

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, APRIL 5, 2017 ~ VOL. CCLXIX NO. 78

WSJ.com

★★★★ \$3.00

DJIA 20689.24 ▲ 39.03 0.2%

NASDAQ 5898.61 ▲ 0.1%

STOXX 600 380.03 ▲ 0.2%

10-YR. TREAS. ▲ 1/32, yield 2.350%

OIL \$51.03 ▲ \$0.79

GOLD \$1,255.00 ▲ \$4.20

EURO \$1.0675

YEN 110.74

What's News

Business & Finance

The Richmond Fed's president stepped down after revealing his involvement in a 2012 leak of confidential Fed information. **A1**

◆ U.S. firms are set to report their best quarterly profits since 2011, a sign the stock rally could continue. **A1**

◆ U.S. stocks edged higher, led by shares of manufacturers. The Dow rose 39.03 points to 20689.24. **B13**

◆ Staples is in talks with several private-equity bidders about a possible sale, a year after its failed bid to merge with Office Depot. **B1**

◆ Boeing agreed to sell up to 60 jets to an Iranian airline, despite uncertainty over the Trump administration's stance toward Iran deals. **B1**

◆ Gillette is slashing prices and focusing on cheaper products, as its share of the razor business declines. **B1**

◆ A Pimco fund became the largest actively managed bond fund last month. **B1**

◆ The U.S. trade gap narrowed in February, in part because of a smaller trade deficit with China. **A2**

◆ Tesla's share price topped \$300, a day after the electric-car maker surpassed Ford's market value. **B3**

◆ More brands pulled ads from O'Reilly's show after the Fox News star was accused of sexual harassment. **B3**

◆ McDonald's top marketer in the U.S. is leaving in a management shake-up. **B3**

◆ The NFL reached a deal with Amazon to stream 10 Thursday night games. **B2**

World-Wide

◆ The White House is proposing "extreme vetting" of visitors to the U.S., including forcing them to provide cellphone contacts and social-media passwords. **A1**

◆ A House panel wants Obama aide Rice to testify in a probe of Russian election interference, as Republicans seek to widen the inquiry. **A1**

◆ The Senate headed for a showdown over the Gorsuch confirmation, with McConnell saying he has enough votes to end a filibuster. **A4**

◆ A chemical attack widely blamed on the Assad regime killed at least 58 people in an opposition-held town in Syria. **A7**

◆ Russian officials identified a man from Kyrgyzstan as the suicide bomber who caused a deadly subway-train blast in St. Petersburg. **A9**

◆ North Korea launched a medium-range ballistic missile off the east coast of the Korean Peninsula. **A8**

◆ Venezuela's Maduro deployed thousands of forces against an opposition march, sparking clashes. **A18**

◆ GOP legislators met with Pence on a proposal to revive their efforts to replace the ACA, but didn't reach an agreement. **A6**

◆ Kushner told Iraqi officials that the U.S.-Iraq partnership should endure for years to come, as he visited a military base near Mosul. **A9**

◆ HHS head Price more than tripled his investment when he sold shares in a biotech company. **A6**

CONTENTS Opinion A15-17
Business News... B3 Property Report... B6
Crossword... A13 Sports... A14
Head on Street. B14 Technology... B4
Life & Arts... A11-13 U.S. News... A2-6
Management... B5 Weather... A14
Markets... B14 World News. A7-9,18

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143

U.S. NEWS

Trade Deficit Shrinks as Gap With China Narrows

By JOSH MITCHELL

WASHINGTON—The U.S. trade gap with China shrank in the first two months of the year but remains far higher than a decade ago, part of a mixed outlook that sets the stage for potentially tense talks between President Donald Trump and Chinese President Xi Jinping this week.

The overall U.S. trade gap with other countries narrowed nearly 10% in February from a month earlier to \$43.6 billion, the Commerce Department said Tuesday. That is in part because of a smaller trade deficit with China, its top trading partner.

Imports from China fell a record amount in February, and in the first two months of the year the deficit with the Asian nation shrank nearly 5% compared with the same period in 2016.

Economists cautioned that trade figures are volatile and February's data may have been distorted by the timing of the Lunar New Year. The broader outlook remains unchanged: The deficit with China—\$23 billion in February—is more than double the gap the U.S. has with any other country. China now accounts for almost half of the overall U.S. trade gap, up from about 30% a decade ago.

Mr. Trump made getting tough with China a promise in his presidential campaign, and he accused Beijing of manipulating its currency at the expense of U.S. companies. China has denied the allegations. Mr. Trump and Mr. Xi are set to meet Thursday, and a Commerce Department official said trade is expected to be part of the talks.

Commerce Secretary Wilbur Ross said despite the improving

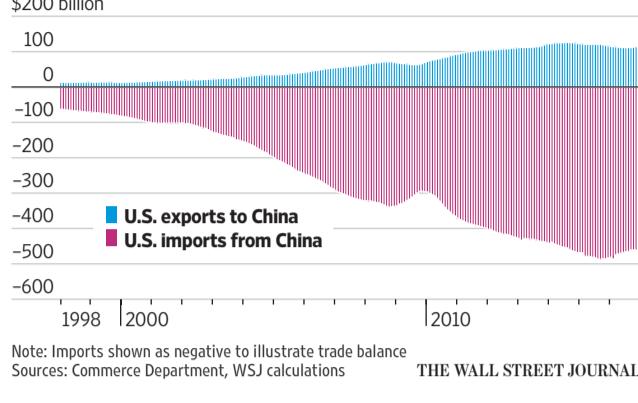
numbers this year, the administration prioritizes further reducing the overall trade deficit. "This administration is determined to achieve free and fair trade, to protect hard-working Americans, and to grow our economy," Mr. Ross said.

Mr. Trump repeatedly threatened during the 2016 campaign to impose across-the-board tariffs on imports from China. In recent months, Mr. Trump and his aides have instead said they are working on trade cases that could result in tariffs on imports from certain industries blamed for receiving foreign subsidies or dumping products at below fair value. China could retaliate against such tariffs, possibly through challenges at the World Trade Organization.

Nicholas Lardy, a China expert at the Peterson Institute for International Economics, a

Trade Imbalance

The U.S. trade deficit with China is larger than any other country. U.S. trade in goods with China, 12-month rolling total



Note: Imports shown as negative to illustrate trade balance
Sources: Commerce Department, WSJ calculations

THE WALL STREET JOURNAL.

Washington think tank, said eliminating the trade deficit with China is unrealistic given fundamental aspects of the two economies. U.S. households save

little compared with other countries and spend more of their incomes, and Chinese manufacturers play a key role in satisfying Americans' appetite for goods.

"All the evidence we have is our deficit with China is likely to continue going up," Mr. Lardy said. He added that reducing the deficit with China may lead to increases in the gap with other countries, rather than to more U.S. jobs.

Other shifts could ease tensions between the U.S. and China. The yuan has risen this year against the dollar, complicating the criticism from Mr. Trump that China has manipulated its currency at the expense of U.S. exporters.

The Pew Research Center said Tuesday that 44% of Americans surveyed this year held a favorable view of China, up from 37% a year ago. Unfavorable views of China fell to 47% from 55% last year, it found.

—William Mauldin contributed to this article.

U.S. WATCH

CIVIL RIGHTS

Court: 1964 Law Lets Gay Employees Sue

A federal appeals court ruled Tuesday that a landmark civil rights law allows gay employees to sue their employers for discrimination on the basis of their sexual orientation.

The 8-3 ruling by the Seventh U.S. Circuit Court of Appeals in Chicago marks an expansion of employee protections under the 1964 Civil Rights Act that has long been sought by the LGBTQ community. Title VII of the law makes it unlawful for employers to discriminate against employees on the basis of their "race, color, religion, sex, or national origin."

But the U.S. Supreme Court hasn't ruled on whether discrimination on the basis of sexual orientation is covered by the law's prohibition against sex discrimination. Other lower courts, including another federal appeals court in March, have held that sexual orientation isn't a "protected class" under the law.

The Seventh Circuit, which hears cases from Illinois, Indiana and Wisconsin, ruled in favor of an adjunct community-college professor in South Bend, Ind., who alleged that she was shut out of full-time teaching positions because she is a lesbian.

—Joe Palazzolo

EDUCATION

Grant Eligibility to Be Restored for Some

The U.S. Department of Education will restore Pell Grant eligibility to students who attended but didn't graduate from shuttered colleges like ITT Technical Institute, allowing some to get new funds to pursue their educations elsewhere.

Pell Grants assist the neediest college students, with a maximum award this year of \$5,815 that doesn't need to be repaid.

Students can receive as many as six years of the full value over their lifetimes. The time spent at closed schools will be wiped from students' financial-aid records for the purpose of lifetime eligibility.

The agency announced the move in a memo from John Kane, acting service director of the federal student-aid office.

—Melissa Korn

Rocket Booster Heads Ashore in Florida



SHIP AHOY: The lower stage of the two-stage SpaceX Falcon 9 rocket was hauled in to Port Canaveral, Fla., aboard the drone ship 'Of Course I Still Love You' early Tuesday. The booster has flown twice on Falcon 9 launches.

FED

Continued from Page One

Conti-Brown, a financial historian and assistant professor at the University of Pennsylvania's Wharton School. While there have been a number of leaks in the Fed's history, "what we haven't seen is leaks by principals that get discovered and lead to an immediate resignation," he said.

Mr. Lacker's departure comes about six months before his planned retirement. He has served as president of the regional reserve bank since August 2004.

In his statement, released through his Richmond law firm, McGuireWoods LLP, Mr. Lacker apologized to his colleagues and the public. "I have always strived to maintain the appropriate balance between transparency and confidentiality, but I regret that in this instance I crossed the line to confirming information that should have remained confidential," he wrote.

Mr. Lacker said he spoke by phone with a Medley analyst on Oct. 2, 2012. The following day, the firm sent a report to clients stating the Fed was "likely to vote as early as its December meeting" to begin monthly purchases of \$45 billion of Treasurys, along with other details of the central bank's internal deliberations revealed the next day in the minutes of its September meeting. The information in the Medley report suggested the details had come from the Fed.

In December of that year, the Fed announced it would buy \$45 billion of Treasury securities a month.

Mr. Lacker said the analyst discussed details of confidential Fed deliberations during their call. By continuing the conversation, Mr. Lacker said he may have suggested "an acknowledgment or confirmation of the information."

He said he was interviewed by the Fed's general counsel as part of an internal central bank probe into the leak in 2012 and

didn't mention the Medley analyst's discussion of sensitive matters. The internal investigation concluded without finding a major breach of the Fed communications policy.

Federal prosecutors in the Southern District of New York launched an investigation, as did the Commodity Futures Trading Commission and the Fed's inspector general's office. Mr. Lacker said he spoke with



The departure comes about six months before Lacker's planned retirement.

federal investigators in 2015. This time, he said, he did disclose that the Medley analyst had mentioned confidential information. The Fed did not say when it learned of the disclosure.

Mr. Lacker's attorney, Richard Cullen of McGuireWoods, said the investigation into Mr. Lacker was complete and that he wouldn't face charges.

The Fed said in a statement it had "cooperated fully with the independent law enforcement investigation" into the leak and it appreciated the efforts made "to bring this matter to its conclusion," said Mr. Duy.

Representatives of the U.S. attorney's office in Manhattan and CFTC declined to comment.

The Fed's inspector general

said Tuesday it would close its investigation into the 2012 leak.

Fed guidelines prohibit officials from discussing confidential information. Any breach must be reported to the central bank's rate-setting Federal Open Market Committee and could be referred to law enforcement by the Fed's inspector general.

Mr. Lacker's departure adds another chapter in a long-running saga. Ms. Yellen has been questioned repeatedly by congressional critics, particularly Republicans on the House Financial Services Committee who in 2015 subpoenaed the central bank for documents related to the leak.

A spokeswoman for the panel said the committee was still investigating the matter.

The episode "undermines the credibility of the Fed" and "makes it vulnerable to political attack," said Richard Painter, chief ethics lawyer in George W. Bush's White House.

It also could make it more difficult for central bankers to have private conversations with market professionals, economists and journalists.

The conversations with market professionals give officials a chance to learn more about the state of the financial system and economy, while conversations with reporters enable the policy makers to explain the Fed's thinking. But the meetings carry the risk that Fed officials might break rules against disclosing confidential and potentially market-moving information.

Fed officials "tend to know where that line is and what's confidential and not confidential," said Tim Duy, an economics professor at the University of Oregon. Mr. Lacker appears to have crossed that line and "he made the situation worse by not acknowledging it much sooner," said Mr. Duy.

The Richmond Fed said first vice president Mark Mullinix would serve as acting head while it looks for a successor.

—Ben Leubsdorf, Michael S. Derby, Katy Burne, Aruna Viswanatha, Brody Mullins and Nicole Hong contributed to this article.

How Leak Led to Lacker's Resignation

Sept. 13, 2012: The Fed announces after a policy meeting it will buy \$40 billion of mortgage-backed securities a month in a new effort to spur the economy, leaving open the possibility of further stimulus.

Sept. 28: The Wall Street Journal reports a "strong possibility of additional Treasury purchases later" by the Fed.

Oct. 2: Richmond Fed President Jeffrey Lacker speaks by phone with a Medley Global Advisors analyst.

