Days would not have started with such a bang. Without a similar emergency, why should we expect a president's (or Congress's) first hundred days to have anything like the same urgency and focus?

Congress did enact leading elements of the New Deal during the Hundred Days. But within two years the U.S. Supreme Court had gutted the National Industrial Recovery Act. The administration never attempted to revive it. In 1936 the same fate befell the Agricultural Adjustment Act, though in less sweeping fashion. Haste makes waste. Perhaps the most famous piece of legislation associated with the New Deal, the Social Security Act of 1935, had nothing to do with the Hundred Days.

Every president since FDR has been urged by professors and pundits to launch a hundred-days blitzkrieg. Only losers, they claim, don't have a transformative agenda teed up and ready to go during the early months. It's a historical hustle, an attempt to mislead citizens and presidents into thinking rushed change is normal and healthy.

There could hardly be a more arbitrary and unhistorical test of presidential quality. Mr. Trump may confidently assure his critics that, like the Constitution's framers, he believes good legislation requires deliberation, which takes time. Let the final version of his health-care bill be significantly better than the first, and he will prove his point to the country's satisfaction.

Mr. Kesler is editor of the Claremont Review of Books, from whose forthcoming Spring issue this article is adapted.

THE MIDDLE SEAT | By Scott McCartney

The Paparazzi-Proof Airline Terminal

The new Private Suite at LAX offers a high-end, backdoor way for VIP travelers to get onto and off commercial flights

Los Angeles

The next big Hollywood premiere will be at the airport, and it likely will reduce some of the chaos and clog at Los Angeles International.

The Private Suite, a remote terminal for VIPs, celebrities, CEOs and anyone willing to pay $1,500 to $4,000 for privacy and pampering at one of the world's busiest airports, will officially open May 15. It's already handling some clients as it works out operations with airlines, the Transportation Security Administration and Customs and Border Protection.

Luxury terminals for first- and business-class passengers have been growing around the world and are now found in at least a dozen major cities. They are proving to be both profitable and efficient, operators say, segregating passengers and crew who can slow security lines. They also foil paparazzi scrums that can injure bystanders and create traffic jams. Customers get driven in luxury cars to and from planes, as some airlines do now for top customers, too. At London's Heathrow Airport, 60,000 people a year use the VIP terminal, an airport spokeswoman says. The Private Suite is the first in the U.S.

Belinda Carlisle, lead singer of the Go-Go's, was one of the first to sign up and tweeted thanks to TSA after using the terminal last week on her way to China. (TSA's crack social media desk tweeted back that the agency was "head over heels" with the kudos, referring to one of her hit songs.)

"I've used this kind of service overseas and I'm so grateful it's now in the U.S.," Ms. Carlisle said by email after her flight.

Los Angeles' airport operator, TSA and CBP are supporting the private terminal because the daily stream of celebrities creates mob scenes. Airport police get tied up working celebrity crowd control and security lines come to a standstill as travelers snap photos and videos. In exchange for staffing the private terminal, TSA negotiated to move other snarls out of main terminals. International flight crews, which can number more than 30 people and often march to the front of lines, will be screened at the new terminal to keep officers there busier and shorten main-terminal lines.

A Private Suite membership costs $7,500 a year. Then each trip through costs $2,700 for a group of up to four people traveling domestically or $3,000 for international flights. That's one way. Without a membership, prices are $800 to $1,000 higher, with fewer benefits. Shared space in a group lounge costs $1,500 for members; nonmembers pay more.

Heathrow's VIP terminal charges about $3,500 for up to three people in a private suite.

So far, Private Suite has sold 1,200 memberships, many of them bought at a discount by corporations for top executives or clients, says security consultant Gavin de Becker, who operates the terminal. The company's management expects it to be profitable by its third year.

Mr. de Becker, a well-known protector of celebrities, developed the facility with investors including David Bonderman's TPG Capital. (Mr. Bonderman is a former chairman of two airlines.)

The terminal has 13 private suites, including a room for infants with a changing table and bottle warmer, one for young children with a play yard and menu of available games, and one for Middle Eastern clients with prayer mats, a Quran and medjool dates.

Each private suite has a bathroom, a stocked refrigerator and snacks galore. Meals are available. Just about anything forgotten will be provided free: headphones, dress shirts and blouses, ties, socks, belts and shoes, dress hem tape, cuff links and raincoats.

"They can have sex in here, change clothes, have arguments—we never come in and never knock on the door without a phone call first to the room," says Mr. de Becker. The suites, he says, "give people the one thing they never get at an airport: peace."

The terminal is out of the main LAX traffic flow, avoiding the potential 45-minute slowdown for a pickup or drop-off because of traffic in the horseshoe roadway fronting major terminals. And it's deliberately hard to spot—an unmarked gray fence and lone guard shack.

The Private Suite has an airline bag-tag printer and carriers have agreed to send a representative to the terminal to verify ID and haul off checked luggage. Since passengers are on first- or business-class tickets, airlines are willing to go to lengths to win them over from private jets or rival carriers. Upon landing, a Private Suite worker goes to baggage claim and waits to retrieve bags while customers are in their suites.

The largest client group will be international arriving passengers, Mr. de Becker says, since they get the advantage of personal CBP inspection.

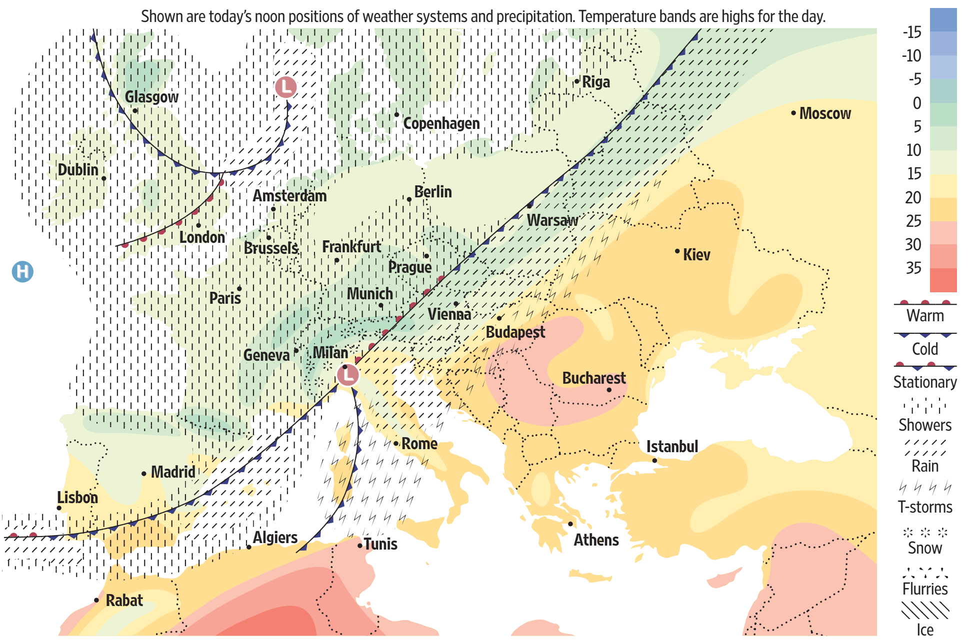
FROM LEFT: BROADIMAGE/REX/SHUTTERSTOCK; ZEN SEKIZAWA

The Private Suite, above, offers travelers a private room. It was built to lessen paparazzi airport scrums like this 2015 appearance by Kim Kardashian, left.

Weather

AccuWeather.com

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

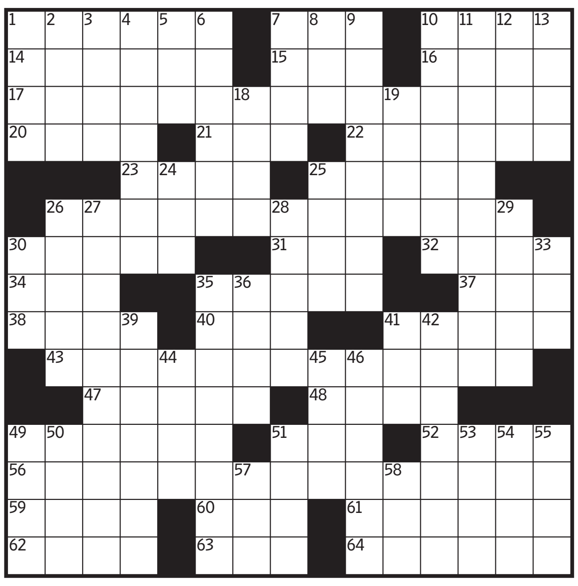


Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	10	5	sh	11	4	sh
Anchorage	10	3	c	10	3	pc
Athens	24	15	s	25	15	pc
Atlanta	26	18	pc	30	19	pc
Baghdad	33	18	pc	35	21	s
Baltimore	28	17	pc	28	18	pc
Bangkok	35	27	pc	34	26	pc
Beijing	28	12	s	32	14	pc
Berlin	12	3	pc	14	3	pc
Bogota	21	9	t	21	10	r
Boise	11	1	pc	12	2	c
Boston	15	12	c	23	14	pc
Brussels	10	2	sh	12	2	sh
Buenos Aires	20	10	s	22	9	s
Cairo	29	17	s	31	17	s
Calgary	6	-2	c	8	-1	sh
Caracas	32	26	pc	32	25	pc
Charlotte	26	17	pc	29	20	pc
Chicago	12	5	sh	16	5	sh
Dallas	28	19	s	32	23	c
Denver	13	-1	r	11	-3	sh
Detroit	21	8	t	20	9	pc
Dubai	35	25	s	37	27	s
Dublin	10	4	c	11	6	c
Edinburgh	14	3	c	12	4	c
Frankfurt	13	2	t	14	3	sh
Geneva	10	2	sh	11	1	sh
Hanoi	23	19	t	24	20	pc
Havana	32	22	s	32	22	s
Hong Kong	25	19	t	24	22	pc
Honolulu	30	22	sh	29	21	pc
Houston	30	20	s	33	25	pc
Istanbul	20	11	s	21	13	s
Jakarta	32	25	t	33	24	t
Johannesburg	20	9	pc	21	8	pc
Kansas City	16	9	pc	17	8	c
Las Vegas	29	16	pc	24	12	s
Lima	26	20	pc	26	20	c
London	12	6	sh	14	6	pc
Los Angeles	28	17	pc	29	17	s
Madrid	16	1	s	16	7	c
Manila	36	27	pc	35	27	c
Melbourne	14	11	sh	17	13	c
Mexico City	28	12	pc	29	13	pc
Miami	32	26	s	31	25	pc
Milan	17	7	c	18	5	pc
Minneapolis	7	1	c	12	2	c
Monterrey	35	17	pc	39	18	pc
Montreal	23	14	pc	19	10	pc
Moscow	10	4	sh	8	6	r
Mumbai	33	26	pc	33	27	pc
Nashville	22	11	c	30	20	pc
New Delhi	40	25	pc	40	26	pc
New Orleans	29	22	pc	31	23	pc
New York City	21	14	pc	26	17	pc
Omaha	15	5	c	12	5	sh
Orlando	37	21	s	36	21	pc
Ottawa	25	11	pc	19	7	pc
Paris	12	3	sh	14	3	pc
Philadelphia	26	16	pc	28	18	pc
Phoenix	33	20	s	32	14	s
Pittsburgh	28	12	t	24	15	pc
Port-au-Prince	33	22	sh	34	22	pc
Portland, Ore.	13	5	sh	15	2	c
Rio de Janeiro	28	21	r	24	21	r
Riyadh	37	24	pc	38	26	pc
Rome	19	12	t	18	7	pc
Salt Lake City	10	3	r	9	1	sh
San Diego	22	16	pc	24	16	s
San Francisco	19	10	pc	20	12	s
San Juan	31	25	pc	30	25	pc
Santiago	25	8	s	28	11	s
Santo Domingo	31	22	pc	31	22	pc
Sao Paulo	20	14	r	18	14	pc
Seattle	13	5	pc	14	5	pc
Seoul	19	8	s	20	9	pc
Shanghai	22	12	pc	27	15	s
Singapore	30	25	c	30	25	c
Stockholm	9	-2	pc	9	-1	sh
Sydney	18	12	pc	20	12	pc
Taipei	20	15	r	23	16	pc
Tehran	21	13	sh	22	15	pc
Tel Aviv	25	15	pc	25	14	s
Tokyo	19	11	r	18	12	pc
Toronto	22	8	t	18	9	pc
Vancouver	13	6	c	13	6	s
Washington, D.C.	30	19	pc	29	21	pc
Zurich	8	1	sh	9	-1	r

The WSJ Daily Crossword | Edited by Mike Shenk



ONE OR TWO THINGS | By Alice Long

Across

1 "Hell's Kitchen" host
7 Dad's daughter
10 Insubstantial
14 Panini cheese
15 Wine flavorer
16 What to do while it counts
17 Circus vehicle that mows down pedestrians in its way?
20 Rest-of-the-team stand-in
21 Bird specialty
22 Ready for a heist, say
23 Unguarded on the field
25 Exodus leader
26 Oyster with a childproof shell?
30 Elevator setting
31 Strong heart
32 Till bill
34 Ballet's ___ de cheval
35 Sellers of movies
37 Start of many rap monikers
38 "London Fields" writer
40 Orinoco, por ejemplo
41 Market optimists
43 Oddballs of the mythical animal world?
47 Young MC's "Bust ___"
48 Island that hosts a state capital
49 Have high hopes
51 Celestial body
52 Wooden strip
56 Shape and arrangement of a Sopwith Camel's parts?
59 Loft bundle
60 James Dean's "East of Eden" role
61 Switch magazines, say
62 Iowa State setting
63 Summer by the Somme
64 Unforested plain

Down

1 Electronica party
2 "___ happens..."
3 Shiny mineral
4 Head for distant ports
5 Back
6 "Absolutely!"
7 Stock offering?
8 Anderson of Jethro Tull
9 Review hastily
10 Person to know, per Plato
11 Backwater place
12 Like loafers
13 Hardship
18 PlayStation producer
19 Durango dwelling
24 Darling
25 Office clickers
26 Former SeaWorld performer
27 Speller's clarification
28 Leading indicator?
29 Pandora released them
30 Resort amenity
33 Golfer Ernie
35 Nice surroundings
36 Cork country
39 Comparative phrases
41 Derisive snort
42 It's picked in Hawaii
44 Uncas's love
45 Driver's warning
46 Herculean dozen
49 "Waterloo" group
50 Where Anna taught
51 Eye amorously
53 Standing on
54 Pipe bend
55 Murderous alter ego
57 "Dig in!"
58 Convened

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

Previous Puzzle's Solution

TECHNOLOGY: U.S. REGULATOR OUTLINES NET-NEUTRALITY ROLLBACK B4

THE WALL STREET JOURNAL.