Oct. 3: Medley sends a note to clients saying the Fed is "unlikely to vote as early as its December meeting" to begin monthly purchases of \$45 billion of Treasurys, along with other details of the Fed's internal deliberations revealed the next day.

Oct. 4: Fed Chairman Ben Bernanke informs the Federal Open Market Committee that he has asked Fed staffers to look into the situation.

December: The Fed announces it will buy \$45 billion of Treasury securities a month. During the Fed's internal investigation, Mr. Lacker fails to disclose details of his Oct. 2 call with the Medley analyst.

January: The Fed announces it will buy \$45 billion of Treasury securities a month. During the Fed's internal investigation, Mr. Lacker fails to disclose details of his Oct. 2 call with the Medley analyst.

February: Mr. Lacker is re-appointed to a new five-year term as president.

Jan. 10, 2017: Mr. Lacker announces he will retire on Oct. 1.

April 4: Mr. Lacker announces he will depart the Richmond Fed immediately, that he had spoken with the Medley analyst in October 2012 and may have confirmed information that should have remained confidential.

—Ben Leubsdorf

March 2013: The Fed staff inquiry concludes the Journal's story relied on "unintentional or careless" disclosures by Fed officials, and "nearly all" information in the Medley note had already appeared in the Journal article.

The Fed's inspector general informs top Fed officials that it is separately investigating the apparent leaks to Medley.

December 2014: ProPublica and Bloomberg News report on the October 2012 leak.

2015: House and Senate Republicans probe the 2012 leak and request details of the Fed's internal investigation. Fed Chairwoman Janet Yellen reveals the Fed's inspector general and the Justice Department are conducting a criminal investigation into the leak. Mr. Lacker is interviewed by law-enforcement officials and discloses details of the Oct. 2, 2012, phone conversation.

February 2016: Mr. Lacker is re-appointed to a new five-year term as president.

Jan. 10, 2017: Mr. Lacker announces he will retire on Oct. 1.

April 4: Mr. Lacker announces he will depart the Richmond Fed immediately, that he had spoken with the Medley analyst in October 2012 and may have confirmed information that should have remained confidential.

—Ben Leubsdorf

CORRECTIONS & AMPLIFICATIONS

In a photo with a World News article Tuesday about U.S. presidential adviser Jared Kushner's visit to Iraq, Mr. Kushner was third from the left. The photo caption incorrectly said that he was second from the left.

The Heinz Endowments is a private foundation, created by members of the Heinz family. In a Business News article Tuesday about Uber Technologies Inc.'s operations in Pittsburgh, the foundation

was incorrectly described as an arm of the ketchup conglomerate.

Each of Royal Caribbean's Oasis-class ships has an internal volume of more than 225,000 gross registered tons, while Ponant's Le Lyrial has a volume of 10,700 gross registered tons. An Off Duty article March 25 about small cruise ships incorrectly said the Oasis-class ships weigh some 225,200 tons and Le Lyrial weighs 10,700 tons.

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

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U.S. NEWS

Bus-Driver Shortage Poses Test for Schools

Districts around the country struggle to recruit in tight labor market; 'crisis mode'

By VALERIE BAUERLEIN

RALEIGH, N.C.—In the past three years, Wake County has cut one in five school bus routes, bumped children off the bus who live within a mile of their school, required others to walk further to the bus stop and now is considering starting some schools earlier in the morning.

Why? A shortage of school bus drivers.

Wake County, one of North Carolina's biggest, is contending with a school system that has grown 25% to 160,000 pupils in the past decade and a supply of drivers that has fallen 18% to 740 in the same period. Supervisors regularly have to fill in.

"I don't want to be Chicken Little, but we're in crisis mode," said Bob Snidemiller, the district's senior director for transportation. Mr. Snidemiller is recommending the board vote this week to alter bell schedules at a half-dozen schools. The district is offering \$750 retention bonuses to its drivers this year. Next year they'd like to raise pay from a starting rate of \$12.55 an hour.

"We have to get more competitive to succeed," he said. "Our concern is that as the economy continues to grow, our competition is much greater."

Against a backdrop of de-

clining unemployment and rising wages, school districts around the country from Minneapolis to Houston are struggling to recruit and retain an adequate supply of drivers.

Roughly 90% of 231 school districts in a School Bus Fleet magazine survey last fall said they were short on drivers. When unemployment was at 9.8% in 2009, 58% of districts said they had shortages, according to the survey. More than half of the districts raised hourly pay this academic year to an average of \$15.51, 31 cents higher than the previous year, according to the survey.

The Metro Nashville Public Schools in Tennessee had 150 open positions out of its roughly 550-driver fleet in the fall of 2015, spokeswoman Ameerah C. Palacios said. The schools raised starting pay by \$1 to \$14.10 an hour, guaranteed 40-hour weeks and offered \$300 quarterly bonuses for drivers with perfect attendance. The efforts helped some, but Ms. Palacios said the school system still loses about 10 drivers a month and currently has 40 open positions.

About half of school children nationwide ride a bus to school, according to Derek Graham, a consultant and the former president of the National Association of State Directors of Pupil Transportation Services.

If the bus becomes a hassle, more parents and students will drive, creating more traffic at school and more risk, he said. School buses are about seven times safer than passenger cars, according to federal data.

JUSTIN COOK FOR THE WALL STREET JOURNAL



Johnny Crudup, a substitute driver for Wake County, N.C., schools, has been trying to recruit new drivers for the district.

Driving dozens of children around isn't easy work. Bus drivers work split shifts, picking up their buses as early as 5 a.m. and wrapping up as late as 6 p.m.

Other North Carolina districts are dealing with driver shortages in part because the state has cut spending on

school transportation.

In Charlotte, the district was short 99 drivers out of 1,052 on the first day of school this academic year, and some children got home two hours later than they should have. The district raised pay, held recruiting fairs and now is just 11 drivers short of target, a spokeswoman said.

In Burlington, the district is trying to make the job more attractive by creating combined bus driver-custodian and bus driver-cafeteria jobs that are full-time with benefits.

Wake County driver Johnny Crudup has been trying to recruit new drivers, telling them that as a substitute driver, he sees a new part of the county almost every day. He said he enjoys the interaction with the children.

"If I can get them to school in the morning safely, pick them up in the evening and get them back home safely, I think I've done a good job," Mr. Crudup said.

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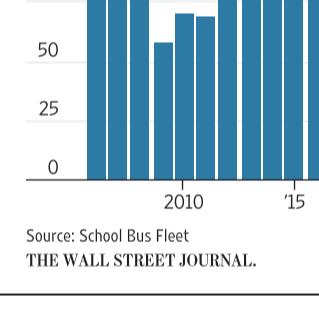
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Help Wanted

Percentage of school districts experiencing a bus-driver shortage



Source: School Bus Fleet

THE WALL STREET JOURNAL.

Hit Game Spurs Trespassing Suit

By SARA RANDAZZO

Annoyed homeowners say "Pokémon Go" players have gone too far in their quest to master the smartphone game—and they want the company behind the hit application to be held responsible.

A federal judge is poised to decide if a lawsuit alleging the game's developer violated trespass and negligence laws can go forward, a ruling that could have broader implications for makers of games or other software that send users to specific locations.

"Pokémon Go," based on the Japanese franchise popularized by Nintendo Co. in the 1990s, sends millions of players each day searching for Pokémons characters on a digital map. Players gain points by catching the monsters, which appear superimposed into the real world through location-tracking technology and augmented reality.

The court decision is expected in the coming weeks in a case brought by residents in New Jersey, Florida and Michigan. They say the popular game caused hordes of people

to physically trespass on their land. They also say the game violates their rights by placing virtual game pieces on or near their private property without their permission.

The suit raises novel legal questions over whether a firm can be held liable for the allegedly inappropriate conduct of others or be found responsible for virtual trespassing.

"The law here is very messy," said Shawn Bayern, a law professor at Florida State University. "Each state handles

it slightly differently."

In lawsuits filed after the launch of "Pokémon Go" in July, plaintiffs claim smartphone-toting players caused disturbances as they hunted for virtual characters placed at specific GPS coordinates.

Residents of the Villas of Positano on the South Florida coast said hundreds of people began infiltrating the 62-unit complex, parking illegally and even relieving themselves in the landscaping during late-night visits to "catch" virtual

characters. Another plaintiff, a New Jersey lawyer, said at least five people knocked on his door asking for access to his backyard.

The intrusions, the plaintiffs say, amount to negligence and trespassing by the game's developer, Niantic Inc. They claim not only that Niantic is responsible for players who physically trespassed, but also that the placement of the virtual characters is itself a form of trespassing.

Niantic, which spun out of Alphabet Inc.'s Google in 2015, is asking a judge to dismiss the case and says the plaintiffs are distorting the law. The company argues that trespass laws only cover physical intrusions, not virtual ones, and that they can't be held responsible for the actions of players.

Niantic argues that if software developers are prevented from tying on-screen virtual objects to locations or sending users to specific places, many online services would be threatened, such as websites or mobile applications listing real-estate open houses.

—Sarah E. Needleman contributed to this article.

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—Sarah E. Needleman contributed to this article.



ALAN DIAZ/ASSOCIATED PRESS

'Pokémon Go' players hunt virtual characters via their phones.

Sessions Shifts Focus to Law and Order

Attorney General Jeff Sessions's decision to review concessions by local police departments accused of misconduct is part of a seismic shift at the Justice Department, which has

dent Barack Obama's legacy on a wide range of issues, including criminal justice.

As the new administration struggles to repeal the Affordable Care Act and ban travelers from some Muslim-majority countries due to terrorism concerns, the former attorney general and prosecutor from Alabama has swiftly implemented a series of crime-fighting provisions while relaxing civil-rights initiatives.

Mr. Sessions has reversed the department's withdrawal from for-profit prisons; pulled out from part of a major voting-rights case in Texas; nixed federal guidance allowing transgen-

der students to use the public bathrooms of their choice; threatened to withhold Justice

Department funding from "sanctuary cities" that thwart cooperation with federal immigration officials; and ordered a crackdown on violent crime.

On Monday, Mr. Sessions sought to delay a pact with Baltimore aimed at curbing racially biased police tactics, and he ordered a review of similar deals with police departments.

Officials in Baltimore and Chicago vowed to stay the course in overhauling their police departments, but civil-liberties leaders say federal oversight is needed to root out

excessive force and prevent harassment of minorities.

"This is supposed to be De-

partment of Justice, not the

Department of Law and Order,"

said Marc Morial, president of

the National Urban League.

That isn't how everyone

sees it. The department's

change in focus reflects the Re-

publican administration's more

conservative view of govern-

ment. "Local control and local

accountability are necessary

for effective local policing," Mr.

Sessions said in a memo re-

leased Monday.

A spokeswoman for Mr. Ses-

sions, Sarah Isigur Flores, de-

clined to comment further.

By Beth Reinhard,
Scott Calvert
and Shibani Mahtani

quickly changed its emphasis under the Trump administration from protecting civil rights to promoting law and order.

Mr. Sessions is poised to be

one of the most powerful mem-

bers of President Donald

Trump's cabinet as the presi-

dent seeks to dismantle Pres-



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U.S. NEWS

McConnell Has Votes to Remove Filibuster

Senate GOP leader is ready to change rules and confirm Gorsuch for the Supreme Court

BY BYRON TAU

WASHINGTON—The Senate is barreling toward a showdown over the confirmation of Supreme Court nominee Neil Gorsuch, as Republican leader Mitch McConnell said Tuesday he has enough votes to change the Senate rules and eliminate the filibuster on Supreme Court nominations.

The Kentucky Republican was set to launch the procedural fight over Senate rules by filing for "cloture" Tuesday evening—a procedural tool used to wrap up Senate debate and move toward a final vote.

Republicans are expected to fall short of the 60 votes needed to end debate and lean on a change in Senate rules to confirm Judge Gorsuch, President Donald Trump's nominee to fill the Supreme Court vacancy created by the death last year of Justice Antonin Scalia. The rule change will likely happen on Thursday.

Such a change would permanently eliminate the filibuster, a stalling tactic used by a legislative minority, on presidential nominees. Democrats eliminated the procedure for executive-branch nominees and lower-court judges in 2013 in response to what they said was GOP obstruction preventing the confirmation of former President Barack Obama's nominees.

GOP leaders this week said they had the votes to do the same with Supreme Court nominees after Democrats cobbled together enough votes to sustain a filibuster.

"We're moving forward with the Gorsuch nomination



Senate Majority Leader Mitch McConnell, shown in the Capitol on Tuesday, can't muster the 60 votes needed under current rules.

for the Supreme Court," Mr. McConnell told reporters Tuesday. "It appears as if cloture will not be invoked, but we'll find out on Thursday. But either way, we'll be moving toward confirming Judge Gorsuch on Friday."

Asked if he had the votes to change the Senate rules, Mr. McConnell said, "Yes."

Democrats have portrayed their stance against Judge Gorsuch, who sits on the federal 10th Circuit Court of Appeals, as a matter of principle.

Democratic senators have raised concerns about his rulings, his judicial philosophy and his stance on corporate political speech.

"Every time in the history of this country that a Supreme Court nominee has failed to earn the necessary votes to pass the Senate, the answer has been to change the nominee, not the rules," said Senate Minority Leader Chuck Schumer (D., N.Y.).