Thursday, April 27, 2017 | B1

Euro vs. Dollar 1.0876 ▼ 0.48% **FTSE 100** 7288.72 ▲ 0.18% **Gold** 1262.10 ▼ 0.28% **WTI crude** 49.62 ▲ 0.12% **German Bund** yield 0.352% **10-Year Treasury** yield 2.312%

Oil Discoveries Hit Low in 2016

MATTHEW BUSCH/BLOOMBERG NEWS

An IEA report raises concerns about a long-term oil shortage.

By Sarah Kent

LONDON—Global oil discoveries fell to a record low in 2016, the International Energy Agency says, raising fresh concerns about the potential for a petroleum-supply shortage as soon as 2020.

The IEA, a Paris group that monitors energy trends for oil-dependent economies such as he U.S. and Europe, is stepping up its warnings about historically low oil-industry investment during the latest price downturn. Oil companies and producing nations curtailed spending by hundreds of billions of dollars during the price rout, resulting last year in the fewest new conventional oil projects being sanctioned since the 1940s, the IEA said.

The group's assessment, shared with The Wall Street Journal ahead of a full investment report to be released in July, represents its most comprehensive study yet of how the downturn tamped down spending. The IEA doesn't forecast oil prices, but any shortage would likely cause significant increases.

Don't expect output from U.S. shale producers to fill the void, the IEA said. Daily American shale-oil production is expected to grow by 2.3 million barrels or more over the next five years, but that wouldn't make up for declining output elsewhere.

The IEA also doesn't expect global oil demand to stop growing anytime soon, potentially turning the current glut of oil into a dearth.

"The key question is how long can the surge in U.S. shale supplies make up for the declining pace of growth elsewhere?" said IEA executive director Fatih Birol. "We are worried about historically low discoveries and new projects."

A new "boom-and-bust cycle" looks increasingly likely if conventional projects—generally defined as anything that uses traditional methods to extract oil, unlike shale—don't receive greater investments, Mr. Birol said.

In 2016, oil discoveries amounted to just 2.4 billion barrels of potential oil, the lowest since the IEA's records began in 1950. That is down from 9.1 billion barrels of discoveries in 2013, when oil prices were consistently above $100 a barrel, and 16.3 billion barrels in 2010, the IEA said.

The global oil industry greenlighted projects amounting to over 4.8 billion barrels of oil in 2016, down from 21.2

Please see OIL page B2

A Swiss Stock for Safety Seekers

By Brian Blackstone

ZURICH—Want a really, really safe asset? How about a slice of the Swiss central bank?

Shares in one of the world's few publicly traded central banks are up more than 50% in the last year. With a small, fixed dividend and limited supply, they trade more like a bond or a piece of memorabilia than a stock. This makes the **Swiss National Bank**'s stock a quirky though potentially enticing alternative to zero-yielding bank deposits or negative-yielding bonds.

A couple of forces are at work, analysts say. For one, negative rates have increased demand for other safe assets—the existence of SNB shares wasn't even that widely known in Switzerland—while the SNB turned in a 21.3 billion franc ($21.4 billion) profit in the first half of 2016. Since so few shares trade, it doesn't take much to move the price.

The central bank's money-printing powers make it basically impossible for it to go bankrupt, and it is able to charge commercial banks to store money there.

Yet it isn't a normal bank stock. The SNB's governing board doesn't own any shares. Its biggest single shareholder isn't even Swiss; he is German.

Some shareholders are now clamoring for the first dividend increase in more than a century at the SNB's annual shareholders meeting on April 28.

Under current law, the maximum dividend is 15 francs a share for a total payout of 1.5 million francs. That is a tiny slice of the SNB's 24.5 billion franc profit last year, generated by money-printing efforts that added hundreds of billions of francs to its portfolio of foreign assets in recent years. The SNB paid 1.7 billion francs to federal and state governments, known as cantons, last year. The vast majority of the profit went to the SNB's reserve accounts.

Even when it loses money, as it did in 2015, the central bank can always print more. The Swiss franc is among the strongest currencies in the world, meaning the SNB has a monopoly on a coveted commodity. It charges commercial banks to deposit money. In short: a nice mix for any bank.

"It makes some sense to hold SNB shares," said Alexander Koch, an economist at **Raiffeisen Schweiz** and an SNB shareholder. "You don't look at them like usual equities with rights for shareholders. It's more like a debt security obligation."

The bank's status as a publicly traded stock will be on

Please see BANK page B2

HEARD ON THE STREET

By Richard Barley

Europe's Recovery Has Room To Run

Europe's economic path may be strewn with political land mines, but no explosions have occurred. The picture for investors is one of impressive resilience.

The question is, how good can it get?

On first look, headline growth doesn't look that exciting. Eurozone gross domestic product expanded 2% in 2015 and 1.8% in 2016, according to **Eurostat**; the International Monetary Fund forecasts growth of 1.8% in 2017 and 1.7% in 2018.

But the currency bloc is expanding faster than potential, which many peg at 1% or so. And much of the growth in recent years has been generated by domestic demand. A brighter growth picture in the developing world, a key market for European companies, may help buoy the eurozone a little further.

While markets fretted about the French elections, first-quarter survey data surged. IHS Markit's purchasing managers index stands at a six-year high and the **European Commission**'s consumer sentiment survey is near its highest since 2007.

The hard data are more mixed, although there are encouraging signs: Eurozone retail sales rose 0.7% in February from a month earlier, while construction jumped 6.9%. House prices are rising at their fastest pace since 2007. Car sales are strong.

Unlike the U.S., Europe is in many ways still healing from the financial crisis and has unused capacity. The crucial development will be in labor markets. Eurozone unemployment has fallen steadily since April 2013, but at 9.5% is still well above precrisis lows. The direction of travel is encouraging, although labor-market slack means wage pressures are subdued. With inflation rising, that poses a challenge to consumers. Further falls in unemployment, however, can keep spending going.

For investors, this might sound a little uninspiring. But that might actually be part of Europe's allure. The eurozone recovery still has room to run and is being supported by ultraloose monetary policy.

Even if the European Central Bank starts to shift away from that, it is aware of the risks to the recovery and is likely to move gradually.

Europe's economy has faced down many challenges since the eurozone debt crisis. That is worthy of more credit than the market gives it.

HNA Aims to Conquer the World

GAO LIN/IMAGINECHINA/ASSOCIATED PRESS

HNA, with its headquarters in Hainan province, has been rapidly acquiring overseas assets but also building up a heavy debt load.

Chinese conglomerate has a huge goal: global top 10 in revenue; 'full of hormones'

By Kane Wu

As Chinese investment overseas surged last summer, one of the most aggressive of those investors, airlines-to-hotels conglomerate **HNA Group**, got an ultra-flashy private jet.

A 2,408-square-foot Boeing 787 Dreamliner that normally seats 300, the plane was tricked out with $100 million worth of features such as marble-laminated bathrooms, Hermès flatware and Baccarat crystal. HNA planned to charter it to rich clients as well as to its own executives, according to people familiar with the plane and promotional videos.

Since then, China's outbound fever has cooled. Most Chinese deal makers have reined in purchases abroad after the government—worried about capital outflows—took steps to curb them.

Yet HNA has still managed to keep up a steady flow of overseas purchases—albeit smaller in size than some of the multibillion-dollar deals it signed last year. And the Dream Jet has been busy ferrying executives and clients around the world: During the past few months, plane-tracking sites show it hopping from Shanghai to New York, Denver, San Francisco and Hawaii.

"The company is progressing restlessly," said Gao Jian, the group's chief operating officer, who says he flew on the plane last year. "Everyone is passionate, full of hormones, dying to achieve things."

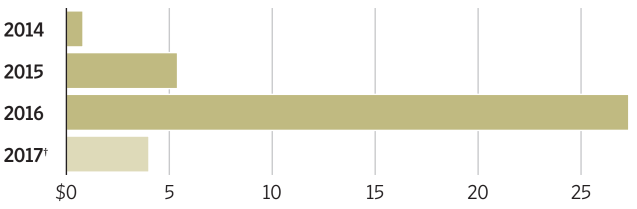
Based in China's Hainan province, closely held HNA Group started out as a local airline operator but now aims to become one of the globe's biggest international conglomerates. It has expanded into hotels, tourism, logistics, real estate and finance. Its total assets, at around $146 billion in 2016, grew more than four times since 2010, when the company first started acquiring overseas companies. Its roughly $90 billion revenue last year was also nearly 10 times the level in 2010. Some of HNA's most high-profile outbound acquisitions have been U.S.-based companies—a $6.5 billion purchase of a 25%

Please see HNA page B2

Going Global

China's HNA Group has been actively acquiring overseas assets.

HNA's* outbound acquisitions, in billions



Largest outbound acquisitions

Announced	Company	Value, in billions
October 2016	Hilton Worldwide Holdings (stake: 25%)	$6.5
February 2016	Ingram Micro	6.0
October 2016	CIT Group's leasing unit	4.0
July 2015	Swissport International	2.8
April 2016	Gategroup Holding AG	1.5

*Includes HNA Group, Bohai Leasing and Tianjin Tianhai †Through April 24

Sources: Dealogic; staff reports

THE WALL STREET JOURNAL.

Big Brands Feel Pinch as Consumers Pull Back

By Sharon Terlep, Jennifer Maloney and Annie Gasparro

The biggest sellers of consumer products, from soda to diapers, are sounding a cautious note on shopper spending amid broader retail woes.

Executives from **Procter & Gamble** Co., **PepsiCo** Inc. and **Nestlé** SA said slowed spending in the U.S. cut into results in the most recent period, though they don't all agree on the reasons. Several said they expect business to pick up later in the year.

Some blamed the weak start of the year on higher gas prices, bad weather and other external factors, while other executives pointed to shifting consumer tastes. Analysts say some big brands, such as Gillette and Yoplait, are losing ground to upstarts. Overall purchases of consumer packaged goods in the U.S. declined 2.5% in unit terms in the first quarter, according to Nielsen.

There are "probably more sources of volatility today that at any other time in history," P&G Chief Financial Officer Jon Moeller said Wednesday in a call with reporters.

The most recent period was P&G's weakest of the fiscal year as organic sales—a closely watched metric that strips out currency moves, acquisitions and divestments—rose just 1%.

Mr. Moeller said consumers are cutting back purchases, aggressively seeking deals and drawing down supplies at home. At the same time, he said, a growing affinity for beards has played a big part in driving down razor sales, which contributed to a 6% organic sales decline for P&G's grooming unit.

Although pricing increases helped PepsiCo post growth in its beverage and snacks businesses in its latest quarter, sales declined in its Quaker Foods North America unit, which sells grocery staples such as Rice-A-Roni, Aunt Jemima and its namesake oatmeal.

PepsiCo, like big food rivals **Kraft Heinz** Co. and Nestlé, is struggling as consumers shift away from diet sodas and processed foods to fresher and

Please see BRANDS page B2

MIKE BLAKE/REUTERS

PepsiCo and its rivals are adjusting to shifting consumer trends.

INSIDE

MARCIO JOSE SANCHEZ/ASSOCIATED PRESS

TWITTER REVENUE TAKES A HIT

SOCIAL MEDIA, B3

A MEDIA PLAN MIRED IN BITTERNESS

BUSINESS NEWS, B3

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

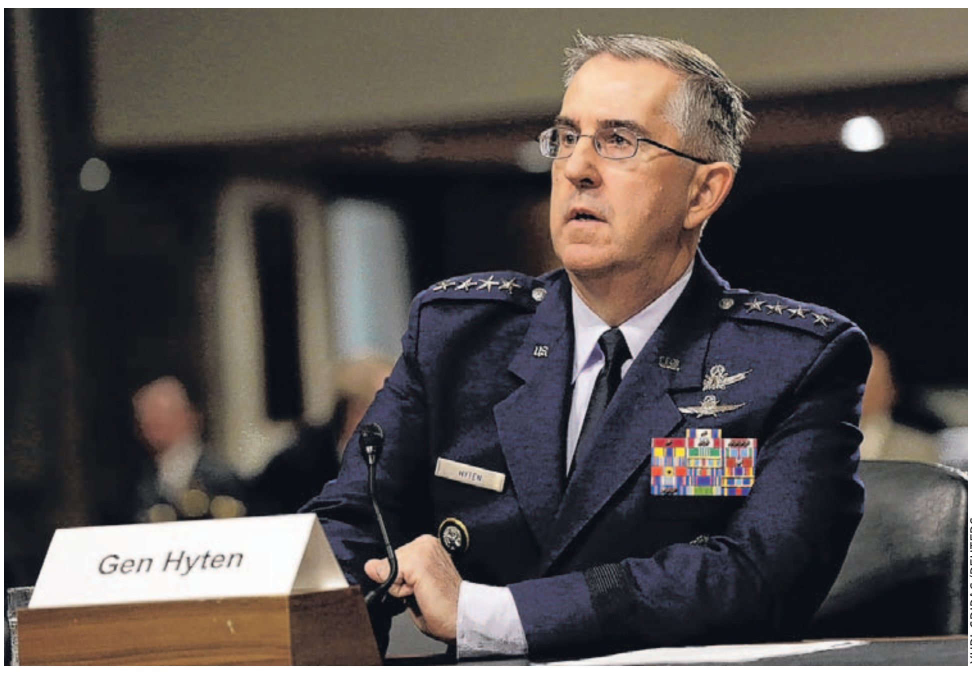
INDEX TO PEOPLE

BUSINESS & FINANCE

U.S. Prepares for Space Battles

Defense Department urges development of weapons to counter hostile spacecraft

By Andy Pasztor



YURI GRIPAS/REUTERS

Gen. John Hyten told lawmakers recently that both defensive and offensive measures are needed.

COLORADO SPRINGS, Colo.—The Pentagon is getting serious about gearing up for potential space combat.

Breaking with a decades-long policy that stopped short of publicly advocating putting arms in orbit, U.S. Defense Department leaders are calling for faster development of offensive weapons and combat tactics for space, initially to protect the biggest, most expensive U.S. spy satellites from potential attacks.

The extent of the shift was evident at a recent space symposium here, with one senior general after another calling for more-advanced weaponry and rules of engagement that—for the first time—specifically would be designed to counter moves by hostile spacecraft beyond the atmosphere.

"We will be threatened in space, and we need to be prepared for that," said Brig. Gen. John Shaw, deputy director of global operations at Strategic Command, the Defense Department unit in charge of nuclear and other long-range weapons. "There isn't something special as a space war" that ought to be considered separately from naval or land combat, he told the conference.

The Air Force is working closely with the National Reconnaissance Office to devise offensive strategies against weapons or satellites of other nations that could blind, jam or destroy in-orbit spy satellites, according to several of the symposium's speakers.

Issues related to space weaponry, especially technology that can disrupt hostile spacecraft, are among the Pentagon's most closely guarded secrets. Though research has been under way quietly for decades and military leaders in the recent years targeted billions of extra dollars to ensure space superiority, details are highly classified and companies involved in the effort aren't public.