"We believe that is exactly what should happen now."

Underlying the Democrats' arguments is continuing anger that Republicans last year refused to consider Mr. Obama's nominee for the same Supreme Court vacancy, Circuit Court Chief Judge Merrick Garland. Mr. Garland was nominated in March 2016, and Republicans argued that the next president should be able to fill the slot.

Institutionalists on both sides have expressed their dismay about the state of the Senate, once known for its collegiality and its preference for

giving the party in the minority extensive input on legislation and nominees.

"I find it ironic and sad that we're going to change the rules over somebody that's lived such a good life, who's been such a good judge," Sen. Lindsey Graham (R., S.C.) said this week.

Mr. Graham was the only Republican on the Senate Judiciary Committee to vote for Mr. Obama's nominees to the Supreme Court, Justices Sonia Sotomayor and Elena Kagan.

What Is the Senate's 'Nuclear Option'?

Senate Democrats have assembled enough votes to mount a filibuster that would block consideration of President Donald Trump's nominee to the Supreme Court, setting up a fight over the chamber's rules that is expected to result in the triggering of the "nuclear option" by Republicans.

That option refers to a move by the majority party—currently the Republicans—to change Senate rules to strip power from the minority party. In the current context, it would mean allowing Supreme Court nominees to be confirmed with a simple majority of the Senate. Currently, nominees first have to jump a higher hurdle—three-fifths of the Senate, or 60 votes.

To reach 60 votes to overcome the filibuster, the 52 Republicans need eight Democrats. As of Monday, just three said they intended to vote for cloture, while 41 said they plan to block the nomination. That leaves Republicans shy of votes to proceed with the nomination.

"Nuclear option" typically refers to an option so drastic it must only be used only as a last resort. Former Sen. Trent Lott (R., Miss.) was the first to use it in this context, and the name has stuck for several reasons. First, changing the Senate rules breaks precedent. Also, the Republicans know—as the Democrats did when they changed rules in 2013—that when the majority party becomes the minority, as inevitably happens, that party would be stripped of most of its leverage, thanks to the rule change.

Donald Trump's First 100 Days

The administration's latest actions and agenda at a glance

TUESDAY

◆ **Unions:** President Donald Trump, during an address in Washington before North America's Building Trades Unions, promised to "rebuild our nation." He cited his administration's effort to eliminate what he called "job-killing regulations."

◆ **Health care:** Mr. Trump's administration is floating a new health-care proposal aimed at winning over House conservatives that could allow states to opt-out of some requirements in the Affordable Care Act.

◆ **Syria:** White House press secretary Sean Spicer condemned the suspected chemical attack in Syria that killed at least 58 people, calling it a result of the Obama administration's "weakness" in confronting the Bashar al-Assad regime.

◆ **SEC:** The Senate Banking Committee approved Jay Clayton to head the Securities and Exchange Commission in Mr. Trump's administration, sending the nominee to the Senate floor for a final vote.

QUOTES

"It should be unsettling to everyone that our colleagues across the aisle have brought the Senate to this new low."

—Sen. Mitch McConnell of Kentucky, Republican leader, speaking about GOP plans to change the rules to confirm Mr. Trump's Supreme Court pick

"No one is forcing Sen. McConnell to change the rules. He's doing it at his own volition, just as he prevented [Judge] Merrick Garland from getting a vote at his own volition."

—Sen. Chuck Schumer of New York, Democratic leader

\$43.6 billion

That is the overall U.S. trade deficit with other countries in February, a 10% drop from the previous month, according to the Commerce Department.

Ex-Trump Aide Confirms Spy Target

BY PAUL SONNE

WASHINGTON—Former Trump presidential campaign adviser Carter Page confirmed he was the unnamed American consultant targeted for recruitment by Russian intelligence officers operating under diplomatic cover in a high-profile 2015 New York spy case.

Mr. Page said in a statement released Monday that he helped U.S. federal investigators during the case, which led prosecutors to charge three Russians in connection with spying.

Interactions between former Trump associates and Russia are the focus of congressional and federal investigations looking into allegations that Russia interfered with the U.S. election. Russia has denied the allegations. Mr. Page's statement marked the first acknowledgment of an interaction between Russian intelligence operatives and an associate of the Trump presidential campaign. The encounter, though, took place before President Donald Trump's campaign.

Two of the three Russians charged in the 2015 case were operating under diplomatic cover and evaded prosecution.

The third, a New York-based Russian employee of Russian state development bank Vnesheconombank, or VEB, pleaded guilty to conspiring to act as an agent for the Russian Federation. He received 30 months in prison but recently received early release. He remains in U.S. custody pending deportation to Russia, according to a U.S. Immigration and Customs Enforcement spokesman.

The criminal complaint U.S. federal prosecutors filed in the spy case detailed efforts by two of the Russians to gather intelligence for Russia on economic and energy issues, including a discussion they had in April 2013 about efforts to recruit "a male working as a consultant in New York City," confirmed in the statement Monday to be Mr. Page, a former Trump campaign foreign-policy adviser who worked as a banker in Moscow before becoming an energy consultant.

Prosecutors detailed how

Carter Page, a one-time Trump presidential campaign adviser.

one of the Russian individuals, Victor Podobnyy, posed as a United Nations attaché under diplomatic cover while trying to recruit Mr. Page as a Russian intelligence source. The complaint said Mr. Page—described only as "Male-1" in the court filings—interacted with Mr. Podobnyy after meeting him at a conference and provided him with documents.

The complaint described Mr. Podobnyy as an agent for the SVR, Russia's foreign intelligence service.

Mr. Page said he provided Mr. Podobnyy in 2013 with "nothing more than a few samples from the more detailed lectures" he was preparing for a course he was teaching at New York University at the time.

"As I explained to federal authorities prior to the January 2015 filing of this case, I shared basic immaterial information and publicly available research documents with Podobnyy," Mr. Page said in his statement.

Prosecutors charged Mr. Podobnyy along with Igor Sporyshev, a second alleged SVR agent posing as a Russian trade representative, and Evgeny Buryakov, the Russian bank official, with conspiring to act and acting as an unregistered agent of a foreign government.

The case resurfaced in the news late last month when it turned out that Jared Kushner, Mr. Trump's son-in-law, met during the presidential transition with the chief executive of the same Russian state bank where Mr. Buryakov worked before his arrest.

RICE

Continued from Page One
presidential election. U.S. intelligence agencies, including the Federal Bureau of Investigation, are pursuing an investigation into the alleged election meddling.

Russian officials have denied meddling in the U.S. presidential election, and Mr. Trump has denied colluding with the Russian government.

House Republicans and Democrats have agreed upon a preliminary list of about 30 witnesses that officials say will be expanded as needed.

Formal requests to testify haven't been sent yet by the intelligence committee to the witnesses.

Mr. Nunes has said that the intelligence information in question was gathered legally and didn't pertain to either alleged Russian election hacking or ties between Mr. Trump's associates and Moscow.

Unmasking is a term used when the identity of a U.S. citizen or lawful resident is revealed in classified intelligence reports. Unmasking is justified for national security reasons

but is governed by strict rules across the U.S. intelligence apparatus that make it illegal to pursue for political reasons or to leak classified information generated by the process.

Intelligence experts said it is common for a president's national-security aides to seek to unmask the names of Americans mentioned in intelligence reports along with foreign officials, or those mentioned in conversations between foreigners. Former national security advisers contacted by The Wall Street Journal declined to comment.

Ms. Rice said on Tuesday that she didn't leak anything regarding her successor, Mike Flynn. "I leaked nothing to nobody and never have and never will," Ms. Rice said on MSNBC. She described requests to unmask the identities of U.S. citizens mentioned in intelligence reports as necessary to do her job and entirely different than leaking classified information.

"The notion, which some people are trying to suggest, that by asking for the identity of an American person, that is the same as leaking it, is completely false," Ms. Rice said. "There's no equivalence be-

tween so-called unmasking and leaking. The effort to ask for the identity of the American citizen is necessary to understand the importance of an intelligence report in some instances."

She declined to comment on whether she had made unmasking requests in connection with people associated with Mr. Trump.

A Republican official familiar with deliberations by GOP lawmakers on the House Intelligence Committee said that the names of two U.S. citizens who were part of Mr. Trump's

House officials, including Vice President Mike Pence, about the nature of his conversations with the ambassador, which current and former officials said concerned the possible easing of Obama-era sanctions on Russia.

The Republican official and others said Ms. Rice wasn't the administration official who investigated Mr. Flynn's unmasking.

Ms. Rice has become the focal point of efforts by Messrs. Trump and Nunes to call attention to what they have said was improper behavior by officials in Mr. Obama's administration in relation to intelligence collection during the final days of Mr. Obama's presidency. They have been pressuring for the topic to be considered as part of the Russia investigation by the House intelligence panel.

Concerns about surveillance, a separate issue, were

first raised by Mr. Trump, a Republican, in a series of tweets last month, when he accused Mr. Obama, a Democrat, of wiretapping Trump Tower, where Mr. Trump lived and worked before moving to the White House. Those allegations have been called baseless.

by members of both parties and intelligence officials, and the White House hasn't offered any evidence to back up the allegation.

After the president's tweet, a White House aide began examining policies on surveillance, turning up records regarding apparent unmasking requests, said a person familiar with the matter. White House General Counsel Don McGahn halted the inquiry, telling that staff member and another to send any information to Congress, according to this person.

Mr. Trump's national security adviser, Lt. Gen. H.R. McMaster, was aware of the staff activities, according to the person familiar with the matter.

Ms. Rice said Tuesday she couldn't get into which names were unmasked in specific reports.

"I don't know what Devin Nunes reviewed at the White House," she said. "What I can say is that there is an established process for senior national security officials to ask for the identity of U.S. persons in these reports."

—Carol E. Lee contributed to this article.



Susan Rice, Obama's national security adviser, in D.C. last year.

CAROLYN KASTER/ASSOCIATED PRESS

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U.S. NEWS



Vice President Mike Pence is among Trump administration figures working with lawmakers on a GOP path forward on health care.

Health-Bill Pact Eludes GOP

BY KRISTINA PETERSON
AND NATALIE ANDREWS

WASHINGTON—A group of House Republicans huddled with Vice President Mike Pence and other top administration officials for two hours Tuesday night before emerging without having reached any agreement on how to revive the GOP health bill that collapsed in the House last month.

Lawmakers said most of the discussion centered on a measure sought by conservatives to allow states to opt out of some requirements of the Affordable Care Act. Defections from the House Freedom Caucus, a group of 30 to 40 conservative House Republicans, helped prevent GOP leaders from securing support for their health-care bill last month, forcing them to pull it from the floor.

President Donald Trump has said on Twitter he still wants to pursue passage of the GOP health-care bill, but lawmakers are unlikely to reach an agreement before they leave Washington Thursday for a two-week recess.

"I think it's difficult to finish one by the end of the week," said House Majority Leader Kevin McCarthy (R., Calif.).

Lawmakers struck a positive tone as they left the meeting but gave little indication that any new consensus was reached on how to alter the bill to win over more House Republicans.

"There were no agreements tonight," House Freedom Caucus Chairman Mark Meadows (R., N.C.) told reporters after

Medicare Payments To Insurers Boosted

Federal regulators will give a larger-than-expected average payment increase to insurers that offer private Medicare plans.

The boost will aid companies that offer the plans under Medicare Advantage, the program in which beneficiaries can get Medicare policies from private companies. The insurers are then paid by the federal government.

Insurers selling the plans will see their payment rates go up by 0.45% on average next year, according to the Centers for Medicare and Medicaid Services. That is higher than the 0.25% increase the government had floated earlier this year.

"These programs have been successful in allowing innova-

tive approaches that give Medicare enrollees options that best fit their individual health needs," CMS Administrator Seema Verma.

Beneficiaries of Medicare, the federal health-insurance program for people aged 65 and over and the disabled, can opt for these private alternatives to traditional government-run coverage. The payments are closely watched by insurers, which lobby to keep them from dropping as the plans are a major line of business for many health insurers.

America's Health Insurance Plans, the largest industry trade group, said more must be done by the Trump administration to bolster Medicare Advantage.

Nearly one-third of Medicare beneficiaries, or about 18.5 million Americans, are in the plans, according to AHIP.

—Stephanie Armour

care or hospitalization.

They may also get exemptions from a provision that bans insurers from charging higher premiums to people with health conditions.

One topic that remains contentious is the ACA's requirement that all individual and group plans must accept an applicant, regardless of his or her health status, known as "guaranteed issue."

"There's probably a lot more concern over the guaranteed issue portion of that and what that may mean," Mr. Meadows said.

Lawmakers said there was more consensus over setting up high-risk pools to help states

cover some of the people who might see their costs spike if some of the ACA's requirements on insurers are relaxed.

Rep. Andy Barr (R., Ky.), a member of the Freedom Caucus, said members are looking to health-care systems in Maine as a possible way to find consensus between conservatives and centrists in the House GOP.

"I think there's a lot of unity around this idea of a risk pool that's modeled after the Maine concept," Mr. Barr said. "It is a bridge. It is not the only issue that's out there, but it's something that is unifying the members."

Mr. Meadows said earlier Tuesday that he had spoken recently with Maine's governor, Paul LePage. It wasn't clear Tuesday night which elements of the state's health-care model appealed to conservatives.