Recent comments by Pentagon leaders underscore the growing importance of the topic. Throughout the speeches and panels earlier this month, space was described as requiring major investments to ensure that the U.S. military will be ready to execute the full range of defensive and offensive operations. Traditionally, civilian leaders as well as uniformed commanders have tended to avoid explicit calls for speedy deployment of offensive systems.

In a classified briefing at the same conference, Robert Work, the Defense Department's No. 2 civilian official, highlighted that all of the Pentagon's efforts are aimed at deterring attacks, rather than instigating hostilities.

"We're not interested in getting into [a] fight" in space, Gen. John Raymond, head of Air Force Space Command, told the conference on a different day. "Nobody wins that fight, but we are interested in being prepared for it."

Earlier this month, Gen. John Hyten, head of U.S. Strategic Command, told the Senate Armed Services Committee that "we must prepare for a conflict that extends into space" through defensive measures, but also by building "an offensive capability to challenge" adversaries. He promised to provide details to lawmakers at a classified session.

This week, during a telephone hookup earlier with astronauts orbiting the earth, reporters heard President Donald Trump allude to U.S. capabilities with "tremendous military applications in space," without elaborating. Early snippets of such talk emerged years ago as uniformed commanders grew increasingly concerned about vulnerabilities of their space systems.

BANK

Continued from the prior page

display Friday when top SNB officials meet shareholders. Around 30 small shareholders, under the umbrella group Collectif AAA+, say the SNB's dividend should be calculated at 6% of the year-end share price, not the 250-franc price that has been fixed for decades. SNB shares fetched 1,750 francs on Dec. 31, implying a dividend of 105 francs a share by that calculation. They ended at 1,760 francs Wednesday.

The SNB board opposes the measure and is certain to beat it back given tight limits on voting rights for private shareholders, which own 48% of SNB shares, but only 25% of voting shares. The rest are held by Swiss cantons. The SNB's mandate is to keep inflation under 2%, not maximize shareholder value.

The SNB declined to comment on why it opposes the shareholder initiative. Even if it passes, parliament would have to change the law because rules on the dividend are set by federal law. This underscores one downside to owning SNB shares: stockholders' lack of influence over the bank.

One leader of the dividend movement, SNB shareholder Blaise Rossellat of Geneva, says he knows he won't win, but wants to "shed some light" on the SNB's practices, which have amounted to creating hundreds of billions of francs to buy foreign stocks and bonds and weaken the Swiss franc. The SNB's foreign reserves totaled 683 billion francs in March, and include billion-dollar stakes in **Apple** Inc., **Microsoft** Corp. and **Exxon Mobil** Corp.

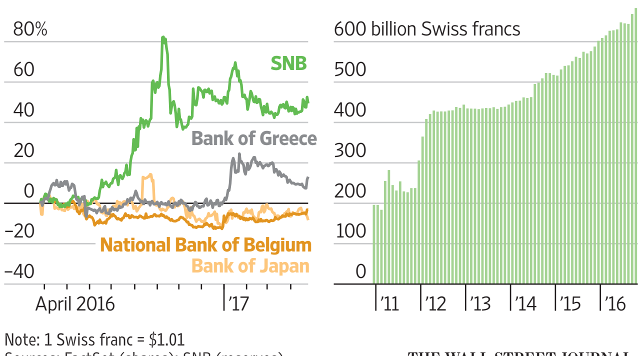
"It only invests overseas. It doesn't invest in Switzerland," said Mr. Rossellat, adding the SNB's policies have inflated asset prices abroad. "By this proposition we show the Swiss citizens that their purchasing power has been diminished."

Other central banks have some private ownership. The Bank of Italy's capital is owned mostly by the country's commercial banks. Central banks in Belgium, Greece and Japan are listed on exchanges. These shares were mostly flat in the last year, though Greece's were up some.

There are just 100,000 SNB shares, with about 2,200 private shareholders owning 48,000 of them at the end of last year. The largest single shareholder last year was German investor Theo Siegert, according to SNB data, whose 6,720 shares topped even those of the Swiss canton of Berne. Mr. Siegert didn't respond to a request for comment.

Alpine Peak

The Swiss National Bank's stock price has rallied over the past year while its money-printing efforts have turned the central bank into a major asset manager.



Note: 1 Swiss franc = $1.01
Sources: FactSet (shares); SNB (reserves)

THE WALL STREET JOURNAL.

OIL

Continued from the prior page

billion barrels in 2014.

Offshore drilling, which accounts for a third of global production, is still falling off. Last year, only 13% of conventional-project approvals were offshore, compared with an average of 40% between 2000 and 2015, according to the IEA. In the U.K., spending on offshore drilling is now only slightly higher than spending on offshore wind projects, it said.

The Organization of the Petroleum Exporting Countries has also sounded the alarm over the potential for a supply gap in the long term. Saudi energy minister Khalid al-Falih told a London energy conference last year that "there will be a period of shortage of supply."

According to estimates from the Rapidan Group, a Washington-based energy policy advisory firm, oil prices could hit $100 a barrel in 2022, squeezed by supply constraints and stronger-than-expected demand growth. "If you put those two things together, then you get a boom phase," said Rapidan Group President Robert McNally.

But in the near term, the oil industry and traders aren't showing concern about a shortage.

Many banks in recent months have reduced their oil price forecasts for the coming years, expecting resurgent production from shale drillers. According to a March survey by The Wall Street Journal, analysts expect oil prices to stay below $60 a barrel for the third year in a row. By 2019, the level is expected to rise modestly to $68 a barrel, but that is still well below the $76 a barrel that banks were forecasting a little over a year ago.

Last year, when still head of Exxon Mobil Corp., Secretary of State Rex Tillerson threw cold water on forecasts of a massive supply crunch because of the resilience of the shale industry in the U.S. "Never bet against the creativity and tenacity of this segment of our industry," Mr. Tillerson told the Oil & Money conference in London last October.

Certainly costs in the shale industry have come down. The average break-even prices for the Permian Basin in Texas is now between $40 and $45 a barrel, according to the IEA. The price was near $90 just two years ago. That is helping to drive a booming recovery in activity in the region. But in the 85 million barrel-a-day oil market, shale projects supply just 6.5 million barrels a day.

The IEA said the oil industry's massive pullback from exploration and development of new projects will be decisive. Shale "is not enough by itself," the IEA's Mr. Birol said.

BRANDS

Continued from the prior page

healthier options. It has launched new products, such as a premium bottled water brand, to adjust to the shift.

"Our next challenge is how do we leverage our relationships with retailers to reinvent the center of the store?" said CEO Indra Nooyi on a conference call Wednesday. "And we need to do that in order to bring interest back to that whole cereal aisle and therefore, Quaker."

For food and nonfood staples, big brands are struggling more than the overall industry. The 20 largest consumer packaged-goods companies last year had flat sales while smaller ones posted sales growth of 2.4%, according to Nielsen.

Wal-Mart Stores Inc., meantime, has been reducing inventories and slashing prices as it fights to compete with **Amazon.com** Inc. and European discounters moving into the U.S. Those cuts are eating into its own profit and, in turn, leading the world's biggest retailer to put pressure on its vendors.

Kimberly-Clark Corp. this week reported its first quarterly organic sales decline in 13 years, driven largely by falling demand in North America. The maker of Kleenex tissues and Huggies diapers lowered its forecast for the year but said it expects better performance as the year progresses.

Nestlé Chief Executive Mark Schneider said weak U.S. demand isn't an issue isolated to Nestlé and that it reflects a breakdown in the usual relationship between economic growth and consumer spending. At the same time, he said, intense competition is making it harder to push through price increases.

"In spite of good economic data, we are seeing a large amount of uncertainty" in the U.S., Mr. Schneider said last week on an investor call. "When that uncertainty subsides it will be good news."

While growth is stronger outside the U.S. for many companies, foreign markets also are rife with volatility. P&G said everything from the Brexit in Europe to political uncertainty in developing markets has made for bumpy times in overseas operations.

The dynamics are driving tough choices for companies as they are forced to decide between reducing prices and ceding market share. PepsiCo and **Coca-Cola** Co. have been shrinking packages and raising prices. P&G has been lowering prices in some of its biggest categories such as diapers and razors, forcing down prices of rivals as well.

—Brian Blackstone contributed to this article.

HNA

Continued from the prior page

stake in Hilton Worldwide Holdings Inc., a $6 billion deal to buy technology distributor Ingram Micro Inc. and a $4 billion purchase of CIT Group's leasing business.

HNA is continuing to expand overseas, even as many other ambitious compatriots stall. Among China's erstwhile highfliers, Dalian Wanda Group Co., a big acquirer of Hollywood companies, earlier this year canceled a $1 billion purchase of U.S. production company Dick Clark Productions Inc. after it couldn't get Chinese government approval to move the funds overseas.

HNA has borrowed heavily to acquire more assets, many of them overseas. Recently, it has been tapping cash from those global operations or using them to help raise funds for more purchases, letting HNA largely sidestep China's increasingly strict capital controls, bankers say.

HNA Group and its subsidiaries have around $9.7 billion in bonds outstanding, putting it among China's top 30 most indebted companies, according to Dealogic. The heavy debt load has led at least one big Chinese bank to become more cautious about lending to HNA, said a senior corporate-finance officer at the bank. HNA executives say the group is trimming its debt level.

To be sure, HNA hasn't been completely untouched by the outbound deal slowdown. Earlier this month, the group said it had to delay a planned $322 million purchase of a stake in a Swedish hotel group because it hadn't yet gotten approval to move the money out of China.

Still, HNA and its affiliates have announced eight outbound deals valued at $4 billion since January, in countries from Poland to New Zealand, according to Dealogic.

The group is pushing hard in the U.S., where it has invested some $36 billion over the past six years, and has set up a unit of its finance arm, HNA Capital. The company has been making connections with U.S. financial and political power brokers, including **Blackstone Group** Chairman Stephen Schwarzman.

For deals, HNA is "the only game in town at the moment," said a senior M&A banker in Hong Kong, who has advised HNA on some of its purchases.

In mainland China, HNA mandates that emails on Fridays be in English.

HNA was co-founded in 1993 by former aviation bureaucrat Chen Feng on China's southernmost island province of Hainan. It currently has the company's employees and an HNA charitable foundation among its shareholders, according to HNA executives.

Initially formed with money from Hainan's local government to run its only airline, HNA's group holding company no longer has state ownership, HNA's Mr. Gao says. Its headquarters features an eclectic mix of Roman columns, Taoist sculptures, a red-and-yellow chandelier designed by American glass sculptor Dale Chihuly and six giant works by Liu Yuyi, a Chinese painter known for his depictions of Mao Zedong and Communist themes.

HNA executives and bankers say a big reason for the group's continued ability to invest outside China is a hefty supply of overseas funds. That lets the group purchase in dollars without worrying about getting money out of the mainland past China's tightened capital controls, they say.

"For the last few deals, we financed everything from cash flow offshore," said Guang Yang, New York-based chief investment officer of HNA Capital. "We don't have to move [yuan] offshore."

HNA issues a lot of bonds: Last year, its debt equaled a relatively high 60% of total assets and around 10 times its earnings before interest, taxes, depreciation and amortization, or Ebitda, according to executives and an analyst estimate.

HNA says about 70% of the group's 410,000 workers are based outside of the mainland, and that it last year pulled nearly half of its revenue from overseas. Mr. Chen has said he wants HNA to rank in the global top 10 companies by revenue during the next decade—executives say it is currently in the top 100.

HNA is pushing to internationalize in the mainland, assigning all its employees English names and mandating emails on Fridays be in English, executives and employees say.

—Julie Steinberg and Anjani Trivedi contributed to this article.

First Talks, Then Acrimony

Berlusconi and Bolloré still want to establish the Netflix of Europe, but a feud took shape

By Nick Kostov
And Manuela Mesco

Two of Europe's richest men want to remake the Continent's turmoil-wracked media business. First, they have to patch up their tattered personal and business relationship.

In January 2016, Silvio Berlusconi, the television mogul and flamboyant former Italian prime minister, sat down for lunch with a longtime friend and business partner—Frenchman Vincent Bolloré, whose media conglomerate **Vivendi SA** spans music, TV and videogames. The lunch, at Vivendi's Paris headquarters overlooking the Arc de Triomphe, eventually blossomed into a bold, joint ambition: to create the Netflix of Europe by stitching together local content and distribution across the Continent.

"We talked about where the world is going," said another person at the lunch. "The industrial desire to get married, to work together was on the table," this person said.

More than a year later, those efforts have unraveled into bitterness, pitting Mr. Bolloré's Vivendi against Mr. Berlusconi's **Mediaset** SpA in one of Europe's biggest recent corporate standoffs. Over the summer, as Mr. Berlusconi was recovering from open-heart surgery, Vivendi backed out of a deal to buy Mediaset's premium pay-TV service, publicly questioning its performance.

Mediaset sued. Then in December, Vivendi started accumulating Mediaset shares on the open market, eventually spending €1.26 billion ($1.38 billion) for an almost 30% stake. Mediaset accused it of orchestrating a hostile takeover.

Both sides still want a friendly deal, according to people familiar with each camp. People familiar with Mr. Bolloré's thinking say he is counting on his large stake in Mediaset to force Mr. Berlusconi to the table.

"There are many reasons why it's a win-win situation for both companies to resolve this conflict," said Vivendi Chief Executive Arnaud de Puyfontaine.

People familiar with the view of Mr. Berlusconi and Fininvest SpA, the family holding company that controls Mediaset with a 40% stake, said he isn't rolling over and wants Mr. Bolloré to return to the original pay-TV deal.

Italian regulators strengthened Mr. Berlusconi's hand earlier this month, ruling Vivendi must sell either its Mediaset shares or its 24% stake in **Telecom Italia**, SpA, the telecom carrier that many executives see as more important to Mr. Bolloré's pan-European media ambitions. Vivendi said it would appeal.

A detente could reshape Europe's media landscape, where insurgent competitors are elbowing in on the turf of established players. Cooperation between Messrs. Bolloré and Berlusconi would consolidate their positions with a collection of content and distribution assets across Europe.

A strength of a Vivendi-Mediaset deal would be local-language content.

When the two companies were getting along, executives on both sides touted the idea of building a rival to Netflix Inc., the U.S. streaming service that is expanding rapidly across Europe. A particular strength of a Vivendi-Mediaset tie-up would be local-language content, which is currently in short supply at Netflix.

Other competitors, meanwhile, are roiling the industry. Rupert Murdoch's **21st Century Fox Inc.** is seeking regulatory approval for a $15 billion deal to buy the 61% of British pay-TV giant **Sky** PLC it doesn't already own. That move would further bolster those two companies' content and reach across Europe. Mr. Murdoch and his family are major shareholders of both 21st Century Fox and **News Corp**, the owner of The Wall Street Journal.

Mr. Bolloré, 65 years old, has made a fortune by swooping in and seizing control of businesses—sometimes in quick takeovers, and other times through slow, steady stake-building. In less than two years, he built a 5% stake in Vivendi into a 20% controlling interest.

Under Mr. Bolloré, Vivendi targeted assets to marry with its existing core media businesses including Universal Music Group and French pay-TV company Canal Plus. Last year, he orchestrated a hostile takeover of mobile-game developer Gameloft SE.

He has also built up a roughly 25% stake in **Ubisoft Entertainment** SA, the maker of the "Assassin's Creed" videogame series. Ubisoft Chief Executive Yves Guillemot recounts that two hours after a friendly call with Mr. Bolloré, Vivendi surprised him by announcing it had bought up 6.6% of the company.

"It was a really bad start," Mr. Guillemot said. Vivendi wants board representation but has been rebuffed by Mr. Guillemot.

In September, Mr. Bolloré sent an email to Mr. Berlusconi on his 80th birthday, wishing him a speedy recovery from his heart surgery, according to a person familiar with the matter. Mr. Berlusconi responded almost immediately. He thanked him, saying "'let's hope we can finally work together." Since then, though, the companies have had virtually no contact, people familiar with the situation say.

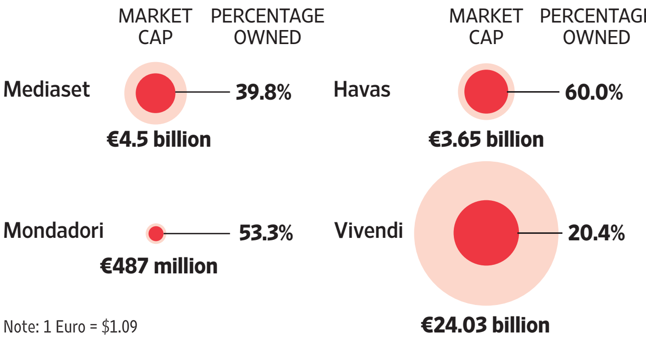
—Stu Woo contributed to this article.

Media Stalemate

Two of Europe's most powerful magnates have been maneuvering warily through on-off talks to cooperate on a pay-TV venture.

Silvio Berlusconi

Vincent Bolloré



Owned by Vivendi: Canal Plus, Universal Music, Gameloft

Note: 1 Euro = $1.09

Photos: Berlusconi, Alessandra Benedetti (Corbis/Corbis via Getty Images); Fred Tanneau (AFP/Getty Images)

Sources: Factset; the companies

THE WALL STREET JOURNAL.

Big Auto Makers Upbeat in Europe

By Eric Sylvers

The European car industry received a confidence boost Wednesday as the Continent's manufacturers continued to post positive first-quarter results, raising expectations that the region will join the U.S. in returning to its precrisis record for new vehicle sales.

Fiat Chrysler Automobiles NV reported results that beat expectations, leading to a jump of almost 10% in the company's stock.

Daimler AG, the maker of Mercedes-Benz cars, said quarterly net profit had doubled as sport-utility vehicle sales surged and raised its forecasts for the year. **Peugeot**, which during the first quarter reached an agreement to buy General Motors Co.'s European business, reported a 4.9% rise in revenue that beat expectations.

Wednesday's results come after strong showings last week from **Volkswagen** AG and **BMW** AG.

Car makers sold 14.6 million new vehicles in the EU in 2016, the highest number in almost a decade, yet the region has had a long journey back from the financial crisis and volume is still about 6% below the precrisis high set in 2007. That compares with the U.S., where auto makers sold 17.6 million vehicles in 2016, a second straight yearly record.

The European recovery has been uneven, with some countries, including Germany and the U.K., passing their prerecession highs for car sales. Those on the southern edge of the Continent, such as Italy, haven't made it yet.

The results and upbeat forecasts will help to appease an industry that has been on edge despite signs of improvement.

Fiat Chrysler reported an 11% increase in first-quarter profit as revenue advanced and the Italian-American car maker had improved results in its two main markets. In the U.S., profit edged up 1% even as the company sold 6% fewer vehicles.

The company's shares closed 9.3% higher in Milan at €10.60 ($11.58), the best-performing auto stock in Europe.

Daimler's net profit in the three months to the end of March doubled to €2.7 billion ($3 billion). The company said revenue and operating profit would "increase significantly" this year.

Peugeot, known as Group PSA, said revenue in the first quarter rose to €13.6 billion as sales of higher-margin new cars helped offset currency pressure. The company expects the auto market to grow about 1% in Europe this year.

QILAI SHEN/BLOOMBERG NEWS

Daimler Smart Fortwo vehicles at the Shanghai auto show this month. The auto maker said its quarterly net profit doubled.

Twitter's Revenue Takes a Hit

By Georgia Wells

For social-media companies, popularity doesn't always pay off, as **Twitter** Inc.'s sinking revenue shows.

Twitter on Wednesday said nine million new monthly users joined its social network in the first quarter—the most in two years—but revenue fell for the first time since going public, raising questions about how the company is going to hit its goal of becoming profitable this year.

"We're moving in the right direction, but it just takes a while," Twitter's chief financial and operating officer, Anthony Noto, said on the earnings call.

Twitter, which has posted net losses every quarter since going public in late 2013, posted a loss of $61.6 million in the first quarter, compared with a loss of $79.7 million a year ago.

Twitter's struggles reflect the challenge of its industry: how to turn eyeballs into dollars. Twitter and its rivals—**Facebook** Inc. and Snapchat parent **Snap** Inc.—make money mostly through advertising on their platforms.

But competition for ad dollars is fierce. Facebook and Google, part of **Alphabet** Inc., dominate digital advertising. Snapchat, which listed its ability to attract new advertisers as a risk factor in its public filing document earlier this year, is carving out a niche by focusing on high-production ads, such as full-screen videos of new cars. Meanwhile, Twitter's share of world-wide digital ad spending is expected to shrink slightly to 1% this year, according to data firm eMarketer.

Even Facebook has said it is nearing a ceiling on how many ads it can serve users in its main news feed.

Facebook, like Twitter, sees video as a way to sell more valuable advertising.

Twitter's global ad revenue in the first quarter fell 11% from a year ago, a steeper slide than its 8% drop in overall revenue to $548.3 million. Advertising makes up about 85% of the company's revenue.

The declines in Twitter's common ad formats—promoted tweets and direct response ads, which are designed to elicit a click—"make it difficult to call a bottom on revenue," Wells Fargo analyst Peter Stabler said in a note.

One bright spot in Twitter's advertising effort has been video, which brought in the largest portion of ad revenue in the first quarter. During the first quarter, Twitter streamed more than 800 hours of live video from its partners, such as the National Hockey League and Billboard, compared with 600 hours during the previous quarter. (Users can also stream their own live video.) The content is popular with advertisers, in part because it reaches young people. Half of Twitter's audience in live streaming is under 25, Mr. Noto said.

But in video, Twitter is again battling Facebook and Snapchat. Facebook is eyeing on-demand video, especially original programming and weekly series, with episodes lasting up to 30 minutes, people familiar with the matter have said. Snapchat users increasingly communicate via video.

Twitter is pitching its user growth to the advertising market as a sign of the company's progress, said Ronald Josey, senior internet analyst with JMP Securities, because advertisers are drawn to growing platforms that get them more visibility per dollar.

Twitter has played up its average daily active usage—not just its monthly user base, which rose to 328 million—in recent quarters to show its users visit the platform frequently. Daily usage in the first quarter accelerated, growing 14% compared with the previous year. That helped send Twitter's shares up more than 8%. As of Tuesday's close, Twitter shares had slipped 17% in the past 12 months.

—Deepa Seetharaman contributed to this article.

DAVID PAUL MORRIS/BLOOMBERG NEWS

Twitter added nine million new monthly users, but its revenue fell for the first time since the IPO.

U.S. Aims To Ease Internet Oversight

By John D. McKinnon

WASHINGTON—A top federal regulator proposed rolling back Obama-era net neutrality rules, fanning a political debate with far-reaching implications for the internet and its users.

In a speech, Federal Communications Commission Chairman Ajit Pai said Wednesday he seeks a new rule-making proceeding to reverse the 2015 rule that reclassified internet providers as common carriers, subjecting them to utility-style oversight.

"Going forward, we cannot stick with regulations from the Great Depression meant to micromanage Ma Bell," Mr. Pai said in prepared remarks. "Instead, we need rules that focus on growth and infrastructure investment, rules that expand high-speed internet access everywhere and give Americans more online choice, faster speeds and more innovation."

The new rule making also would eliminate part of the net neutrality rule that gives the FCC broad authority over internet providers' conduct, a provision that Mr. Pai termed "a roving mandate to micromanage the internet."

Opponents were already up in arms before Mr. Pai spoke. Ahead of the announcement, about 800 tech firms said in a letter to him that they were "deeply concerned" about his plans. They said their businesses depend on an open internet, and suggested his plan could allow big cable and wireless companies to "discriminate against people like us."

At the same time, more than 20 small-town cable and other internet-service providers urged him to move quickly to change the rules, saying the net neutrality regime has been "all cost and no benefit."

Tencent Opens U.S. Data Center

By Liza Lin

Chinese internet company **Tencent Holdings** Ltd. opened its first data center in Silicon Valley this week, expanding cloud-computing services into the U.S. even as American companies complain they face growing restrictions when doing the same in China.

With Wednesday's statement, Tencent becomes the second Chinese company to open such a center in the U.S.'s technological heartland. **Alibaba Group Holding** Ltd., China's largest e-commerce company, already operates two data centers there and a third on the East Coast.

Alibaba and Tencent are boosting their cloud-computing businesses as they seek to tap the growth of Chinese companies and their demand for computing power overseas.

Cloud platforms offer storage, computing and networking resources to help companies grow at lower costs. Data is stored and accessed over the internet, reducing the need for on-site servers.

Tencent's statement comes a month after a group of U.S. lawmakers wrote a letter to China's ambassador, Cui Tiankai, in Washington over China's limits on cloud computing for foreign companies.


ZHU MIN/IMAGINECHINA/ZUMA PRESS

Tencent's headquarters in Shenzhen, China. The company is adding cloud services in Silicon Valley.

Beijing already requires overseas cloud providers to form joint ventures to operate in the country. It has proposed requiring them to turn over essentially all ownership and operations to Chinese partners, the lawmakers argued in the letter viewed by The Wall Street Journal. This could result in the transfer of valuable U.S. intellectual property, according to the letter.

"The access for foreign cloud companies in the market today is much more restrictive than it has been in the past," said Jake Parker, the vice president for China operations at the U.S.-China Business Council, an organization that represents 200 U.S. multinational companies operating in the country.

In November, China's Ministry of Industry and Information Technology put out a draft notice of an industry regulation that would potentially shift a lot of operational control to the Chinese partner, he said. The final version has yet to be released, said Mr. Parker, who is based in Beijing.

The MIIT wasn't immediately available for comment.

China's market for cloud infrastructure as a service rose 68% to $1.47 billion in 2016, according to industry researcher IDC. **Microsoft** Corp. and **Amazon.com** Inc. have to provide services in China through joint ventures with local partners, and lag behind Alibaba Cloud in the nation, despite strong market shares elsewhere.

Alibaba controls 40% of the market, while Microsoft, the biggest foreign cloud provider in the Asian country, has 5%, according to IDC.

Tencent—which runs WeChat, China's largest social-messaging platform, with 889 million monthly active users—said it is increasing the number of data centers world-wide as demand rises for cloud services from the online-games, internet-finance and other web-related industries. The Shenzhen-based company said it would also open four centers in Frankfurt, Moscow, Mumbai and Seoul, and has plans to expand its Silicon Valley center.

—Dan Strumpf contributed to this article.

As Chips Spread, Their Manufacturers Thrive

By Timothy W. Martin And Eun-Young Jeong

Semiconductors give self-driving vehicles their brains, help servers crunch data and dictate how fast a smartphone can juggle texting and streaming videos. That has put the unheralded chips business at the front line of Silicon Valley's biggest battles today.

The proliferation of connected devices and big data is giving new clout to chip makers such as **Samsung Electronics** Co., **Intel** Corp., **Qualcomm** Inc. and **Toshiba** Corp. The result is an unprecedented semiconductor boom, as surging demand boosts prices and hands an advantage to companies that can secure supplies of the must-have components.

Prices of two main types of memory chips—one for content storage, known as NAND, and another giving devices their multitasking speed, known as DRAM—rose 27% and 80%, respectively, from July through March, according to DRAMeXchange, which tracks sales and prices.

Samsung, which has a dominant place in both markets, has benefited: chips represented about 54% of its operating profit in the fourth quarter, up from 24% in the same period three years earlier.

The proliferation of connected devices and big data is giving new clout to chip makers.

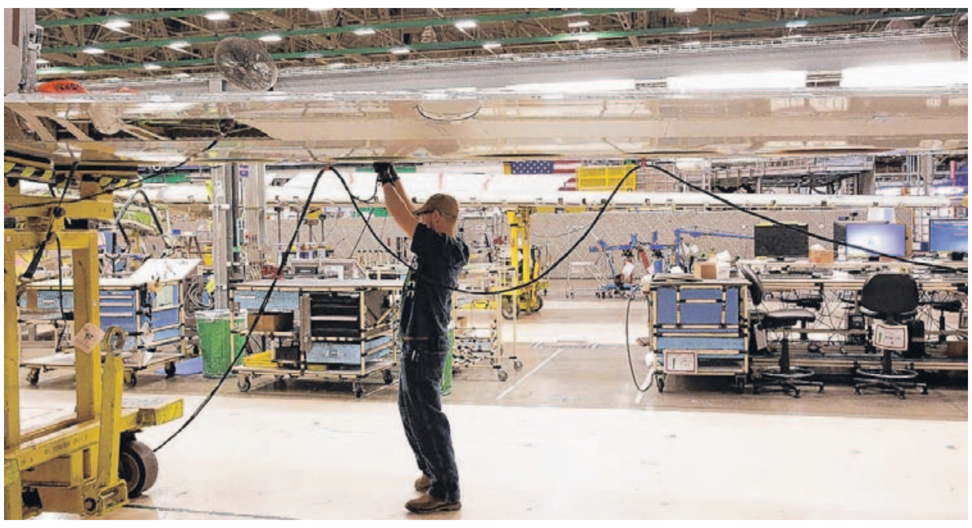
Samsung's shares have gained about 30% over the last six months, and in recent weeks have hit record highs. Other memory-chip makers, such as SK Hynix Inc., have posted strong earnings, while suppliers of semiconductor-manufacturing gear, such as Applied Materials Inc. and Lam Research Corp., have seen their shares skyrocket.

Semiconductors are in nearly every electronic gadget and home appliance. In 2014, there were 3.8 billion connected "things" world-wide, from televisions to baby monitors to thermostats, according to Gartner Inc., which projects that number will rise to 8.4 billion this year and 20.4 billion by 2020.

The annual revenue of the chip business has almost doubled since 2003 to $352 billion, according to IHS Markit. And analysts estimate that figure will double, if not triple, in the next decade.

"This is just the start," said Avril Wu, research director at DRAMeXchange.