Even if members of the Freedom Caucus can reach an agreement with the administration, GOP leaders would still need to shore up support among the more centrist House Republicans, who have objected to some of the changes sought by conservatives.

"That would not move me to the yes column," said Rep. Leonard Lance (R., N.J.), who said he favored retaining the requirement that most insurers offer specific health benefits such as maternity care or hospitalization.

Republican lawmakers said they expect to meet with administration officials on the health-care bill again on Wednesday.

—Stephanie Armour contributed to this article.

VET

Continued from Page One

Wednesday when Homeland Security Secretary John Kelly appears before a Senate committee. A spokesman for Sen. Claire McCaskill of Missouri, the top Democrat on the panel, said she planned to raise the issue.

"Sen. McCaskill is deeply concerned about the vetting procedures and how they might be applied," he said.

The review was called for in an executive order Mr. Trump signed last month banning travel from six majority-Muslim countries, which he said was needed to guard against terrorism. The order also directed security officials to implement a vetting program that allows for a "rigorous evaluation" of whether applicants support terrorism or present a risk of causing harm.

While much of the order was put on hold by a federal judge in Hawaii, the work to enhance vetting procedures was allowed to proceed.

It was unclear when the review would be completed or translated into policy. Former Obama administration officials say any changes could be implemented using executive authority, though it is unclear whether formal rule-making would be needed or even desired. Either way, they could be challenged in court or by law-

makers in Congress.

A coalition of about 50 civil liberties and other groups issued a statement after Mr. Kelly testified at a congressional hearing in February about requiring passwords, saying it amounts to "a direct assault on fundamental rights," including freedom of expression.

They also complained that the policy could be mirrored by foreign governments demanding passwords from Americans.

Homeland Security officials say the agency is planning to significantly increase demands for information from all visa applicants, including visitors and others seeking to immigrate. That might also include asking for financial information, as well as telephone contacts, one senior DHS official said.

The changes might even apply to visitors from the 38 countries that participate in the Visa Waiver Program, which requires adherence to strict U.S. standards in data sharing, passport control and other factors, one senior official said. That includes some longstanding U.S. allies, such as the U.K., Japan and Australia.

The biggest change to U.S. policy would be asking applicants to hand over their cellphones so that officials could examine their stored contacts and perhaps other information. Visitors have had their phones examined at ports of entry, but a phone review isn't routinely requested during the applica-

tion stage.

The goal is to "figure out who you are communicating with," the senior DHS official said. "What you can get on the average person's phone can be invaluable."

A second change would ask applicants for their social-media handles and passwords so that officials could see information posted privately in addition to public posts.

"We want to say for instance, 'What sites do you visit? And give us your passwords,' so that we can see what they do on the internet," Mr. Kelly said at the February hearing. "If they don't want to give

us that information then they don't come."

Former department officials who worked on security vetting during former President Barack Obama's administration said that the information gleaned from telephones and social media could be helpful in assessing threats posed by applicants. But the effort would be time-consuming, they said, and it could drive people with bad intentions to change their practices.

"The real bad guys will get rid of their phones. They'll show up with a clean phone," said Leon Rodriguez, who headed the U.S. Citizenship and Immigration Services, a DHS

Price's Payday On Sale of Shares

BY JAMES V. GRIMALDI

Health and Human Services Secretary Tom Price more than tripled his investment when he sold shares in a small biotechnology company developing a multiple sclerosis drug that might one day seek approval from Dr. Price's agency, public disclosures show.

Dr. Price sold the shares of Innate Immunotherapeutics Ltd., of Australia, in February for about \$320,000, earning at least \$225,000 on a \$94,000 investment, according to an analysis of his disclosures to Congress and an ethics disclosure report filed Monday. The sales were made to comply with the ethics agreement he signed when he became the health secretary.

Dr. Price told the Senate Finance Committee that he owned 461,238 shares of the stock, most of them purchased at a discount last year after a member of the board of the company, Rep. Chris Collins (R., N.Y.), told him about a privileged sale of the stock. Dr. Price, at the time a Republican congressman from Georgia, was one of fewer than 20 U.S. investors invited last year to buy discounted shares in Innate Immunotherapeutics.

A spokeswoman for Dr. Price said the health secretary did his own research into the company after hearing about it from Rep. Collins and "did not have non-public information when he decided to invest." She said, in an email, "Dr. Price has complied with all divestiture requirements as stated in his Ethics Agreement."

Senate Democrats, who opposed Dr. Price's nomination,

criticized the special arrangement. "The bottom line is that Congressman Price bought these shares for \$40,000 less than an average investor would have paid to buy the same amount of stock off the open market," Sen. Ron Wyden, top Democrat on the Senate Finance Committee, said before the Senate vote.

The Wall Street Journal reported last year that from 2012 through 2016, Dr. Price traded more than \$300,000 in shares of some 40 health-related companies while sponsoring and advocating legislation that poten-


Price sold the shares for about \$320,000, earning at least \$225,000 on the investment.

tially could affect those companies' stocks.

Dr. Price's spokeswoman said all of Dr. Price's trades were made by a broker, except those involving Innate Immunotherapeutics.

In 2015, Dr. Price bought \$10,000 in Innate Immunotherapeutics shares for about 17 cents a share. In 2016, in two private placements, Dr. Price bought some \$84,000 in shares, at 18 cents a share in mid-June, representing a 12% discount to the average market price, the company said, and at 26 cents a share in mid-July, for a 14% discount. He sold them in two tranches in February when the price was about 70 cents a share.

Democrats Cautious On Bipartisan Action

BY NATALIE ANDREWS

WASHINGTON—Democratic lawmakers who may be willing to work with President Donald Trump have met with Republican officials, while saying that the window for bipartisan action is rapidly closing.

The Blue Dog Democrats, a coalition of 18 of the party's centrist House members, met Monday with Mr. Trump's legislative director, Marc Short. A Democratic aide said the meeting was set to discuss priorities of the administration and the lawmakers.

The New Democrats, a group of 61 lawmakers who identify as fiscally conservative and socially liberal, met with Ways and Means Committee Chairman Kevin Brady (R., Texas) Tuesday to talk about the GOP's plan to overhaul the tax code. An aide said the meeting was scheduled nearly two months ago.

The Democrats say they are setting the terms for any bipartisan cooperation. The Blue Dogs were approached to visit the White House to meet with staff but requested instead that staff come to the Capitol.

Rep. Jim Himes (D., Conn.), chairman of the New Democrats, said divisions among Republicans might make it harder for the majority party to negotiate with Democrats.

"Look at what they are talking about on tax reform. [House Speaker Paul] Ryan is doing one thing; the White House is doing another," said Mr. Himes about GOP divisions over whether to adopt a "border adjustment" tax.

Rep. Mark Walker (R., N.C.), chairman of a House conservative group, said cooperation between the parties isn't the current reality, though "in the utopia world of politics, you want to believe that's feasible."

disputed their contents. He also directs offices to limit the number of interviews scheduled each day to ensure each application is properly scrutinized.

Mr. Tillerson instructed officials to ask visa applicants additional questions, such as listing all email addresses and social-media handles used in the past five years.

The administration is also working to implement an idea first raised by Mr. Trump as a presidential candidate last August for an "ideological test" for people coming to the U.S. Such tests have been used before—for instance, to screen out anarchists, or members of the Communist Party, the senior DHS official working on the review said.

He said the types of questions under consideration now include how visa applicants view the treatment of women in society, whether they value the "sanctity of human life" and who they view as a legitimate target in a military operation.

The goal, he said, isn't to filter out people with contrary thoughts but people who might act on them. That notion draws criticism from civil libertarians.

"Our views and beliefs and opinions are protected," said Hugh Handeyside, a staff attorney with the American Civil Liberties's national security project. "Those same principles should drive our decisions about whether people would be permitted to visit the United States."



Travelers at the international terminal at Kennedy Airport in New York last month.

tion stage.

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applicants for their social-media handles and passwords so that officials could see information posted privately in addition to public posts.

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"The real bad guys will get rid of their phones. They'll show up with a clean phone," said Leon Rodriguez, who headed the U.S. Citizenship and Immigration Services, a DHS

WORLD NEWS

Chemical Attack in Syria Kills Dozens

Assad regime widely blamed for bombing; Trump condemns 'heinous actions'

By RAJA ABDULRAHIM
AND NOAM RAYDAN

A suspected chemical attack widely blamed on the Syrian regime killed at least 58 people in an opposition-held town Tuesday, putting new pressure on the Trump administration to take a harder stance toward President Bashar al-Assad.

Bombs dropped by warplanes hit the town of Khan Sheikhoun with an unknown gas that caused people to faint, foam at the mouth and suffocate, according to doctors, rescue workers and residents. Among the dead were at least 11 children and some entire families, they said.

"All pieces of evidence indicate that the raid was carried out by the regime," said Raed Saleh, director of the White Helmets, a civil-defense organization that operates in parts of rebel-controlled Syria. The Assad regime has been accused of using chemical weapons repeatedly during the six-year war, including a 2013 sarin gas attack on a Damascus suburb that killed 1,429.

The Syrian army denied us-



"red line," saying that Mr. Trump didn't have a "comfort level" with the Syrian leader but acknowledged the "political reality" that he was in power.

Secretary of State Rex Tillerson said Russia and Iran "also bear great moral responsibility for these deaths" and called on them to use their influence with the regime to ensure such attacks don't happen again.

Rescue workers and residents who arrived in the neighborhood of Tuesday's attack soon afterward described eerily empty streets. Instead, the victims were mostly still in their beds, residents said.

A nurse who worked in one hospital that received 20 wounded children said the victims exhibited contracted pupils, cold limbs, loss of consciousness and low blood pressure and heart rates.

Photos and videos of the bodies provided by rescue workers and local activists showed the victims bloodless and with no external injuries.

"We couldn't really treat them. All we could do was strip off their clothes and pour water on them for 10 to 15 minutes and then put them in vehicles to be sent outside the town to nearby hospitals," said Abu Hamdo Jadeed, a local rescuer.

—Rebecca Ballhaus and Nathan Hodge contributed to this article.

Syrian children received treatment following Tuesday's suspected chemical attack in Khan Sheikhoun, a town in northwestern Syria.

ing "any chemical or toxic substances" in the town, according to Syrian state media, and held what it called "terrorist groups and those behind them" responsible. The defense ministry in Russia, the regime's most powerful ally, called re-

ports of the use of chemical weapons "absolutely fake."

President Donald Trump condemned Tuesday's attack, which he said in a statement "cannot be ignored by the civilized world" and described as a result of former President

Barack Obama's decision not to intervene militarily after a previous chemical attack.

"These heinous actions by the Bashar al-Assad regime are a consequence of the past administration's weakness and irresolution," Mr. Trump said.

President Obama said in 2012 that he would establish a 'red line' against the use of chemical weapons and then did nothing."

White House press secretary Sean Spicer declined to say whether Mr. Trump would consider establishing a second

War Moves Back to Forefront Even as U.S. Shifts Focus

By DION NISSENBAUM
AND FELICIA SCHWARTZ

WASHINGTON—Graphic images of dead and dying Syrian children following Tuesday's suspected chem-

ANALYSIS ical attack are forcing the Trump administration to confront the war just days after officials signaled the U.S. would no longer demand that Syrian President

Bashar al-Assad leave power.

The comments in recent days by top American officials formalized a shift away from a longstanding demand of former President Barack Obama and major American allies.

Rep. Ed Royce (R., Calif.), head of the House Foreign Affairs Committee, called the images from Tuesday's attack "sickening" in a news release titled "Assad Must Go," adding: "It is clear there is no

hope for real peace in Syria until Assad is held accountable."

The shift by the Trump administration may have been viewed by Mr. Assad as an indication that the U.S. wouldn't challenge him, said Frederic Hof, a former Obama administration adviser on Syria.

"The Trump administration had hoped to defer or even ignore the Assad issue," said Mr. Hof, now at the Atlantic Coun-

cil think tank. "Assad—already conditioned by over four years of Obama administration weakness—may have taken recent administration statements about not focusing on him as a green light by new management to do as he wished to civilians in rebel-occupied areas."

The decision to change course in Syria reduces President Donald Trump's leverage to deliver a meaningful re-

sponse to Tuesday's attack. The U.S. could try to pursue war crimes charges against Mr. Assad at the United Nations. But that approach likely would be thwarted by Mr. Assad's biggest ally, Russia.

The Trump administration also could try to tap its tenuous relationship with Moscow to pressure Mr. Assad to curtail use of chemical weapons. But that back-channel approach seems unlikely to have

much effect on the battlefield.

"The reason the Assad regime used chemical weapons is the same reason they've been using them for years," said Andrew Tabler, a Syria expert at the Washington Institute for Near East Policy. "The Assad regime doesn't have the manpower to retake territory...and Russia has its back at the Security Council."

—Shane Harris contributed to this article.

FROM PAGE ONE

EARN

Continued from Page One
that U.S. corporate profits will soar this year, supercharged by a Trump agenda that includes tax cuts and looser regulations. Last month's collapse of the Republican health-care bill cast doubt on such policies, but a strong earnings season could give investors a reason to keep investing in stocks.