BUSINESS WATCH


JASON REDMOND/REUTERS

A wing under assembly at a Boeing plant in Renton, Wash. Boeing is rethinking its supply chain.

GLAXOSMITHKLINE

CEO Narrows Focus In Drug Research

GlaxoSmithKline PLC's new boss, Emma Walmsley, said Wednesday that she plans to narrow the company's drug research to focus only on the biggest opportunities.

Ms. Walmsley, who became chief executive on April 1, faces a sparse late-stage pipeline emptied by several recent drug launches. It falls to her to place big bets on the drugs in earlier-stage development that hold the most promise.

She said she wanted "more focused priorities" in drug research that would lead to fewer, but bigger, launches.

Ms. Walmsley's remarks came as Glaxo posted solid revenue and earnings growth for the first quarter amid strong sales of newer drugs such as HIV pill Tivicay.

Adjusted operating profit, a measure that strips out one-time items, rose 30% to £1.98 billion ($2.54 billion), while revenue climbed 19% to £7.38 billion. Net income nearly quadrupled to £1.05 billion, from £282 million a year earlier when earnings were hurt by a £489 million charge related to the re-evaluation of various joint ventures.

—Denise Roland

WALT DISNEY

Sports Outlet ESPN Announces Layoffs

Walt Disney Co.'s ESPN is laying off about 100 employees, including on-air talent, a person familiar with the matter said, as it looks to cut costs amid challenging times in the pay-television business.

"Dynamic change demands an increased focus on versatility and value, and as a result, we have been engaged in the challenging process of determining the talent—anchors, analysts, reporters, writers and those who handle play-by-play—necessary to meet those demands," wrote ESPN President John Skipper in a blog post Wednesday morning.

—Shalini Ramachandran

BOEING

Jet Maker May Move More Work In-House

Boeing Co. could bring more work in-house as part of an effort to reduce the cost of building jetliners that also includes introducing more automation and job cuts.

The U.S.-based aerospace company buys between 60% and 70% of the parts for its commercial and military products from external suppliers that have been pressured to reduce prices and boost efficiency, often in return for a greater volume of work as Boeing raises jet output.

"We are thinking through future supply-chain architecture," Chief Executive Dennis Muilenburg said on an investor call after Boeing reported quarterly earnings. Boeing posted net profit of $1.45 billion for the quarter compared with $1.22 billion a year earlier, even as sales dropped 7% to $21 billion following a decline in deliveries of commercial and military aircraft.

—Doug Cameron

A Potential Win for Lenders

Banks' gains from tax cut mean they could potentially recoup value of write-downs

BY MICHAEL RAPOPORT AND TELIS DEMOS

MICAH B. RUBIN FOR THE WALL STREET JOURNAL

At Bank of America, only about $7 billion of the firm's net deferred-tax assets is in the U.S.

A cut in the corporate tax rate would involve immediate pain for some big banks, namely **Citigroup** Inc. and **Bank of America** Corp., but an eventual earnings boost should more than make up for that.

A corporate tax cut from the current 35% to 15%, which the White House proposed on Wednesday, would lower companies' tax bills and fatten their bottom lines.

A lower tax rate would mean banks such as Citigroup and Bank of America would have to take billions of dollars in charges against earnings to write down the value of their giant piles of "deferred tax assets."

These assets consist of tax credits or deductions that typically spawned from big losses, like those the banks experienced during the financial crisis. They are essentially IOUs the banks can use to defray future tax bills.

If those tax bills are reduced in the future by a rate cut, the deferred-tax assets would be worth less. That could lead Citigroup to write down their value by anywhere from $6 billion to $12 billion, based on some figures the bank has provided and analysts' calculations and depending on the ultimate contours of a tax-rate overhaul. Bank of America's hit could be around $4 billion.

Citigroup had $46.7 billion of net deferred-tax assets as of the end of 2016, while Bank of America had $19.2 billion.

The hit to earnings would be a one-time event, though. The offset is that the banks "are going to make more money for life," said John McDonald, at Sanford C. Bernstein. "What the market does care about is earnings, and their earnings would be permanently improved."

In fact, the gain to the banks' bottom lines from lower tax rates means they could potentially recoup the value of the write-downs in a year or two.

The banks "should be willing to make the trade-off," said Michelle Hanlon, an accounting professor at the Massachusetts Institute of Technology's Sloan School of Management.

What's more, deferred-tax assets are complex, and it will take time to gauge just how much of a write-down banks will have to take.

Much of Citigroup's net deferred-tax assets, for example, consist of state or foreign deductions and credits or other assets that wouldn't be affected by a cut in the U.S. federal tax rate.

John Gerspach, the bank's chief financial officer, told analysts last November that a drop to a 25% corporate tax rate could translate into a charge of roughly $6 billion.

A reduction in the rate to 15% could raise the write-down to $10 billion, Bernstein analysts estimated.

Changes to the overall system for levying corporate taxes could also have an impact. Currently, the U.S. taxes corporate profits no matter where in the world they are earned. But there is debate about shifting the system to a so-called territorial one, where taxes are only levied on profits generated in the U.S.

Citigroup's Mr. Gerspach has said that a move to such a system, coupled with a reduction in the tax rate to 25%, could lead the bank to take a $12 billion write-down.

The magnitude of a write-down could also depend in part on how quickly a tax-rate reduction is put into effect. "There's a lot of moving pieces," he said, adding that to the extent the tax rate is reduced over time, a write-down "would likely be lower."

At Bank of America, only about $7 billion of the firm's net deferred-tax assets is in the U.S. and subject to revaluation. That would lead to a write-down of around $4 billion if the tax rate is lowered to 15%, a person familiar with the situation said.

Such write-downs wouldn't only affect profits. They would also cut into a bank's book value, or net worth. Some measures of a bank's regulatory capital could also be affected, though the impact there would be limited because only a slice of the tax assets can be counted toward regulatory capital to begin with.

And any reduction could be made back fairly quickly. Based on Bank of America's 2016 net income and effective tax rate, the firm would likely recoup nearly all of its write-down within a year through higher net income.

At Citigroup, Chief Executive Michael Corbat said on a conference call in January that while corporate tax reform could lead to a tax-asset write-down, it would "result in higher net income and improved returns."

Bernstein estimated Citigroup's 2018 earnings per share could jump by 84 cents with a 15% tax rate.

Tax Plan Is Likely To Boost Earnings

BY WSJ STAFF

President Donald Trump unveiled a proposal to cut corporate taxes and reduce the top tax rate on pass-through businesses, including many owner-operated companies, to 15% from 39.6%.

Here's what the change would mean for Wall Street:

Earnings

The tax plan could potentially provide a big lift to corporate earnings for publicly traded companies.

Every 1-percentage-point reduction in the effective tax rate—what companies actually pay—could increase expected earnings for companies in the S&P 500 by $1.34 a share, according to calculations by S&P Global Market Intelligence.

Many investors have become worried that stocks are starting to look expensive, and tax cuts "would alleviate much of the concern about valuations," said Bruce Bittles, chief investment strategist at Robert W. Baird.

—Aaron Kuriloff

Small-Cap Stocks

Many investors expect a corporate tax cut to boost small stocks more than shares of larger companies.

Their reasoning: Multinational companies are able to defer U.S. taxes on profits earned overseas, but many smaller firms make most of their profits on domestic sales.

—Corrie Driebusch

Dollar

Dollar bulls are cautiously optimistic about the tax plan. Even though an outline released Wednesday lacked elements that were expected to boost the dollar directly, some still believe that if the plan passes in current form it would be broadly positive for the dollar.

Some Republicans lawmakers have advocated a plan that would encourage U.S. companies to repatriate overseas earnings, a provision that wasn't mentioned in the outline. That could have given the dollar a boost because firms would need to exchange foreign currencies for the dollar.

Investors betting on the dollar's rise were also disappointed that a border-tax adjustment plan, which would tax imports but not exports, was left out. The proposal was expected to bolster the dollar by raising demand for U.S. products overseas.

Yet a big corporate tax cut could still boost the dollar by heating up the nation's economy, investors said. Stronger growth could lead the Federal Reserve to raise rates at a faster pace, making the dollar more attractive to yield-seeking investors.

—Ira Iosebashvili

Banks

Banks could get a double benefit from a tax cut. It would fatten their own bottom lines but also those of customers. If customers then invest more and spur economic growth, that could fuel more lending, further bolstering banks' profits.

One fly in the ointment, at least for some big banks: **Citigroup** Inc. and **Bank of America** Corp. are sitting on huge piles of deferred tax assets—$46.7 billion and $19.2 billion, respectively, of credits and deductions that can be used to reduce future tax bills. The banks would likely have to write down a portion of these assets if tax rates are cut, resulting in billions of dollars in charges that reduce profits.

That would be a one-time event, while the gain to profits would be permanent.

—Michael Rapoport

Hedge-Fund Coatue Places Wager on 'Big Data' Firm

BY BRADLEY HOPE

Data scientists at **Coatue Management** LLC spent the past few years digging into new data sets to gain an edge in investing. Now, the firm is betting on data science itself as hedge funds across Wall Street push into "big data" analysis to find trading opportunities.

The hedge fund led a $27 million funding round for a company called **Domino Data Lab** Inc., a San Francisco startup founded by **Bridgewater Associates** LP alumni, the companies announced Wednesday. Other investors in the round include **Bloomberg Beta**, **Zetta Venture Partners** and Sequoia Capital, all three of which invested in earlier rounds.

Coatue, which has $10.5 billion of assets under management, according to a person familiar with the company, is investing in Domino through a new fund dedicated to investments in private companies.

As more hedge funds dig into growing amounts of data available that can give indications on revenues at companies ahead of quarterly announcements and hints at economic growth before government numbers are published, they are hiring more data scientists to do more intensive analysis than hedge funds are used to doing.

For example, a firm could dip into location data collected by a mobile phone app to find out if more people are visiting Nordstrom Inc. than in previous quarters. Getting the data into the right condition and running statistical analysis on it to find significant changes requires new skills. The app likely only collects a small sample of overall visitors to the store, so without proper care a novice could find signals that aren't reliable for investing.

"The biggest challenge for hedge funds getting into these alternative data sets is analyzing the data," said Rado Lipuš, founder of **Neudata** Ltd., which helps financial firms find new data sets to drive investments. "It's taken some firms years to get right."

Domino's software allows data scientists to run experiments and analyze data in a collaborative program, which helps analysts at Coatue discover new trends and hand them to portfolio managers to act on.

Coatue is betting Domino can beat competitors such as Cloudera Inc. and **Ufora** Inc. to be for data science what **Microsoft** Excel is for financial analysts.

"Data science and artificial intelligence are the most important trends in technology today," said Thomas Laffont, senior managing director at Coatue. "But we realized in our own internal work that doing data science is very time consuming."

$27M

Amount of the latest funding round for Domino Data Lab

Mr. Laffont sees quantitative hedge funds such as **Renaissance Technologies** LLC and D.E. Shaw & Co. as the first wave of using data science to drive profits by finding hidden patterns in the markets. Alphabet Inc.'s Google and Facebook Inc. followed next, using data to drive ad sales and engagement with their web offerings. The third wave, he said, is the rest of the corporate and financial world using the tool to drive their businesses.

Financial clients are a big and growing driver of Domino's business, as more investment firms delve into "alternative data," said Nick Elprin, the CEO and co-founder of Domino who previously spent seven years designing technology at Bridgewater—the largest hedge fund in the world. Everything from credit-card receipts to satellite images of corn crops are increasingly driving Wall Street investments in a major trend that is still in an early stage, industry observers say.

"At Bridgewater, I learned that the key to faster quantitative research and data science was to iterate on ideas more quickly," Mr. Elprin said. "Technology can allow for faster experimentation and move ideas from development into production quickly."

The other co-founders of Domino are Christopher Yang, a former Bridgewater software developer, and Matthew Granade, former head of research at Bridgewater. Mr. Granade is now leading a data-focused transformation as chief market intelligence officer at Point72 Asset Management LP, which manages Steven A. Cohen's fortune.

Venture-capital firms backed by Mr. Cohen and other quantitative investment firms have been plowing money into data and quantitative startups recently. **Point72 Ventures** last year bought a stake in Quantopian Inc., a Boston-based firm that lets anyone try their hand at developing trading algorithms and selects the best ones to run in actual trading. Mr. Cohen also pledged up to $250 million to Quantopian's own hedge fund that runs those crowdsourced algorithms.

WorldQuant Ventures LLC, whose founder Igor Tulchinsky runs the $5 billion quantitative investment firm WorldQuant LLC, has invested in data-focused companies such as PsychSignal—which analyzes social media for "mood" and other signals—and Estimize—which creates crowdsourced earnings estimates for public companies. **Two Sigma Ventures**, an arm of **Two Sigma Investments**, has a stake in Domino competitor Ufora.

Domino's other clients include companies involved in manufacturing, insurance, life sciences and media, Mr. Elprin said. Canadian debt-ratings company DBRS Ltd. is a client.

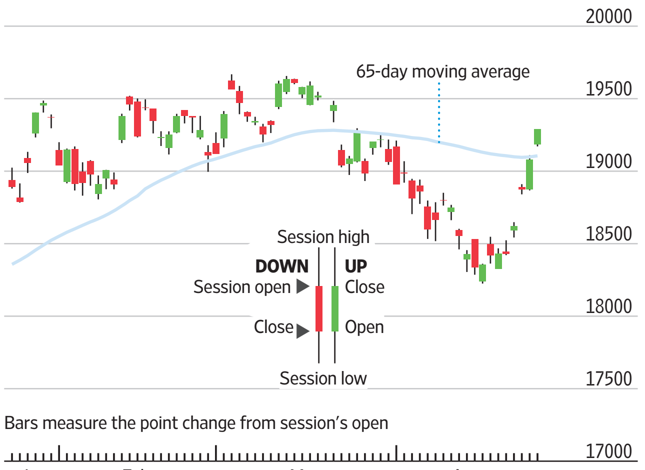
MARKETS DIGEST

Nikkei 225 Index

19289.43 ▲210.10, or 1.10%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲0.92%
52-wk high/low	19633.75	14952.02
All-time high	38915.87	12/29/89



Bars measure the point change from session's open

STOXX 600 Index

388.73 ▲1.82, or 0.47%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲7.56%
52-wk high/low	388.73	308.75
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 4 p.m. New York time

2387.45 ▼1.16, or 0.05%

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

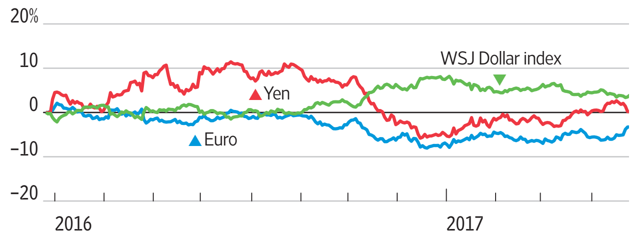
Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2741.71	4.10	0.15	2193.75	2745.80	8.4
	MSCI EAFE	1843.38	7.27	0.40	1471.88	1956.39	7.4
	MSCI EM USD	980.99	−1.66	−0.17	691.21	1044.05	23.5
Americas	**DJ Americas**	575.23	−0.56	−0.10	480.90	577.99	6.4
Brazil	**Sao Paulo Bovespa**	64891.53	−256.82	−0.39	48066.67	69487.58	7.7
Canada	**S&P/TSX Comp**	15656.01	−89.18	−0.57	13535.54	15943.09	2.4
Mexico	**IPC All-Share**	49539.65	−268.40	−0.54	43902.25	50147.04	8.5
Chile	**Santiago IPSA**	3733.96	−12.37	−0.33	2998.64	3786.05	15.8
U.S.	**DJIA**	20975.09	−21.03	−0.10	17063.08	21169.11	6.1
	Nasdaq Composite	6025.23	−0.27	−0.004	4574.25	6040.89	11.9
	S&P 500	2387.45	−1.16	−0.05	1991.68	2400.98	6.6
	CBOE Volatility	10.77	0.01	0.09	9.97	26.72	−23.3
EMEA	**Stoxx Europe 600**	388.73	1.82	0.47	308.75	388.73	7.6
	Stoxx Europe 50	3197.65	10.89	0.34	2626.52	3199.61	6.2
Austria	**ATX**	2974.66	26.35	0.89	1981.93	2975.69	13.6
Belgium	**Bel-20**	3890.83	1.14	0.03	3127.94	3898.88	7.9
France	**CAC 40**	5287.88	10.00	0.19	3955.98	5296.52	8.8
Germany	**DAX**	12472.80	5.76	0.05	9214.10	12486.29	8.6
Greece	**ATG**	706.40	9.08	1.30	517.10	706.44	9.8
Hungary	**BUX**	33198.93	−320.14	−0.96	25126.36	34334.92	3.7
Israel	**Tel Aviv**	1410.75	7.84	0.56	1372.23	1490.23	−4.1
Italy	**FTSE MIB**	20836.51	30.99	0.15	15017.42	20883.66	8.3
Netherlands	**AEX**	524.46	0.41	0.08	409.23	526.25	8.5
Poland	**WIG**	61699.64	516.86	0.84	42812.99	61699.64	19.2
Russia	**RTS Index**	1119.11	−1.78	−0.16	873.58	1196.99	−2.9
Spain	**IBEX 35**	10763.40	−19.70	−0.18	7579.80	10828.80	15.1
Sweden	**SX All Share**	580.83	2.01	0.35	443.66	580.83	8.7
Switzerland	**Swiss Market**	8830.29	55.05	0.63	7475.54	8837.34	7.4
South Africa	**Johannesburg All Share**	53680.69	423.25	0.79	48935.90	54704.22	6.0
Turkey	**BIST 100**	94522.34	−112.57	−0.12	70426.16	95038.98	21.0
U.K.	**FTSE 100**	7288.72	13.08	0.18	5788.74	7447.00	2.0
Asia-Pacific	**DJ Asia-Pacific TSM**	1573.26	7.64	0.49	1308.52	1574.93	10.6
Australia	**S&P/ASX 200**	5912.00	40.20	0.68	5103.30	5934.00	4.3
China	**Shanghai Composite**	3140.85	6.28	0.20	2806.91	3288.97	1.2
Hong Kong	**Hang Seng**	24578.43	122.49	0.50	19694.33	24593.12	11.7
India	**S&P BSE Sensex**	30133.35	190.11	0.63	25101.73	30133.35	13.2
Japan	**Nikkei Stock Avg**	19289.43	210.10	1.10	14952.02	19633.75	0.9
Singapore	**Straits Times**	3173.76	9.83	0.31	2729.85	3187.51	10.2
South Korea	**Kospi**	2207.84	10.99	0.50	1925.24	2207.84	9.0
Taiwan	**Weighted**	9856.45	14.74	0.15	8053.69	9972.49	6.5

Source: SIX Financial Information; WSJ Market Data Group

Currencies

London close on April 26

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0648	15.4375	−2.7
Brazil real	0.3125	3.2003	−1.7
Canada dollar	0.7352	1.3602	1.2
Chile peso	0.001502	665.70	−0.6
Colombia peso	0.0003422	2922.21	−2.7
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0521	19.1803	−7.5
Peru sol	0.3076	3.2505	−3.1
Uruguay peso-e	0.0355	28.200	−3.9
Venezuela bolivar	0.098799	10.12	1.3
Asia-Pacific			
Australia dollar	0.7461	1.3403	−3.5
China yuan	0.1451	6.8911	−0.8
Hong Kong dollar	0.1285	7.7810	0.3
India rupee	0.0156	64.0921	−5.7
Indonesia rupiah	0.0000751	13307	−1.6
Japan yen	0.008961	111.60	−4.6
Kazakhstan tenge	0.003192	313.33	−6.1
Macau pataca	0.1248	8.0108	1.2
Malaysia ringgit-c	0.2300	4.3475	−3.1
New Zealand dollar	0.6879	1.4537	0.7
Pakistan rupee	0.0096	104.700	0.3
Philippines peso	0.0201	49.825	0.4
Singapore dollar	0.7153	1.3980	−3.4
South Korea won	0.0008814	1134.58	−6.1
Sri Lanka rupee	0.0065699	152.21	2.5
Taiwan dollar	0.03322	30.099	−7.3
Thailand baht	0.02899	34.490	−3.7
Europe			
Bulgaria lev	0.5558	1.7993	−3.2
Croatia kuna	0.1456	6.868	−4.2
Euro zone euro	1.0876	0.9195	−3.3
Czech Rep. koruna-b	0.0404	24.766	−3.6
Denmark krone	0.1462	6.8420	−3.2
Hungary forint	0.003479	287.43	−2.3
Iceland krona	0.009373	106.69	−5.6
Norway krone	0.1164	8.5917	−0.6
Poland zloty	0.2571	3.8890	−7.1
Russia ruble-d	0.01752	57.068	−6.9
Sweden krona	0.1138	8.7860	−3.5
Switzerland franc	1.0045	0.9955	−2.3
Turkey lira	0.2787	3.5879	1.8
Ukraine hryvnia	0.0376	26.5700	−1.9
U.K. pound	1.2834	0.7792	−3.8
Middle East/Africa			
Bahrain dinar	2.6525	0.3770	−0.05
Egypt pound-a	0.0556	17.9940	−0.8
Israel shekel	0.2745	3.6433	−5.3
Kuwait dinar	3.2856	0.3044	−0.4
Oman sul rial	2.5974	0.3850	0.01
Qatar rial	0.2746	3.641	0.03
Saudi Arabia riyal	0.2666	3.7505	−0.01
South Africa rand	0.0750	13.3261	−2.7

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.91	0.38	0.43	−3.25

Sources: Tullett Prebon, 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	1.696	40.7	39.4	51.5	119.8	1.669	1.767	2.066
4.750	10	2.639	32.8	27.2	34.8	73.2	2.607	2.761	2.663
3.000	**Belgium** 2	-0.537	-182.6	-177.5	-175.8	-132.4	-0.501	-0.505	-0.456
0.800	10	0.828	-148.3	-151.2	-152.9	-141.5	0.823	0.883	0.517
0.000	**France** 2	-0.431	-172.1	-168.0	-174.6	-131.1	-0.406	-0.493	-0.443
1.000	10	0.893	-141.8	-144.5	-141.7	-129.7	0.890	0.996	0.635
0.000	**Germany** 2	-0.692	-198.1	-195.4	-199.2	-135.6	-0.679	-0.739	-0.488
0.250	10	0.352	-195.9	-195.8	-200.6	-162.8	0.377	0.406	0.304
0.300	**Italy** 2	-0.086	-137.6	-132.4	-133.1	-84.5	-0.050	-0.078	0.023
2.200	10	2.312	0.1	-7.1	-18.5	-39.2	2.264	2.228	1.540
0.100	**Japan** 2	-0.199	-148.8	-148.2	-151.2	-113.1	-0.208	-0.259	-0.263
0.100	10	0.019	-229.2	-231.4	-234.8	-203.0	0.021	0.065	-0.099
4.000	**Netherlands** 2	-0.627	-191.6	-187.8	-199.0	-134.4	-0.604	-0.738	-0.476
0.750	10	0.586	-172.6	-173.2	-176.2	-155.3	0.604	0.651	0.378
4.750	**Portugal** 2	0.326	-96.4	-90.3	-133.6	-59.1	0.372	-0.084	0.277
4.125	10	3.559	124.8	124.3	138.6	115.2	3.578	3.799	3.084
2.750	**Spain** 2	-0.221	-151.0	-150.5	-145.0	-89.3	-0.231	-0.197	-0.025
1.500	10	1.702	-61.0	-68.1	-71.7	-29.6	1.655	1.696	1.636
4.250	**Sweden** 2	-0.615	-190.5	-190.4	-180.8	-124.8	-0.629	-0.556	-0.380
1.000	10	0.651	-166.0	-168.7	-173.6	-97.9	0.648	0.676	0.952
1.750	**U.K.** 2	0.097	-119.2	-115.8	-110.0	-29.9	0.117	0.153	0.569
4.250	10	1.084	-122.7	-125.0	-121.5	-26.7	1.085	1.198	1.665
1.250	**U.S.** 2	1.290	...	...	...	...	1.275	1.253	0.868
2.250	10	2.311	...	...	...	...	2.335	2.413	1.932

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 4/25/2017

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	366.00	-5.75	-1.55%	393.75	360.75
Soybeans (cents/bu.)	CBOT	956.00	-9.00	-0.93	1,092.50	941.25
Wheat (cents/bu.)	CBOT	426.00	-1.00	-0.23	488.75	416.00
Live cattle (cents/lb.)	CME	118.825	3.000	2.59%	118.825	103.150
Cocoa ($/ton)	ICE-US	1,870	18	0.97	2,270	1,756
Coffee (cents/lb.)	ICE-US	130.15	-2.25	-1.70	161.55	130.15
Sugar (cents/lb.)	ICE-US	15.61	-0.67	-4.12	20.81	15.52
Cotton (cents/lb.)	ICE-US	79.12	-0.24	-0.30	80.27	71.86
Robusta coffee ($/ton)	ICE-EU	1929.00	13.00	0.68	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.6065	0.0155	0.60	2.8400	2.4905
Gold ($/troy oz.)	COMEX	1269.00	1.80	0.14	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	17.500	-0.159	-0.90	18.725	16.100
Aluminum ($/mt)*	LME	1,954.00	20.50	1.06	1,972.00	1,688.50
Tin ($/mt)*	LME	19,625.00	75.00	0.38	21,225.00	18,760.00
Copper ($/mt)*	LME	5,688.00	44.00	0.78	6,156.00	5,518.00
Lead ($/mt)*	LME	2,165.50	6.50	0.30	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,603.00	-9.00	-0.34	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,280.00	-70.00	-0.75	11,095.00	9,280.00
Rubber (Y.01/ton)	TCE	218.80	0.50	0.23	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2512.00	26.00	1.05	3,004.00	2,450.00
Crude oil ($/bbl.)	NYMEX	49.40	-0.16	-0.32	57.95	47.58
NY Harbor ULSD ($/gal.)	NYMEX	1.5382	-0.0116	-0.75	1.7833	1.4910
RBOB gasoline ($/gal.)	NYMEX	1.5878	-0.0383	-2.36	1.9012	1.5861
Natural gas ($/mmBtu)	NYMEX	3.260	0.095	3.00	3.5410	2.8170
Brent crude ($/bbl.)	ICE-EU	52.22	-0.35	-0.67	60.09	50.29
Gas oil ($/ton)	ICE-EU	465.50	0.50	0.11	526.50	448.00

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Apr 26

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3403	1.7201	1.3463	0.0120	0.1723	1.4576	0.9855	...
Canada	1.3602	1.7455	1.3663	0.0122	0.1748	1.4790	...	1.0148
Euro	0.9195	1.1802	0.9237	0.0082	0.1182	...	0.6761	0.6860
Hong Kong	7.7810	9.9859	7.8152	0.0697	...	8.4621	5.7207	5.8053
Japan	111.5960	143.2300	112.0900	...	14.3430	121.3600	82.0500	83.2600
Switzerland	0.9955	1.2777	...	0.0089	0.1280	1.0826	0.7319	0.7427
U.K.	0.7792	...	0.7827	0.0070	0.1001	0.8475	0.5729	0.5813
U.S.	...	1.2834	1.0045	0.0090	0.1285	1.0876	0.7352	0.7461

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**0.99278%**	0.43520%
Three month	**1.17178**	0.63835
Six month	**1.43111**	0.91390
One year	**1.78289**	1.24410
Euro Libor		
One month	**-0.39643%**	-0.34914%
Three month	**-0.36071**	-0.27286
Six month	**-0.25871**	-0.15571
One year	**-0.14257**	-0.02900
Euribor		
One month	**-0.37300%**	-0.34300%
Three month	**-0.32900**	-0.25100
Six month	**-0.24800**	-0.14200
One year	**-0.12100**	-0.01100
Yen Libor		
One month	**-0.01579%**	-0.05957%
Three month	**0.00386**	-0.03350
Six month	**0.02429**	-0.00786
One year	**0.13143**	0.08043
	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%**	0.37%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