Technology companies, among the best performers in the stock market this year, are expected to post some of the biggest earnings gains. Meanwhile, profits at industrial companies are projected to contract, potentially weighing on a sector that has lagged behind the broader S&P 500 this year after outperforming in the postelection rally.

"The buying and closing your eyes bit—that part's gone," said Bret Chesney, senior portfolio manager at Alpine Global Management LLC. "I think now is when we really start to be dependent on what the hard numbers show."

Apple Inc., whose stock is up 25% this year, was expected to report per-share earnings of \$2.02 for its latest quarter as of March 31, up from \$1.90 a share in the year-earlier period. Shares of the world's most valuable company hit a record this year partly on bets that its 10th-anniversary iPhone, expected later this year, will keep momentum building at the firm. The company posted a profit in January after three consecutive quarters of declines. Apple declined to comment.

Oil prices also have rebounded from their 2016 lows, a factor that should help energy companies—the biggest laggards in previous earnings seasons—improve results. Energy companies are expected to be the biggest contributors to earnings growth for the first quarter—accounting for more than a third of the broader index's projected gains, according to FactSet.

Revenue also is expected to pick up for S&P 500 companies overall, after many had relied on cost-cutting to improve profits during the recovery



from the financial crisis—an encouraging sign for some investors who were looking for more sustainable growth.

For the first quarter, S&P 500 firms are projected to report revenue growth of 7.1%, the biggest jump in more than five years, according to FactSet.

Improving corporate health and U.S. economic data have supported stocks since the second half of last year, helping the rally weather shifts in fiscal-policy expectations. Over

Technology
companies are
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of the biggest gains.

the past year, S&P 500 companies have rebounded from a five-quarter earnings slump, wage growth has firmed and consumer confidence has risen to a more than 16-year-high.

A dollar rally, which some worried would cut into exporters' profits, has stalled this year after a postelection surge.

Analysts have pared back their expectations for first-quarter earnings since the start of the year, but the cuts have been smaller than the average over the past five years, according to FactSet. As of year-end, analysts estimated first-quarter earnings growth would be 12.5%.

But disappointing earnings could dent stocks' recent gains. Shares of industrial and materials companies, which helped lead the rally between Election Day and the end of 2016, posted the largest declines since then in expected earnings.

As of March 31, analysts expected General Electric to post first-quarter per-share earnings of 17 cents, down from the 21 cents it reported a year earlier, according to FactSet. Analysts had expected first-quarter earnings of 29 cents per share at the end of 2016. The company—whose stock is down 5% this year after a 7.4% advance between Election Day and year-end—has faced pressure from activist investors to slash expenses after missing profit targets last year, The Wall Street Journal has reported.

Mining firm Freeport-McMoRan Inc. was expected March 31 to post earnings of 18 cents a share for the first quarter, compared with a loss of 16 cents a year earlier but down from analysts' year-end estimate of 41 cents a share, according to FactSet.

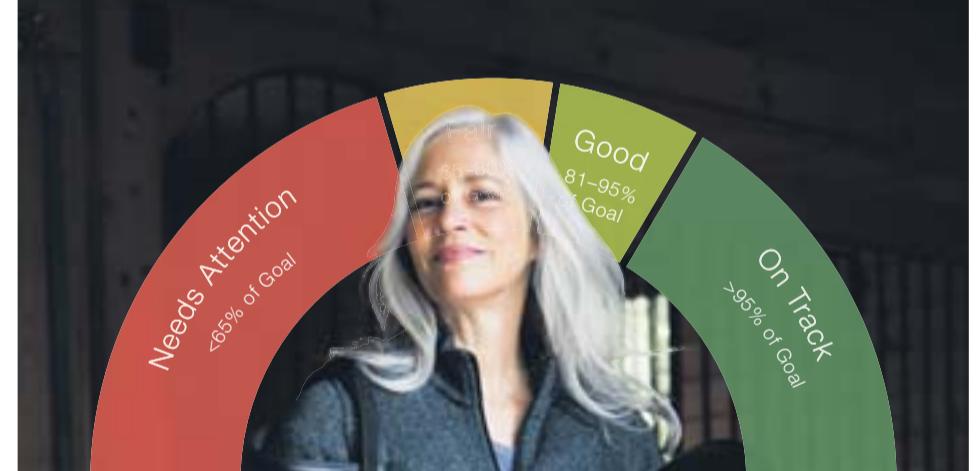
The company said in March that, because of a standoff with regulators, it had to scale back output and lay off workers in Indonesia, where it derives roughly a third of its copper output. Its stock is up 2.7% this year after rising 9.1% between Election Day and the end of 2016.

GE and Freeport declined to comment.

Still, company management has been upbeat. S&P 500 firms used the word "optimistic" in 52% of earnings calls for the fourth-quarter earnings season, the most ever in Bank of America Merrill Lynch data going back to 2003. At the same time, company-issued guidance was "nothing to write home about," the firm noted.

The gap between firms' confidence and their future earnings estimates reflects a concern among some investors and analysts: That stocks have run up at a pace beyond what is warranted by earnings results.

Major indexes' gains since November have made them even more expensive relative to their historical valuations, raising some concerns that they could be vulnerable to a pull-back.



EIGHTY TWO

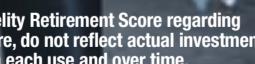
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WORLD NEWS



Miho Inada/The Wall Street Journal
Carrot-breeder Taro Takagi hopes to become the world's carrot king. Above, carrots developed by Mikado Kyowa Seed Co.

Japan Tries Engineering Carrots

By ELEANOR WARNOCK

SODEGAURA, Japan—Taro Takagi has helped develop nine breeds of carrots intended to feed millions in Asia—a prime example of how Japan now aims to use new technology to become an agricultural powerhouse.

One of them, dubbed “Amerie,” has extra beta carotene for a brighter orange color that consumers find attractive. Another, “Christine,” yields a uniform cylindrical shape and thrives in colder climates. And “Emma” is resistant to the fungal disease black rot.

“What constitutes a good carrot is different for every market,” Mr. Takagi said recently. “In France, this would be considered a good carrot,” he added, holding up a medium-length variety with a slight bend in the middle, “while in Japan this is good”—a shorter, stubbier model with no bend.

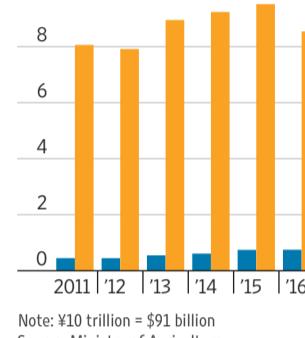
Prime Minister Shinzo Abe says he wants to turn the food business, where Japan has a \$70 billion annual trade deficit, into an export-growth sector along the lines of other science-heavy Japanese businesses such as high-speed rail and carbon-fiber materials.

Farm Gap

Japan's agricultural exports are rising but still a small fraction of imports.

Agricultural, fishery and forestry

■ exports ■ imports



Note: ¥10 trillion = \$91 billion

Source: Ministry of Agriculture, Forestry and Fisheries

THE WALL STREET JOURNAL.

sure from the Washington U.S. Vice President Mike Pence, who is set to visit Japan as soon as this month for economic talks, is likely to press Tokyo to reduce agricultural tariffs in a new two-way trade deal.

Japan's agriculture sector, long dominated by aging family farmers working tiny plots of land, is already making high-tech strides.

In Mr. Takagi's case, his company doesn't actually farm carrots, but rather, develops seeds, in what is a study of how Japan can leverage local technology into a global presence.

For the past 15 years at the French-owned company now known as Mikado Kyowa Seed Co., he has obsessively focused on the carrot, saying he doesn't mind if it takes time to see results.

Carrots are a vegetable vulnerable to diseases that can wipe out a crop, and, for all its familiarity, it also has many regional varieties. That gives breeders plenty of traits to work with, but also the challenge of fitting the carrot to the market.

Early in Mr. Takagi's career, he apprenticed with a French breeder whom he describes as the original carrot

king, and he started experimenting with French-Japanese hybrids.

In 2009, he visited two villages in the Chinese region of Inner Mongolia to experiment with some seeds he had originally developed for the Japanese market. It blossomed into a full-fledged business, and when he visited last year, he says farmers from the two villages told him his carrots had sold for higher prices despite a depressed market. Building on the Inner Mongolia experience, Mikado Kyowa's carrot seeds have expanded to other parts of China including Hebei, Shandong and Fujian.

China is by far the world's biggest carrot grower and an example of a market whose wealthier consumers are a prime target for Japanese agriculture.

Mikado Kyowa Chief Executive Vincent Supiot, who is French, said the challenge is persuading customers overseas to pay extra for Japanese technology. “We have to convince the farmers that our carrots have better yield and better disease resistance, that they should pay more for added value,” he said.

—Miho Inada contributed to this article.

Seoul Denounces China Trade Moves

By KWANWOO JUN

SEOUL—South Korea is ratcheting up official protests against China for what many here regard as unlawful economic pressure over Seoul's plan to host an American missile-defense system.

In recent days, government agencies, lawmakers and senior officials have begun speaking out more frequently and forcefully against what they say are likely violations of international trade standards by China.

It marks a shift from South Korea's more-delicate approach of recent months as it balanced ties between the U.S., its longtime ally, and China, its biggest trade partner. Beijing frequently uses its economic clout to push its foreign-policy goals, but rarely with such a broad set of retaliatory measures.

Among South Korea's recent responses: Its ambassador to China sent China's foreign, commerce and public-security ministries a formal letter last week calling for an end to retaliatory measures against **Lotte Group**, a South Korean conglomerate that has become the focus of Chi-

nese anger since it leased land to Seoul to deploy the missile shield. Also last week, South Korean lawmakers adopted a resolution denouncing Chinese restrictions on tour packages to South Korea and regulatory measures against South Korean companies as breaches of international rules.

“There is an attempt in the Northeast Asia to weaponize its market for political and security purposes,” South Korean Vice Foreign Minister Ahn Chong-ghee said last week.

The feud centers on South Korea's plan to deploy the Thaad system to counter the growing nuclear and missile threat from North Korea. The system's first components arrived in South Korea in March. China is said to fear that its powerful radar will peer deep into its territory and threaten its security.

China's Ministry of Foreign Affairs didn't respond to a request to comment on Tuesday. Beijing has at times denied pressuring Seoul and other times acknowledged it indirectly.

North Korea Tests Ballistic Missile Ahead of Meeting

SEOUL—North Korea launched a medium-range ballistic missile off the east coast of the Korean Peninsula on Wednesday morning, a day before President Donald Trump meets with Chinese President Xi Jinping for the first time.

The missile's launch, confirmed by U.S. Pacific Command in Hawaii and by South Korea's Joint Chiefs of Staff, took place from Sinpo, a city on the east coast where North Korea last year claimed the launch of a submarine-launched ballistic missile.

South Korea's Joint Chiefs said that the launch took place at about 6:42 a.m. Seoul time and that the projectile flew about 35 miles, before splashing down in the waters between Japan and the Korean Peninsula.

David Benham, a spokesman with U.S. Pacific Command in Hawaii, said the missile was identified as a KN-15 medium-range ballistic missile.

A statement by Secretary of State Rex Tillerson was dismissive of Pyongyang. “North Korea launched yet another intermediate range ballistic missile. The United States has spoken enough about North Korea. We have no further comment,” he said.

—Jonathan Cheng



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WORLD NEWS

Russia Blast Believed to Be Suicide Attack

Authorities identify man from Kyrgyzstan in subway explosion; death toll is 14

By NATHAN HODGE

ST. PETERSBURG, Russia—Russian authorities identified a 22-year-old man from the Central Asian republic of Kyrgyzstan as the suicide bomber who caused a deadly subway-train blast in Russia's second-largest city on Monday, underscoring Moscow's concerns about radicalization in Central Asia.

In a statement Tuesday, Russia's Investigative Committee identified the attacker as Akbarjon Jalilov.

The explosion occurred on a train between Sennaya Ploshchad, a busy downtown subway intersection, and Technological Institute station.

According to the statement, forensic experts found genetic traces of Jalilov on a bag containing an explosive device that was found and disarmed at Ploshchad Vosstaniya, an-

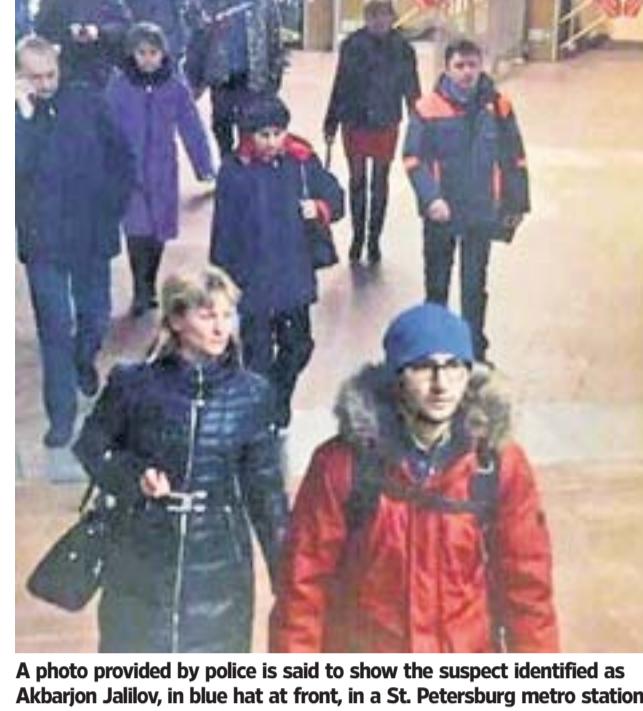
other subway station not far from the site of Monday's explosion. Investigators also drew their conclusions based on surveillance-camera footage, the statement said.