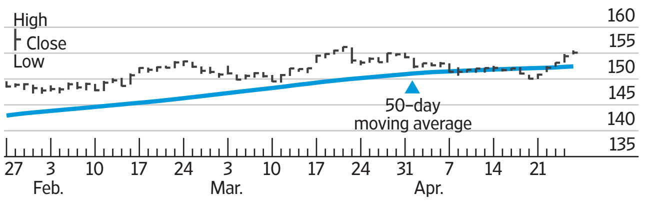
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	51.30	1.89	17.26
¥	AstellasPharma	4503	1565.00	0.81	-3.60
AU$	AustNZBk	ANZ	32.40	1.31	6.51
AU$	BHP	BHP	24.08	0.58	-3.91
HK$	BankofChina	3988	3.79	0.53	10.17
HK$	CKHutchison	0001	96.90	0.05	10.24
HK$	CNOOC	0883	9.07	-0.11	-6.49
AU$	CSL	CSL	130.11	1.18	29.58
¥	Canon	7751	3598.00	1.07	9.20
¥	CentralJapanRwy	9022	19095	0.50	-0.70
HK$	ChinaConstructnBk	0939	6.37	0.31	6.70
HK$	ChinaLifeInsurance	2628	23.80	1.49	17.82
HK$	ChinaMobile	0941	83.65	0.54	1.76
HK$	ChinaPetro&Chem	0386	6.43	...	16.91
AU$	CmwlthBkAust	CBA	87.11	1.02	5.70
¥	EastJapanRailway	9020	10000	0.62	-0.99
¥	Fanuc	6954	23265	1.88	17.41
¥	Hitachi	6501	618.50	3.62	-2.14
TW$	Hon Hai Precisn	2317	98.20	0.31	16.63
¥	HondaMotor	7267	3256.00	2.10	-4.66
KRW	HyundaiMtr	005380	151000	4.50	3.42
HK$	Ind&Comml	1398	5.14	0.78	10.54
¥	JapanTobacco	2914	3795.00	0.88	-1.27
¥	KDDI	9433	2887.50	-0.21	-2.43
¥	Mitsubishi	8058	2405.00	2.08	-3.41
¥	MitsubishiElectric	6503	1538.50	2.02	-5.58
¥	MitsubishiUFJFin	8306	720.00	2.40	-0.03
¥	Mitsui	8031	1570.50	1.19	-2.27
¥	Mizuho Fin	8411	206.20	2.03	-1.72
¥	NTTDoCoMo	9437	2581.00	0.04	-3.08
AU$	NatAustBnk	NAB	33.60	0.69	9.55
¥	NipponTeleg	9432	4711.00	-1.40	-4.09
¥	NissanMotor	7201	1075.00	1.70	-8.55
¥	Panasonic	6752	1360.00	1.91	14.33
HK$	PingAnInsofChina	2318	43.55	0.81	12.24
$	RelianceIndsGDR	RIGD	44.45	-0.22	40.89
KRW	SamsungElectronics	005930	2140000	0.23	18.76
¥	Seven&I Hldgs	3382	4647.00	1.00	4.36
¥	SoftBankGroup	9984	8366.00	0.29	7.74
¥	Sony	6758	3742.00	0.73	14.26
¥	Sumitomo Mitsui	8316	4200.00	2.41	-5.83
HK$	SunHngKaiPrp	0016	116.80	0.52	19.18
TW$	TaiwanSemiMfg	2330	191.00	-0.52	5.23
¥	TakedaPharm	4502	5323.00	-0.21	10.09
HK$	TencentHoldings	0700	241.60	-0.49	27.36
¥	TokioMarineHldg	8766	4728.00	0.68	-1.42
¥	ToyotaMtr	7203	6154.00	2.57	-10.53
AU$	Wesfarmers	WES	43.94	0.43	4.27
AU$	WestpacBanking	WBC	34.80	0.55	6.75
AU$	Woolworths	WOW	26.98	1.16	11.95
	Stoxx 50				
CHF	ABB	ABBN	24.22	1.09	12.76
€	ASMLHolding	ASML	121.85	-1.02	14.25
€	AXA	CS	24.74	-1.04	3.15
€	AirLiquide	AI	112.20	1.13	6.20
€	Allianz	ALV	175.50	...	11.78
€	AB InBev	ABI	103.75	-0.72	3.18
£	AstraZeneca	AZN	4686.50	-0.03	5.61
€	BASF	BAS	91.19	-1.05	3.26
€	BNP Paribas	BNP	65.80	-1.72	8.67
£	BT Group	BT.A	310.05	-1.08	-15.49
€	BancoBilVizAr	BBVA	7.61	-0.24	19.86
€	BancoSantander	SAN	6.05	0.17	22.00
£	Barclays	BARC	224.65	0.83	0.54
€	Bayer	BAYN	108.05	-0.37	9.00
£	BP	BP.	453.65	0.98	-10.98
£	BritishAmTob	BATS	5307.00	0.32	14.83
€	Daimler	DAI	68.84	0.20	-2.66
€	DeutscheTelekom	DTE	16.40	-0.36	0.28
£	Diageo	DGE	2261.00	0.09	7.16
€	ENI	ENI	14.54	0.41	-6.01
£	GlaxoSmithKline	GSK	1566.00	-2.06	0.26
£	HSBC Hldgs	HSBA	642.10	-0.06	-2.25
€	INGGroep	INGA	14.99	0.03	12.12
£	ImperialBrands	IMB	3848.00	0.81	8.62
€	IntesaSanpaolo	ISP	2.74	-0.73	12.78
€	LVMHMoetHennessy	MC	224.85	0.76	23.95
£	LloydsBankingGroup	LLOY	67.41	0.69	7.84
€	LOreal	OR	185.35	0.38	6.89
£	NationalGrid	NG.	1005.50	-0.49	5.66
CHF	Nestle	NESN	77.55	0.45	6.16
CHF	Novartis	NOVN	76.15	0.59	2.77
DKK	NovoNordiskB	NOVO-B	256.40	1.06	0.67
£	Prudential	PRU	1723.00	1.71	5.87
£	ReckittBenckiser	RB.	7287.00	-0.25	5.82
£	RioTinto	RIO	3112.00	0.40	-1.47
CHF	RocheHldgctf	ROG	257.80	0.31	10.83
£	RoyDtchShell A	RDSA	2045.00	0.02	-8.81
€	SAP	SAP	92.45	-0.73	11.64
€	Sanofi	SAN	85.65	0.66	11.38
€	SchneiderElectric	SU	73.45	-0.64	11.10
€	Siemens	SIE	133.20	0.38	14.04
CHF	Syngenta	SYNN	462.20	1.18	14.83
€	Telefonica	TEF	10.38	-1.33	17.63
€	Total	FP	47.84	0.04	-0.81
CHF	UBSGroup	UBSG	16.69	0.97	4.64
€	Unilever	UNA	47.97	-0.07	22.63
£	Unilever	ULVR	4007.50	-0.17	21.72
€	Vinci	DG	77.21	-0.66	19.34
£	VodafoneGroup	VOD	203.10	0.30	1.63
CHF	ZurichInsurance	ZURN	273.40	0.15	-2.50
	DJIA				
$	AmericanExpress	AXP	80.55	-0.10	8.73
$	Apple	AAPL	143.73	-0.55	24.10
$	Boeing	BA	181.71	-0.98	16.72
$	Caterpillar	CAT	104.67	0.24	12.86
$	Chevron	CVX	106.11	-0.58	-9.85
$	CiscoSystems	CSCO	33.40	-0.06	10.52
$	Coca-Cola	KO	43.24	0.30	4.29
$	Disney	DIS	115.58	0.35	10.90
$	DuPont	DD	81.62	-0.72	11.20
$	ExxonMobil	XOM	81.43	-0.37	-9.78
$	GeneralElec	GE	29.26	-0.64	-7.40
$	GoldmanSachs	GS	226.28	-0.15	-5.50
$	HomeDepot	HD	154.29	0.82	15.07
$	Intel	INTC	36.93	0.16	1.82
$	IBM	IBM	160.14	-0.16	-3.52
$	JPMorganChase	JPM	88.43	0.19	2.48
$	J&J	JNJ	123.56	0.11	7.25
$	McDonalds	MCD	140.87	-0.59	15.73
$	Merck	MRK	62.72	0.67	6.54
$	Microsoft	MSFT	67.83	-0.13	9.16
$	Nike	NKE	55.15	-0.54	8.50
$	Pfizer	PFE	33.86	0.30	4.25
$	Procter&Gamble	PG	87.73	-2.52	4.34
$	3M	MMM	195.03	-0.05	9.22
$	Travelers	TRV	122.02	0.58	-0.33
$	UnitedTech	UTX	118.27	1.20	7.89
$	UnitedHealth	UNH	174.41	0.21	8.98
$	Visa	V	91.82	-0.31	17.69
$	Verizon	VZ	47.34	1.37	-11.32
$	Wal-Mart	WMT	75.44	0.52	9.14

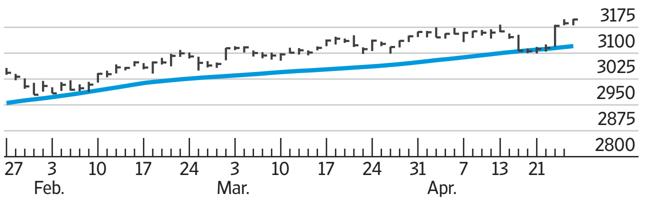
Asia Titans 50

Last: **155.09** ▲ 0.69, or 0.45% YTD ▲ **10.0%**



Stoxx 50

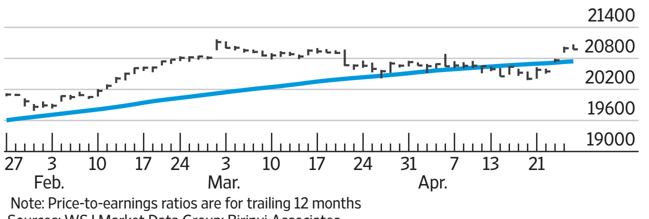
Last: **3197.65** ▲ 10.89, or 0.34% YTD ▲ **6.2%**



Dow Jones Industrial Average

P/E: 21

Last: **20975.09** ▼ 21.03, or 0.10% YTD ▲ **6.1%**



Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

Credit Suisse Plans Capital Raise

By Brian Blackstone

ZURICH—**Credit Suisse Group** AG said it planned to raise 4 billion Swiss francs ($4.02 billion) of capital and abandon plans for a partial sale of its Swiss unit as the bank swung to a first-quarter profit.

The upbeat earnings report comes as a welcome reprieve for the bank, which has been beset by steep losses and uncertainties over its longer-term strategy as it scales back from volatile, but sometimes profitable, investment banking and moves toward the more predictable business of managing money for wealthy clients.

Credit Suisse on Wednesday posted quarterly net income of 596 million Swiss francs, compared with a year-earlier net loss of 302 million francs, on a strong performance in its wealth-management and global-markets divisions. The results beat analysts' forecasts. Revenue rose 19% to 5.5 billion francs, in line with expectations.

"We view these as impressive results," analysts at Citigroup Inc. wrote. Credit Suisse's shares rose 2.7%, to 15.71 francs, on Wednesday.

Still, the bank faces challenges amid political uncertainties that it said "weighed somewhat on client volumes in the first few weeks of April."

"We are confident in our medium-term growth prospects. However, due to these uncertainties, we remain cautious in the short term," it said.

In a move to bolster its finances, Credit Suisse said it would sell 4 billion francs of new shares, boosting its key core capital ratio to 13.4%.

"I think this does take the capital issue off the table for Credit Suisse," Chief Financial Officer David Mathers said. Shareholders will consider the proposal at a meeting on May 18.

The bank raised 6 billion francs in 2015, and Chief Executive Tidjane Thiam said a second capital increase was always in its plans.

"This is a time to raise capital," he said Wednesday, adding that the move will give the bank flexibility to pursue attractive investments.

Credit Suisse also said it would drop a plan to spin off its Swiss banking unit. The bank will now retain full ownership of the subsidiary, which it had previously planned to partially float through an initial public offering in the second half of the year.

The Swiss unit posted adjusted pretax income of 483 million francs, the fifth consecutive quarter of pretax growth on an annual basis. The bank's international wealth-management unit reported 4% growth in net revenue compared with last year, while revenue in the credit and securitized-products division more than doubled.

Credit Suisse endured a bumpy 2016 as it embarked on the shift from investment banking to wealth management. Last year ended with a $5.3 billion settlement to resolve a financial-crisis-era mortgage-backed securities case with the U.S.

The bank posted a loss of 2.4 billion francs last year.

Meanwhile, the bank faces some new concerns that have emerged since the start of the year. Its offices in Amsterdam, London and Paris were targeted last month by authorities in a tax investigation, though it remains unclear how serious an issue this is for Credit Suisse, which has repeatedly cited its "zero tolerance" approach to tax evasion.


ANTHONY KWAN/BLOOMBERG NEWS

CEO Tidjane Thiam says the fresh capital will give the bank flexibility to pursue investments.

Standard Chartered's Net, Revenue Climb

By Margot Patrick

LONDON—**Standard Chartered** PLC said its restructuring strategy is paying off, raising expectations the beleaguered bank will start paying dividends again soon.

The Asia-focused bank said Wednesday that first-quarter profit before tax was $990 million, almost double the $500 million the bank made in the first quarter of 2016, mainly because of a sharp drop in bad loans.

Revenue rose 8% to $3.6 billion. Standard Chartered's shares closed up 4% in London.

Standard Chartered is repositioning its business after overexpansion in the last decade gave way to increasing bad loans and a struggle to keep up with rising regulatory demands.

Chief Executive Bill Winters took over in June 2015 and has been shedding assets and business units.

The bank is in the process of shutting down its principal finance business holding private-equity stakes in expanding companies, following hefty losses in that unit.

Chief Financial Officer Andy Halford said dividend payments will be considered by the board this year after payouts were put on hold in 2016. He said the decision will consider any coming rise in capital requirements from rules still under review by global regulators, as well as the longer-term outlook for profits.

"It is encouraging that we're seeing signs of the bottom line picking up quite significantly," Mr. Halford told analysts.

In the first six weeks of 2017, the bank's shares surged 23% on hopes for stronger global economic growth and rising interest rates this year, then settled back when oil prices fell in March. The stock has gained about 13% this year.

Standard Chartered is often treated by investors as a proxy for emerging markets and commodities because it is a major lender to commodity producers and has large retail and business banking operations in Hong Kong, Singapore and India.

Its turnaround effort started later than those of rivals, and some analysts continued to urge caution Wednesday on the outlook for improvements at the bank this year.

"We see evidence of a gentle jog in today's numbers, but any notion of a return to 'normal' levels of profitability remains distant," wrote Ian Gordon, a banking analyst at Investec Securities.

FINANCE WATCH

BANCO SANTANDER

Capital Ratio, Profit Increase

Banco Santander SA said its first-quarter net profit rose 14%, as the lender made progress boosting its capital ratio.

Santander, one of Europe's largest banks, said its net profit totaled €1.87 billion ($2.04 billion) for the quarter, compared with €1.63 billion in the year-earlier quarter. That beat analysts' estimates that the company would report a net profit of €1.75 billion for the latest period, according to a poll by the data provider FactSet.

Fees were particularly strong, rising 19% to €2.84 billion from a year earlier.

Santander's capital ratio was 10.66% in March, compared with 10.55% in December, under international regulations known as "fully loaded" Basel III criteria. Santander has among the lowest ratios of major European banks, and investors are closely watching how it builds capital.

—Jeanette Neumann

EXCHANGES

Deutsche Börse Plans Share Buyback

Deutsche Börse AG reported a 41% rise in net profit for the first quarter, helped by a gain from a stake sale, and announced plans to buy back some of its own shares.

The exchange operator said net profit rose to €280.1 million ($304.1 million) from €198.6 million, while net revenue rose 2.1% to €623.4 million. The year-earlier figures were revised to account for the sale of the U.S.'s International Securities Exchange Holdings Inc. to Nasdaq in 2016.

Analysts had expected a small decline in revenue.

Net profit was flattered by a one-time boost of €69 million after tax from selling Deutsche Börse's remaining stake in U.S. exchange operator Bats Global Markets.

Deutsche Börse plans to buy back shares valued at €200 million in the second half of 2017, using a portion of the $1.1 billion proceeds from the ISE sale.

—Ulrike Dauer

MARKETS

Banks Shun Bitcoin, a Blow to Exchanges

By Gregor Stuart Hunter And Julie Steinberg

At least three bitcoin exchanges have said in recent weeks that they can't process transactions in dollars, as global banks pull back from sectors they deem too risky.