Russian Health Minister Veronika Skvortsova said Tuesday morning that 14 people had been killed and 49 remained in the hospital.

Earlier Tuesday, the Investigative Committee said that an explosive device could have been detonated by a man whose fragmented remains were found in the third carriage of the subway train.

Rakhmat Sulaimanov, the official representative of the Kyrgyz security agency, said the person responsible was likely a native of Kyrgyzstan who then became a Russian citizen. Mr. Sulaimanov said Kyrgyz security services were in contact with Russian authorities over the matter, but declined to provide further details.

No group has claimed responsibility for the blast. It occurred during a visit to the city by Russian President Vladimir Putin, raising official



A photo provided by police is said to show the suspect identified as Akbarjon Jalilov, in blue hat at front, in a St. Petersburg metro station.

trains and transport hubs have in the past two decades been frequent targets for terrorist attacks that officials have blamed on Islamist militants and separatists.

In 2015, a bomb brought down a Russian passenger jet bound for St. Petersburg over Egypt. An affiliate of Islamic State claimed responsibility for the attack.

That happened just weeks after Russia sent its military into Syria in support of President Bashar al-Assad, helping to turn the tide in a conflict that has now raged for six years.

The Russian president has long expressed concern that extremist groups such as Islamic State may find fertile recruiting ground in Muslim-majority regions of the former Soviet Union.

In a 2015 interview, he justified military intervention in Syria by saying, "Instead of waiting for them to return back home we should help President al-Assad fight them there, in Syria."

Russian Foreign Minister Sergei Lavrov rejected sugges-

tions that the blast may have been carried out in revenge for Russia's military action in Syria, calling them "cynical and foul," according to Interfax news agency.

While details are still emerging, Russian officials have long said they believe several thousand citizens from the former Soviet Union have made their way into the ranks of Islamic State in the Middle East.

Mr. Putin estimated in October 2015 that between 5,000 and 7,000 individuals from Russia and the former U.S.S.R. were fighting alongside Islamic State.

The militant group has attracted a large number of recruits from impoverished former Soviet republics in Central Asia.

International Crisis Group, a Brussels-based think tank, said in a 2016 report that Islamic State appears to be targeting Kyrgyzstan, a country with a fragile economy that depends heavily on remittances.

"The trend lines are wor-

rying," the report states.

Kushner Says U.S.-Iraq Ties Should Span Generations

By GORDON LUBOLD

HAMAM AL-ALIL, Iraq—President Donald Trump's son-in-law and senior adviser, Jared Kushner, arrived at a military base about 10 miles south of heavy fighting in Mosul to tell the Iraqis he hopes the partnership between the U.S. and Iraq endures for years to come.

"I hope that the victory that you have in Mosul in the near future will not just be a victory for the American and Iraqi troops, but it will be a victory for the world," he told a room full of Iraqi senior officers at the Hamam al-Alil base here.

Mr. Kushner was winding up a two-day tour of Iraq with Joint Chiefs of Staff Chairman Gen. Joe Dunford, with stops in Baghdad, Erbil and at Hamam al-Alil, a small Iraqi base with fewer than 100 American advisers and other soldiers.

He is the first member of Mr. Trump's inner circle to visit a war zone since his father-in-law became president in January.

"It's been an absolute honor to be here to see the progress that everyone's made together," Mr. Kushner told a group of Iraqi officers after hearing a series of detailed operational briefings about Mo-

sul. "Speaking with the American troops and then briefly speaking with the Iraqi troops, the partnership that's been formed here truly is something that is very impressive to me and something that I know I hope endures for many generations," Mr. Kushner said.

Gen. Dunford invited Mr. Kushner and Mr. Trump's new homeland security adviser, Tom Bossert, to Iraq to better understand the Iraqi-led fight against Islamic State.

The visit comes at a time when Gen. Dunford and the American defense secretary, Jim Mattis, are conducting an assessment of the strategy



Jared Kushner, pictured at center, travels by helicopter over Baghdad in a handout photo from Monday.

against Islamic State for Mr. Trump.

Mr. Kushner likely will play a role in the final decision about how best to continue executing the fight against Islamic State.

Mr. Trump has indicated he would like to see the fight against the group accelerated, but it is likely that the strategy won't undergo immediate wholesale changes.

Gen. Dunford told local offi-

cials the U.S. stands close with the Iraqis.

"I believe Mosul will go down in the history books as one of the greatest battles in history," Gen. Dunford told the Iraqi officers.

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IN DEPTH

CHINA

Continued from Page One
its attacks on China's currency policy. It didn't join the U.K., Germany and other allies criticizing China over the alleged torture of human-rights lawyers.

After challenging China on its most sensitive issue—U.S. ties with Taiwan, which Beijing considers a rebel province—Mr. Trump reversed course in February, clearing the way for the two-day gathering at Mar-a-Lago, the president's private club in Palm Beach, Fla., which starts Thursday.

In Beijing last month, Secretary of State Rex Tillerson described the basis for U.S.-China ties as "non-conflict, non-confrontation, mutual respect, and win-win cooperation," the exact language used in the past by Mr. Xi. The U.S. has long avoided echoing those words, fearing they amount to an agreement to steer clear of such contentious issues as Taiwan and the South China Sea, one of the world's busiest trade routes. Mr. Tillerson's hosts were delighted. Many U.S. officials were stunned.

The tone has been set in part by a charm offensive by China's U.S. ambassador, Cui Tiankai, toward Jared Kushner, Mr. Trump's son-in-law and a senior adviser, according to officials and government advisers in the two countries.

The White House declined to comment on Mr. Kushner's contacts with Mr. Cui but said he had worked with Mr. Tillerson on persuading Mr. Trump to reverse course on Taiwan after other officials failed. China's foreign ministry declined to comment.

White House officials said Mr. Trump would press Mr. Xi to agree to a "results-oriented" relationship with action on two significant issues: curbing Chinese exports to shrink the U.S. trade deficit, and policing Chinese companies that trade with North Korea to hobble Pyongyang's nuclear and missile programs.

Mr. Xi's priority is to stabilize relations as he focuses on assuring his dominance in a Communist Party leadership reshuffle later this year, Chinese political insiders said. A crisis in U.S. relations, especially a trade war that slows China's economy, presents one of the few threats to his authority.

China, however, has become accustomed to Mr. Trump's rhetorical posturing and given no public signs of concession. It has reiterated demands for the U.S. to lift restrictions on technology exports to China and repeated a proposal, already rejected by Washington, for North Korea to suspend its nuclear program in exchange for a halt to U.S.-South Korean military drills.

Beijing's strategy, Chinese government advisers said, is to offer to buy more U.S. goods and to invest more in the U.S.,



Secretary of State Rex Tillerson, left, shakes hands with China's leader, President Xi Jinping, during a meeting last month in Beijing.

while pressing Mr. Trump to endorse a new framework for relations that acknowledges China's status and territorial interests.

"We've moved from a period of great uncertainty, when the Chinese were very insecure about what Trump might do to harm their interests, to the Chinese potentially thinking they've got this guy in their pocket," said Bonnie Glaser, a China expert at the Center for Strategic and International Studies.

Many veterans of negotiating with China, inside and outside the U.S. government, said Mr. Trump's administration has lost leverage by backtracking on its own positions, as well as on longstanding tenets of U.S. policy, without extracting significant concessions from Beijing.

Some of these specialists feel the summit may be premature. The White House has neither resolved internal disputes over its China policy nor filled key posts to oversee it.

Confronting China, especially on trade, was central to Mr. Trump's nationalist platform, but foreign-policy and pro-business officials now seek a more pragmatic approach.

Officials in both countries hope the meeting will allow Messrs. Xi and Trump to establish a personal rapport. The first ladies are invited, and the two leaders are expected to stroll in the grounds, similar to Mr. Xi's 2013 summit with former President Barack Obama in California.

One fear for China is that Mr. Trump could embarrass Mr. Xi if the summit fails to live up to expectations, according to people on both sides briefed on negotiations.

"The Chinese should be well advised not to underestimate President Trump, and where he

could lead things if he feels he's being played," said one U.S. official briefed on trade negotiations.

Mr. Xi, on the other hand, "can't be seen making any major concessions on this trip" that might be construed as a trade-off for Mr. Trump's observing the longstanding agreement on Taiwan, said a Chinese

China's top foreign-policy official, to meet with members of the future administration at Mr. Trump's signature building in New York City. Both Mr. Cui and Mr. Kushner attended, said people briefed on the meeting.

Mr. Yang, who is known for his abrasive style, told his audience—which included Steve Bannon, Mr. Trump's chief strategist—about respecting China's core interests, especially regarding Taiwan, said the people briefed.

"That lecture and its well-practiced server did have a negative impact on those he delivered it to," said a person who spoke with those who attended.

A senior administration official said the attendees told their Chinese guests to expect a fresh perspective in relations but it was "ultimately for the president to decide."

A day later, Mr. Trump suggested in a TV interview he might not abide by the longstanding one-China policy, an agreement by the U.S. not to pursue diplomatic relations with Taiwan.

China's foreign-policy establishment quickly met to brainstorm a fresh approach, according to people who took part. They studied copies of Mr. Trump's book "The Art of the Deal." Several Chinese think tanks were commissioned to file reports on Mr. Trump's personality.

Opinion was divided. One group saw Mr. Trump as a deal maker less interested in maintaining U.S. alliances in Asia and who could work with Beijing. Others regarded him as a serious threat to China's economy and security.

The consensus emerged that Mr. Trump cared most about trade and U.S. jobs—areas where Beijing could offer compromise—and that he could be persuaded to maintain the status quo with Taiwan.

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Mr. Xi sent a New Year's greeting card to Mr. Trump in early January. Mr. Trump didn't immediately reciprocate. On Jan. 13, Mr. Trump told The Wall Street Journal he considered the one-China policy negotiable.

Chinese government advisers saw a possible path to Mr. Trump through his family. Leading the way was Mr. Cui, whose easy manner contrasted sharply with Mr. Yang's.

"Personal diplomacy matters," said a person who has dealt with both men. "And in this White House, personal relationships are especially important."

There is one measure of Mr. Kushner's influence that will be closely watched by Chinese officials during this week's summit: whether Mr. Trump, like Mr. Tillerson last month, speaks of a relationship based on "non-conflict, non-confrontation, mutual respect, and win-win cooperation."

The phrase was first used by Mr. Xi in 2013 to define a "new model of great power relations" between the U.S. and China. It was never endorsed by Mr. Obama's administration because, officials said, it implied acceptance of Chinese dominance of Asia.

Mr. Tillerson's use of the phrase in Beijing was a surprise, according to U.S. officials. "It wasn't in the talking points, so I guess it remains a mystery," one official said, adding that Mr. Tillerson had been "warned against the traps when the Chinese try to get you to buy into their formulations."

Chinese state media has since applauded Mr. Tillerson, as have some Chinese officials. "Happily surprised," one adviser to the Communist Party leadership said.

—Lingling Wei in Beijing contributed to this article.



Beijing found in Jared Kushner a more direct line between Mr. Trump and Mr. Xi.

Beijing found in Jared Kushner a more direct line between Mr. Trump and Mr. Xi.

official close to the leadership. Even so, "China can always buy more Boeing planes," the official said.

Rocky start

During the presidential campaign, Mr. Trump, a Republican, promised to label Beijing a currency manipulator his first day in office and to slap a 45% tariff on imported Chinese goods. His win plunged U.S.-China ties into chaos.

Mr. Trump, as president-elect, broke decades of diplomatic protocol on Dec. 2 by taking a congratulatory phone call from President Tsai Ing-wen of Taiwan.

A week later, Mr. Xi sent State Councilor Yang Jiechi,

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The phrase was first used by Mr. Xi in 2013 to define a "new model of great power relations" between the U.S. and China. It was never endorsed by Mr. Obama's administration because, officials said, it implied acceptance of Chinese dominance of Asia.

Mr. Tillerson's use of the phrase in Beijing was a surprise, according to U.S. officials. "It wasn't in the talking points, so I guess it remains a mystery," one official said, adding that Mr. Tillerson had been "warned against the traps when the Chinese try to get you to buy into their formulations."

Chinese state media has since applauded Mr. Tillerson, as have some Chinese officials. "Happily surprised," one adviser to the Communist Party leadership said.

—Lingling Wei in Beijing contributed to this article.

FISH

Continued from Page One
that ascertaining a live hagfish's gender can entail squeezing it by hand. In any case, working with hagfish can be messy.

"I got slimed in the face," says hagfish expert Susan Edwards of North Carolina's Appalachian State University. She compares the hagfish's unwillingness to mate in captivity to the giant panda's.

A top authority on hagfish reproduction retired last year without learning how hagfish reproduce. Another, who found fertilized hagfish eggs in his own tank more than a decade ago but failed to see how they got fertilized, later gave up hagfish for goldfish.