Hong Kong-based **Bitfinex**, the largest cryptocurrency exchange by market share, last week said its customers couldn't withdraw or deposit any currencies because the Taiwanese banks that handle its transactions were blocking all requests. **OKCoin International**, the Hong Kong-based arm of one of China's biggest bitcoin exchanges, and **BTC-e** have warned users of disruptions in U.S.-dollar transactions.

Earlier this month, Bitfinex sued **Wells Fargo** & Co., alleging it had refused to process some bitcoin-related transactions through the Taiwanese banks. A week later, Bitfinex withdrew the suit, acknowledging that Wells Fargo has no legal obligation to serve every customer, Philip Potter, the exchange's chief strategy officer, said in an interview. Wells Fargo declined to comment.

Bitcoin, a digital currency launched in 2009, runs on a decentralized network of computers and isn't backed or controlled by any government. Users purchase bitcoin with U.S. dollars or other currencies.

Many bitcoin exchanges have accounts with local banks that rely on larger "correspondent banks" to facilitate wire transfers and process transactions that involve foreign currencies. But global banks have long been wary of even indirect interactions with bitcoin exchanges, for fear of being held liable if bitcoin users—who are difficult to identify—are involved in illegal or shady activities, said Ross Delston, a former U.S. banking regulator and anti-money-laundering consultant.

J.P. Morgan Chase & Co. prohibits banks it transacts with from dealing with virtual-currency exchanges, according to an internal document seen by The Wall Street Journal. Standard Chartered PLC also doesn't process such transactions, according to a spokesman.

To be able to transact with the wider financial system, bitcoin exchanges must play cat-and-mouse, said Bitfinex's Mr. Potter, continually switching bank accounts.

"They close one account, we open another somewhere else," Mr. Potter said. "It's a battle, but it looks like one that we appear to be losing, largely because we're the largest such exchange in the world and we've got the biggest target painted on our back."

Bitcoin is also drawing more regulatory scrutiny. The U.S. Securities and Exchange Commission last month rejected two separate proposals for bitcoin-based exchange-traded funds, saying the lack of transparency could leave investors open to fraud and manipulation. The agency this week said it would review one of the rejections. China's central bank is considering requiring bitcoin exchanges to verify a client's identity and adhere to banking regulations, the Journal reported last month.

The market value of all cryptocurrencies this month hit a record $30 billion, two-thirds in bitcoin, according to CoinMarketCap. But trading has plummeted this year as regulatory pressure has risen in China—which accounted for 90% of volume last year, according to research site CryptoCompare. Over the past month, China's share of the much-diminished total has averaged just 11.2%, the site said.

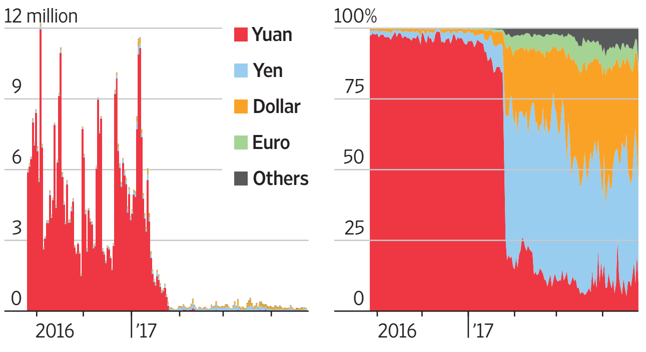
In response to scrutiny from regulators, global banks over the past year have ratcheted up their "know-your-customer" checks by reexamining existing clients, said Benjamin Quinlan, chief executive of Hong Kong-based financial-services consultant Quinlan & Associates.

Bitcoin exchanges barred from transacting in U.S. dollars or other currencies effectively forgo their most common function, as places to buy cryptocurrencies with money stored in the traditional financial system—though users can still convert bitcoin into other virtual currencies such as Monero or Zcash.

Other cryptocurrency exchanges have reported disruptions in recent weeks. Among them, OKCoin International said on its website on April 18 that it would temporarily suspend deposits in U.S. dollars because of unspecified "issues with intermediary banks." It said it was seeking alternatives to resume usual service.

A Changed Market

Bitcoin trading has plummeted since Chinese regulators cracked down on that country's exchanges earlier this year.



Source: CryptoCompare THE WALL STREET JOURNAL.

U.S. Stocks Slip Despite Tax Proposal

By Riva Gold and Aaron Kuriloff

Stocks inched down in late trading after the Trump administration outlined its tax plan Wednesday.

WEDNESDAY'S MARKETS

Expectations for lower taxes have helped U.S. stocks climb since November, and some investors and analysts said the plan, which calls for reductions in business tax rates and major changes to the individual tax system, was in line with what they were expecting.

Stocks weakened despite upbeat corporate earnings news. Signs of earnings growth from several large U.S. corporations helped power broad gains in recent sessions.

"It's going to take months to work this out," said Bob Doll, senior portfolio manager at Nuveen Asset Management, referring to the tax plan. "What we've seen since the inauguration is an unbelievable earnings quarter, and that's what's been driving the market."

The Dow Jones Industrial Average fell 21.03 points, or 0.1%, to 20975.09. The S&P 500 declined 0.05% and the Nasdaq Composite was marginally lower. All the indexes were near where they were ahead of the announcement.

In Europe, the Stoxx Europe 600 rose 0.5% to 388.73, notching a sixth consecutive session of gains. European shares remained close to their highest levels since 2015 in low-volume trading amid optimism following Sunday's first round of French presidential elections, which diminished fears the country would elect a euroskeptic candidate and ultimately pull out of the euro.

Shares of **Twitter** jumped 8.4% by late afternoon after the company reported its first quarterly decline in revenue since going public, but still beat market expectations.

Chipotle Mexican Grill added 2.6% after reporting its first increase in a key sales metric in more than a year, while shares of PepsiCo fell 0.8% following results.

In aggregate, **S&P** 500 companies so far have reported first-quarter earnings that are 6.8% above the consensus. If the current rate of earnings-per-share growth in the S&P 500 holds, it would be the best quarter since late 2011, according to FactSet.

U.S. stocks had climbed Tuesday amid upbeat earnings reports, helping the **Nasdaq** Composite hit 6000 for the first time, 17 years after it reached 5000 during the dot-com era.

"We're moderately optimistic on U.S. stocks, but we're not euphoric, in part given where valuations are and how significant this bull market has already been," said Holly MacDonald, chief investment strategist and portfolio manager at Bessemer Trust.

The yield on the 10-year Treasury note bounced around slightly before ending at 2.312%, according to Tradeweb, compared with 2.330% Tuesday. The WSJ Dollar Index, which tracks the U.S. currency against 16 others, was up 0.3%.

The Mexican peso fell more than 2% against the dollar after Politico reported that the White House is drafting an order to pull out of the North American Free Trade Agreement. The Canadian dollar, which also has been hit by trade tensions this week, fell 0.3%.

GETTY IMAGES

The Mexican peso was down by more than 2% against the dollar.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY **WSJ.com/Heard**

Credit Suisse Corrects Its Course

Credit Suisse Group will ask investors to back another big rights issue rather than sell a stake in its Swiss domestic unit. This makes sense and the extra equity should give the bank a cushion over its minimum requirements. However, management's claims that they have money to invest in growth and pay better cash dividends from this year onward should be taken with a pinch of salt.

When Tidjane Thiam, chief executive, launched a restructuring plan and a 6 billion Swiss franc ($6 billion) capital raise in 2015, he said the bank would also pursue a partial listing of its domestic bank to raise as much as 4 billion francs of capital. That plan would have meant giving up a decent chunk of earnings from its most stable business: a bad idea.

Now, it has decided to raise equity in a 4 billion franc rights issue instead, fully underwritten by other investment banks.

Under Swiss regulations, the most important capital measure for banks is the leverage ratio, which measures equity as a proportion of total assets, rather than the risk-weighted asset measures that are more important for other European banks.

Credit Suisse's capital raise will lift its leverage ratio to 3.7% on the size of its balance sheet at the end of the first quarter, which is ahead of the 3.5% it needs to hit and up from 3.3% at the end of the first quarter.

Planned cuts to its bad bank this year and expected restructuring charges would put that ratio at 3.8%, which is ahead of rival UBS and in line with **Deutsche Bank** following its recent €8 billion ($8.7 billion) capital raise.

That appears to leave Credit Suisse with spare capital to support growth in lending to its rich private banking clients and potentially in other areas, too. However, analysts expect Swiss banks to keep a cushion over the minimum to guard against volatility in currencies or markets. Bernstein analysts think a realistic ratio to target is over 3.8%.

Credit Suisse reported a good return to profits in the first quarter, which should help mollify investors frustrated over executive pay and strategy at Friday's annual meeting. Profits were helped by a major recovery in its trading business, particularly in U.S. credit trading and securitized products, which the bank said saw a "marked improvement."

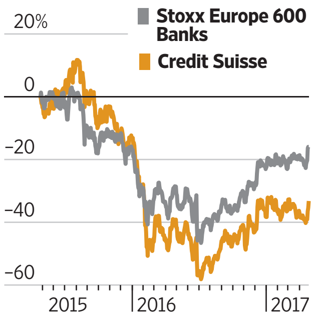
However, net interest income in its Swiss and international wealth units faltered because it used less customer money to fund its investment banking and markets divisions. That reversed a strategy that was a big boost to last year's growth.

Investors will still have questions about the stability and sustainability of its first-quarter performance as they consider the rights issue, but they should cheer the decision to abandon the alternative plan.

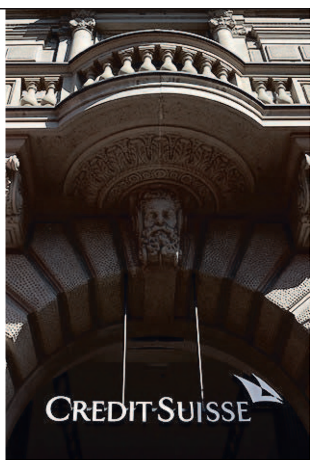
—Paul J. Davies

Off the Peaks

Share price and index performance



Sources: FactSet; Reuters (photo)
THE WALL STREET JOURNAL.



A branch in Zurich

OVERHEARD

It is tough enough facing one disruptive trend, but try three. That is the slog for **Société BIC**, the French company known globally for its disposable razors, lighters and ballpoint pens. Its shares fell 10% Tuesday in Paris trading.

BIC's razors are causing the most pain, but not because of the fashion of men wearing bushy beards. Rather, it is the digital disintermediation of razor sales by online purveyors such as Unilever-owned Dollar Shave Club and Harry's. The company launched BIC Shave Club in March, but the damage is done. Last quarter, U.S. razor sales fell more than 9%.

Lighters, its most profitable segment, slowed last quarter, too. Here, another big shift could be coming: e-cigarettes, or vaping, have built-in igniters—meaning there is no need for an actual flame.

Meanwhile, BIC's stationery business, including its eponymous pens, would seem most at risk as swiping fingers replace ink-filled instruments. Sales were off 5%.

—Alex Frangos

Netflix Pays Price to Tap China Market

Netflix has finally found a way into China, its largest untapped market. Yet this is likely a Pyrrhic victory.

The video-streaming giant says it has struck a licensing deal with iQiyi, one of China's biggest video sites, to distribute its original content in the country. iQiyi is a subsidiary of Nasdaq-listed Baidu, China's most popular search engine. Few details have been disclosed, although iQiyi says the first batch of shows it will stream include Netflix favorites such as "Black Mirror" and "Stranger Things." Shares in the two companies jumped on the news, with Netflix up 6% and Baidu 4% in U.S. trading Tuesday.

That reaction looks overdone, at least for Netflix. It has done well to enter a market that has been notoriously difficult for American internet firms to crack, due to its censorship and protectionist policies. Distributing online content is an especially sensitive area: Foreign sites with masses of user-generated content, such as Facebook and YouTube, are banned in China.

Still, the deal looks like a compromise for Netflix. The company said in a letter to shareholders last October that it expects revenue from any licensing deal it does in China to be modest. Like other foreign companies that have entered the Chinese market, it has had to do so by hooking up with a Chinese partner. Similarly, Western videogame makers need to find local partners to distribute their games in China.

Netflix will have to console itself with the idea that it has at last made it into the market of 1.4 billion potential viewers.

—Jacky Wong

Growth at Google Requires Keeping an Eye on Cost of Clicks

The fact that Google is free to use belies the fact that there is a substantial cost to driving all those clicks.

Clicks, of course, are how Google generates advertising revenue that now totals nearly $80 billion a year. Growing such a huge business is no easy feat—especially at the double-digit rates the company has been reliably pulling off for years. But grow the company must, especially if it is to regain favor with investors who have shown a preference for other internet names of late. **Alphabet**, Google's parent company, has gained 12% so far this year. **Amazon** and **Facebook** are up 21% and 27%, respectively.

One challenge unique to Google is the sums it spends to drive the traffic that feeds its advertising business. Such traffic acquisition costs, or TAC, totaled $16.8 billion last year. That is up 17% from the year before and was the largest jump in five years. Analysts typically measure Google's revenue on a net basis—minus those costs. But rising TAC can still hurt the company's growth and profitability if total ad revenue doesn't outpace it.

That puts pressure on Google as more of its traffic is coming from sources such as mobile devices that carry a higher cost. Apple, for instance, generates traffic for Google when iPhone customers use the search bar in its Safari mobile web browser. Neither company will discuss the terms of their current arrangement, but a document from a lawsuit unearthed by Bloomberg last year indicated that Google paid Apple about $1 billion in 2014 to keep its search bar in Safari. Mark Mahaney of RBC Capital believes renewal of the Apple deal was a big driver of Google's higher TAC last year.

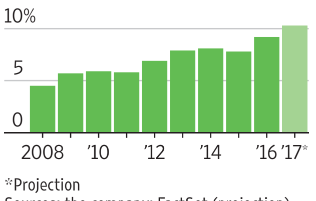
What Google pays to drive traffic to its own sites is particularly important as these make up about 70% of Alphabet's total revenue base. Google's outlay to distribution partners for that traffic last year totaled $5.9 billion, or 9.2% of its total sites revenue. That is up from 7.8% of revenue the year before. Eric Sheridan of UBS projects that distribution TAC will total about 10% of Google's sites revenue this year.

That is why Google can ill-afford obstacles to growth, such as the departure of high-profile advertisers from YouTube that The Wall Street Journal reported last month. The impact from that remains unclear and is unlikely to be reflected in the company's first-quarter report due Thursday. But even if that proves to be just a short-term problem, Google over the long haul will need to show that it can keep the clicks coming—at the right price.

—Dan Gallagher

Paid-up Clicks

Traffic-acquisition costs paid to partners as share of Google properties' revenue.



*Projection
Sources: the company; FactSet (projection)
THE WALL STREET JOURNAL.