Now concerns for the ecosystem, and an interest in the slime that anxious hagfish spew in huge volumes, is helping fuel momentum in the quest to figure out the hagfish birds and bees.

Researchers at the U.S. Naval Surface Warfare Center are studying hagfish slime for applications like stopping bullets—because of its similarities to Kevlar—or repelling sharks. "The possibilities are endless," Navy biochemist Josh Kogot said in a statement the Navy published.

At the same time, high demand for hagfish meat and skin, sold as "eel skin" for wallets, worries scientists. Overfishing devastated Asian hagfish populations, and U.S. waters now provide Korea with most of its



The eel-like hagfish isn't actually a fish. It is an ancient deep-sea creature that forms an evolutionary link between spineless animals and those with backbones. Because they eat dead and decaying matter, they have a key role in the ocean ecosystem, scientists say.

imports, the U.S. Department of Agriculture says. California enacted hagfish regulations in 2015 after a state scientist grew concerned, but biologists can't determine a sustainable catch without understanding when and how hagfish mate.

Separately, there is hope for a window into hagfish reproduction from the University of Kentucky, where geneticist Jeremiah Smith is mapping the hagfish genome.

"I'm not holding my breath," says Dr. Martini, who over the past 30 years has found hagfish research to have high hurdles.

Hagfish have slithered through the scientific cracks since at least the 18th century, when Linnaeus wrongly classified them as worms. In 1863, the Royal Danish Academy of Sciences and Letters announced a prize for anyone who could

describe male and infant Atlantic hagfish. In 1899, American zoologist and medieval-armor expert Bashford Dean published the results of a hagfish expedition that found eggs in Monterey Bay, but no evidence of how they got fertilized.

The mystery endured through the 20th century, as did the allure of the Danish prize, says Stacia Sower, a researcher at the University of New Hampshire. For years, she heard it was a gold medal, and then a gold bar. She was years into her research when word spread in the hagfish community that the prize had expired—in 1865, the Royal Academy says.

Researchers say the mystery continues because hagfish are hard to see in the pitch-black deep and because there is scant funding for studying slime-oozing animals.

In 2006, Japanese scientist

Kinya Ota stumbled on a breakthrough when he went to clean out a basket of forgotten hagfish eggs. He found embryos, but didn't see how they were fertilized. He never figured it out, and now studies goldfish.

In New Hampshire, Dr. Sower furnished enormous tanks with sand and shells to relax her hagfish. She sent males and females to the seafloor in old pickle barrels tied to buoys. She wanted to use a high-pressure chamber to replicate deep-sea conditions, but arrived one Saturday to find water pouring from her lab building. Anxious hagfish had slimed their tanks, clogging pipes and causing a flood.

"After that fiasco with the facility they weren't going to let me use a hyperbaric chamber," she says.

In 2006, Japanese scientist

"It's kind of ridiculous that we let such shallow considerations affect research of a species that may be in trouble," says hagfish-slime expert Douglas Fudge of Chapman University in California.

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In 1989, he strapped decaying fish to a submarine as bait. Hagfish swarmed the vessel, got sucked in its thrusters and covered the 26-foot sub in slime. When it was pulled up, distressed hagfish were still clinging to it.

"It looked like a Christmas tree decorated with hagfish tinsel," he says.

Since retiring from full-time teaching, Dr. Martini has continued the research. But grants are limited. "It is hard to compete with Flipper," he says.

Using income from textbooks he wrote about human anatomy, he started paying his own way. In 2002 he bought a submersible vehicle. In 2013 he converted his garage into a temporary lab with pickled hagfish in five-gallon buckets.

"If you could see the look on the neighbor's face as you're hosing hagfish slime down the storm drain..." he says.

While Dr. Martini cruises the ocean floor, his younger compatriots are trying to drum up enthusiasm. Organizers of an annual Hagfish Day in October encourage fans to send cards, make hagfish bouquets, and bake hagfish cakes. They hope hagfish can become poster animals for the world's ugly-but-important species.

Dr. Martini is continuing his search, but in recent years, he's abandoned any expectation of solving the mystery.

The big lesson he's learned about hagfish: "You just have to kind of give up on being the one to solve this riddle," he says.

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GREATER NEW YORK

Derailed Exposes Chronic Problems

Complex operations at Penn Station, aging infrastructure are contributing to woes

BY MELANIE GRAYCE WEST
AND LESLIE BRODY

Hopes of regular train service to and from New York Penn Station were dashed Tuesday afternoon as it became clear that Monday's minor derailment of an NJ Transit train created major damage within the station.

Officials said eight of the 21 tracks inside Penn Station are out of service because of damage caused by the derailment to tracks and switches. Monday's incident occurred at a major switch point within the station that blocks trains from being able to access all the

tracks, said Mike Tolbert, an Amtrak spokesman. Part of the track also needs repair because of the derailment, he said.

Tuesday's commutes were a mix of confusion and delay for NJ Transit passengers.

Fred McCarthy, an engineer from Belmar, N.J., said it took him three hours to get to work Tuesday morning. "It's exasperating. Almost every week there is some kind of problem," he said.

Tom Mulligan, a former Fanwood N.J. resident heading to the Metropark Station questioned how trains here could be so much worse than in Europe. "It seems everything is broken including the people," he said. "They don't communicate, they don't explain. They say stand by. Really, they've been operating how many years?" Nancy Snyder, a spokes-



A transit official directed crowds at Hoboken Terminal on Tuesday.

woman for NJ Transit, said the agency knew Tuesday's commute would be tough and communicated to customers early Monday the expectations for the next day's service. "We

hear and understand [customers'] frustrations as we too are frustrated with [the] unacceptable burden our customers have endured," she said.

Monday's slow-speed de-

railment of the NJ Transit train followed another minor derailment on March 24.

Transportation experts cited the complexity of operations at Penn Station, aging infrastructure, and the chronic underfunding of maintenance as reasons why seemingly minor incidents can mushroom into days of service interruptions.

Penn Station has 21 tracks, two tunnels leading to New Jersey and four tunnels under the East River. Penn Station's tracks are wholly operated by Amtrak, which leases space to NJ Transit and to the Long Island Rail Road. Some tracks are shared between rail operators, and not every train can land at every track.

Derailments can commonly occur at points where tracks fan into tunnels or to platforms, which also are critical junctures used by multiple

trains, experts said.

Moreover, train movements inside Penn Station have to be choreographed like a ballet using technology several decades older than the kinds of systems used by peer global cities, according to Tom Wright, president of the Regional Plan Association, a policy and advocacy group.

The minor derailments, delays and the nagging problems inside Penn Station have to be isolated incidents, said Mr. Wright, who commutes from Princeton, N.J., to Manhattan on NJ Transit.

Riders see "a little drip, drip, drip," of worsening commutes, longer delays and overcrowding, he said. "These incidents are connected and they go to a kind of chronic underfunding and lack of direction and professionalism at NJ Transit."

Unions Slam Plan To Close Rikers

BY CORINNE RAMEY
AND MARA GAY

The unions representing New York City jail staff denounced the idea of closing the Rikers Island jail complex, saying Tuesday that the move didn't address the violence that officers now face and is "a convenient avenue to kick the can down the road."

"This is all like a Jedi mind trick that takes the public's mind off what is really going on," said Elias Husamudeen, president of the Correction Officers' Benevolent Association. "What are you going to do today to make the jails safe?"

Patrick Ferraiuolo, president of the union representing captains, said staff are splashed with urine or feces every day and more and more officers are being slashed by inmates.

A Department of Correction spokesman said changes made by its commissioner continue to drive down violence. The changes include strategies to more safely house inmates and developing teams of officers to respond to inmate violence.

A plan to close Rikers Island, outlined by an independent panel and released Friday, proposes opening borough-based jails at a cost of \$10.6 billion over the next decade. Mayor Bill de Blasio on Friday also endorsed closing the complex, which he said would necessitate decreasing the city jail population to 5,000 inmates from roughly 9,300.

"Bottom line is, if we keep driving down crime, we keep finding alternative ways to keep people out of jail; we can get Rikers shut down in the long term," Mr. de Blasio, a Democrat, said in a radio interview Tuesday.

The commission also recommended reducing uniformed staff in a decade to 3,700 from

about 10,500 today.

The unions said the proposed reductions in the inmate population were a "fantasy" and therefore such decreases in uniformed staff were unrealistic.

The unions, which represent officers, captains and assistant deputy and deputy wardens, said they had addressed the commission, but their ideas "fell on deaf ears." They said they would come out with their own "reform package."

Councilman Jumaane Williams, a Brooklyn Democrat who supports closing Rikers, said he looked forward to seeing the plan from the union, which he said should be included in public dialogue about the jail.

"That said, my hope is they're not coming only from the point of job preservation," he said. "That concerns me."

Akeem Browder, the brother of Kalief Browder, who went to Rikers Island at the age of 16 and spent three years there awaiting trial, said the mayor's support for a plan to eventually close the jail brought some measure of justice to the family. Charges against Kalief were eventually dismissed. He killed himself in 2015.

"It's a victory for us, and for Kalief as well," Mr. Browder said in a phone interview.

But Kalief's brother said he didn't support opening the new jails Mr. de Blasio and the independent commission have said would be needed to house the city's remaining inmates.

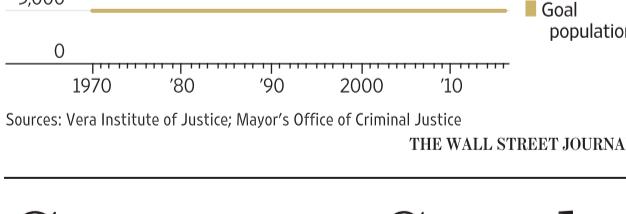
"I would never allow my brother's name to be in the same talk of new jails," Mr. Browder said.

Mr. Husamudeen, of the union, said correction officers were unfairly blamed for problems in the criminal-justice system. "If not for the judges, Kalief Browder would never have gone to Rikers Island," Mr. Husamudeen said.

Clearing Out

New York City seeks to reduce its inmate population to 5,000 as a precursor to closing the Rikers Island jail complex.

25,000 inmates



Sources: Vera Institute of Justice; Mayor's Office of Criminal Justice

THE WALL STREET JOURNAL

Refugee Makes a Life in Connecticut

BY KATE KING

NORWALK, Conn.—In his native Democratic Republic of Congo, Joshua Mahinanda Kangere wore a white lab coat and worked as a nurse. Now a refugee living in Connecticut, he wields a mop and loads the dishwasher at a farm-to-table restaurant.

Two months after his arrival in the U.S., Mr. Kangere is earning \$10 an hour working as a dishwasher at Sugar & Olives, a trendy restaurant in Norwalk, Conn., where he works about 30 hours a week. His immediate goal is to earn enough money to buy a car, which would shave more than half an hour off his commute.

The restaurant is about a 20-minute drive from Mr. Kangere's apartment in Bridgeport, but it takes up to an hour to get there by bus.

"I know I must work very hard. I thank God because I am healthy," the 41-year-old said. "Now it is for me to make an effort to make very nice my life and to help my family that is in Africa."

Mr. Kangere fled the Congo after receiving death threats, leaving behind 10 children. He arrived in the U.S. in early February, one of the final refugees to enter the U.S. after President Donald Trump signed a controversial executive order suspending resettlements.

Restarting a professional career from the lowest rung often is frustrating for refugees, said Claudia Connor, president and CEO of International Institute of

Restaurant Owner Tries To Do Her Part

Jennifer Balin, who owns Sugar & Olives restaurant in Norwalk, Conn., says she's "not a very political person" but felt compelled to hire refugee

Joshua Mahinanda Kangere as a way of helping her community. She buys her restaurant's ingredients from local farms for the same reason.

"I can't change the world," she said. "[But] if I could do something within my circle, then that's important. I didn't really have an idea about what it would be like to hire a refugee."

Some things have been lost in translation between Ms. Balin and her new dishwasher

who arrived in the U.S. earlier this year. One night, Ms. Balin said, "I'll talk to you later," and Mr. Kangere interpreted it to mean that he should wait to hear from her before returning to work. When he didn't show up for his shift the next day, she discovered the misunderstanding and paid for an Uber to pick him up at his home.

Ms. Balin said Mr. Kangere is adjusting to the faster pace and chaos in the kitchen. She said she divides gratuities among the staff, and began giving Mr. Kangere a share of about \$30 a week.

"I'm trying to give him a good amount of hours," she said. "Restaurant work doesn't pay a lot an hour, but if you have steady work then it adds up to a good paycheck."

—Kate King

Connecticut, the local resettlement agency contracted by the federal government to help Mr. Kangere get started in the U.S.

"Even if they have professional qualifications, if they don't have a strong grasp on English, that's going to be a barrier to getting a job that feels meaningful to them," she said.

Refugees receive about \$1,000 from the federal government to cover initial living expenses regardless of where they are resettled. Resettlement agencies help refugees sign up for government assistance and often provide additional support.

Mr. Kangere, who speaks Swahili and French, is settling

down in one of the most expensive areas of the U.S. Encompassing both Bridgeport, where about one in four residents live in poverty, and Darien, where the typical family earns \$209,000 a year, Connecticut's Fairfield County has struggled with yawning income inequality.

Mr. Kangere began working in late February. His paycheck totals \$225 a week after taxes, or about \$900 a month. Mr. Kangere said he spends about \$100 a month on bus fare and \$40 for his cellphone plan. He spends \$190 a month on groceries, paid for with food stamps.

A federal-employment grant is covering Mr. Kangere's rent

and utility bills for his first few months in the U.S., but when that ends he will pay \$350 a month for his bedroom in the apartment he shares with three other African refugees. When the grant runs out, his monthly savings will shrink to about \$400.

He said he is worried about being able to afford his daily expenses while trying to save to buy a car and help his children, eight of which are living with his elderly parents and sister in the Congo. "For now, I'm ok. I'm ok," he said.

The U.S. has accepted more than 3.3 million refugees since 1975, according to federal statistics. Surveys conducted by the federal Office of Refugee Resettlement show that refugees generally become less dependent on public assistance the longer they live in the U.S.

Slightly more than a quarter of 1,679 surveyed refugee families who arrived in 2015 supported themselves solely with their own earnings that same year. But 70% of 171 refugee households that had arrived four years prior, in 2011, were living without government aid by 2015, the survey found.

Mr. Kangere said he is happy to be working. But as he waited for a bus on a recent night, he pulled out his phone and scrolled through photos of him wearing a lab coat in Africa. He said he hopes to get certified to work as a nurse in the U.S. "If I get a chance to go back to school I can do something good in the U.S.," he said. "That is my vision and my prayer."

Governor, Speaker Diverge on Urgency of Budget Deal

BY MIKE VILENSKY

ALBANY—New York State Assembly Speaker Carl Heastie and Gov. Andrew Cuomo, both Democrats, clashed over the urgency of passing the state's \$160 billion spending plan in back-to-back news conferences Tuesday.

The acrimonious day in Albany underscored the shifting dynamics now that Mr. Cuomo

has passed an emergency temporary budget after the failure to reach a deal before the April 1 deadline. Legislators won't get paid again until they pass a new budget.

"There's no great rush at this point to get anything," Mr. Cuomo said. The extender, he said, "takes the pressure off."

Mr. Heastie didn't agree: "He's wrong. School districts need to have certainty. We

should try to give them clarity. The Assembly is still here—send the bills."

Despite the tensions, lawmakers Tuesday night appeared closer to passing the budget. The Senate around 9 p.m. began voting on some aspects of the budget, but others weren't yet finished.

The Assembly said it planned to begin voting on parts of the budget Wednesday morning.

It wasn't clear Tuesday night if the outstanding issues had been resolved, and Mr. Cuomo's office had no comment.

A spokesman for the Senate Republican majority said earlier Tuesday that "conceptually" state leaders were in agreement and the budget could pass that day.

The new fiscal year began April 1. Mr. Cuomo and legislative leaders failed to reach an

agreement by then amid disagreements over contentious social policies like removing minors from adult criminal proceedings.

On Monday the Legislature passed emergency legislation issued by Mr. Cuomo that keeps government afloat until May 31.

Legislators have a previously scheduled two-week break from Albany beginning Thursday. They said Tuesday that they

want a deal on a budget before leaving for their districts this week.

Mr. Cuomo, however, appeared unfazed by his first truly late spending plan. While the emergency extender he signed largely does little more than keep government functioning until May 31, it also included long-term funding for some of the governor's pet infrastructure projects.

GREATER NEW YORK

'Percy' Hits Off-Broadway Sweet Spot

BY CHARLES PASSY

During the past two decades, Rick Riordan has become one of the hottest names in young-adult fiction, selling more than 100 million copies of his books world-wide.

But if New York-based Theatreworks USA has its way, Mr. Riordan will soon become as much a name in drama circles as publishing ones.

This week, the nonprofit company, which is dedicated to theater for families and young audiences, premieres "The Lightning Thief: The Percy Jackson Musical" at Off-Broadway's Lucille Lortel Theatre.

Based on Mr. Riordan's novel, it comes on the heels of Theatreworks' success with a condensed "Lightning Thief" musical, produced for \$125,000,

temporary teen who also happens to be a demigod—specifically, he is the son of Poseidon, god of the sea, and Sally Jackson, a mortal woman.

Theatreworks Artistic Director Barbara Pasternack says the series' popularity made it an instant draw. "I'm always looking for properties that have big brands," said Ms. Pasternack, who signed on composer and lyricist Rob Rokicki and playwright Joe Tracz to create the musical.

The new full-length show, which cost \$300,000-plus to produce and features a seven-member cast with plenty of Broadway experience among them, seems to be hitting a sweet spot with Percy Jackson fans who have been disappointed in the two movies based on the series, "The Lightning Thief" and "Sea of Monsters."

Caden Armstrong, a high-school student from Los Angeles who came to New York to see the Percy Jackson musical while it played in previews, said the movies "changed the story and left out a lot of stuff." By contrast, the musical "really got the vibe and the voice of all the characters," she said.

The show is set to run until May 6. But theater-industry insiders say it is likely that more young-adult novels will make their way to the stage because the genre is proving increasingly popular, even with adults.

Just as important, says Sean Hartley, director of the theater wing at New York's Kaufman Music Center, the novels work well in a theatrical context because they tend to be shorter and more emotionally direct than adult fiction and are therefore easily adaptable.

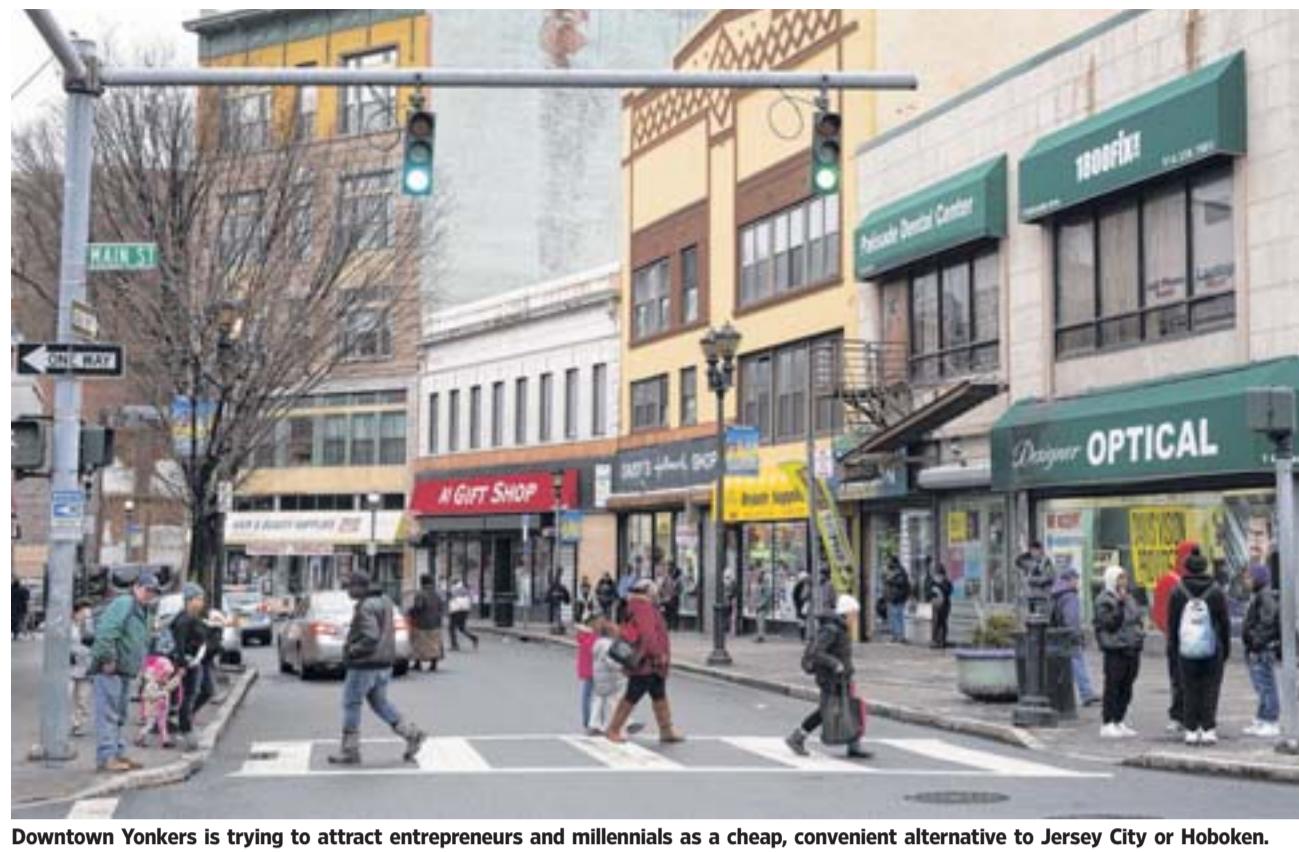
"When you're writing a musical, you don't have much time" to convey the story, Mr. Hartley said.

Young-adult novels increasingly are popular, even with grown-up theatergoers.

that has toured nationwide and grossed \$1.5 million.

It also comes at a time when there is strong interest in the theater community to develop young-adult novels for the stage. Currently playing Off Broadway is "Puffs," a parody of J.K. Rowling's popular Harry Potter series. And likely bound for Broadway in the spring of 2018 is "Harry Potter and the Cursed Child," based on a new Potter story by Ms. Rowling and others. The show currently is playing in London.

"The Lightning Thief," published in 2005, is the first in Mr. Riordan's five-novel Percy Jackson series. The books use Greek mythology to tell the story of Percy Jackson, a con-



Downtown Yonkers is trying to attract entrepreneurs and millennials as a cheap, convenient alternative to Jersey City or Hoboken.

Is Yonkers Ripe for a Renaissance?

The ad in my Facebook feed was the most intriguing I've seen in a while. It featured celebrity chef Christian Petroni—a large, bearded man attired in camouflage pants, a red tribal-print jacket and a pink scarf—declaring, "THERE'S A RENAISSANCE HAPPENING HERE."

The renaissance, it turns out, is happening in Yonkers, that perennial Hudson Valley underdog just north of the Bronx.

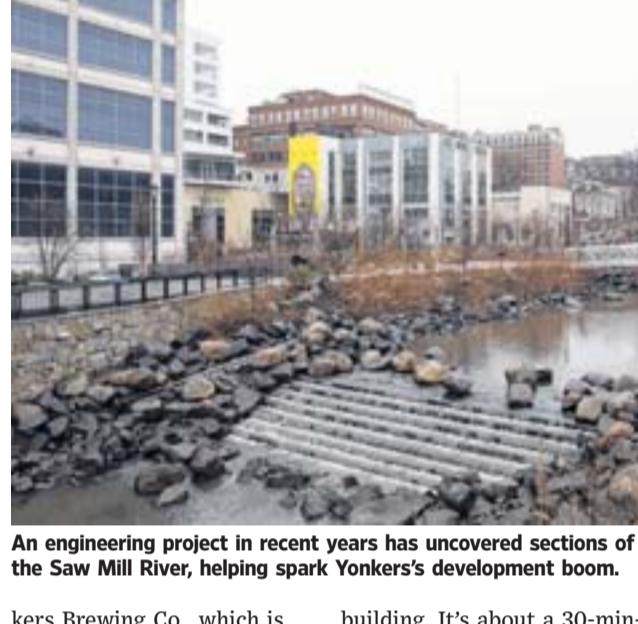
The ad was part of Yonkers's \$450,000 train, radio and TV "Generation Yonkers" campaign, marketing the city of 200,000 to entrepreneurs and millennials as a cheap, convenient alternative to trendy areas such as Williamsburg in Brooklyn or Jersey City.

Have I been missing out? Last week, I met Yonkers Commissioner of Planning & Development Wilson Kimball for a mini tour of the 18-square-mile city, starting with the "daylighting" project, a quirky engineering job that in 2012 uncovered the first of three sections of the Saw Mill River downtown, spurring a \$1 billion development boom including 5,000 new mostly rental apartments.

The river, running through what used to be a parking lot, features fish ladders to assist piscine travel.

Next stop, Urban Studio Unbound, a cooperative gallery for local artists. The current group show, with works priced from \$75 to \$6,500, features mixed media, including a wolf sporting pastel plastic sunglasses.

We ate lunch at the Yon-



An engineering project in recent years has uncovered sections of the Saw Mill River, helping spark Yonkers's development boom.

kers Brewing Co., which is touted by the city as very Generation Yonkers. I enjoyed the \$11 brie double burger. The cavernous restaurant has the usual industrial feel, complete with concrete floors and rustic tables. Patrons can sample from a rotating menu of 12 house-brewed beers.

The next day, I met up with Elizabeth Bracken-Thompson and Dean Bender, partners at Thompson & Bender, the local ad agency behind the marketing campaign. They coined the phrase "Generation Yonkers."

They took me to see the new UNO micro apartments. Billed as "Industrial-chic residences...similar to those that you would find in SoHo or Tribeca," the flats are two blocks from the downtown Metro-North stop and housed over the DMV in a former Otis Elevator factory

building. It's about a 30-minute train ride to Grand Central Terminal.

My favorite unit, a bright, \$1,800-a-month, 370-square foot duplex loft with a spiral staircase and double-story windows, felt like a teenager's fantasy of urban living.

And where does Generation Yonkers work? The iPark Hudson complex, a downtown commercial office and manufacturing hub billed as "Not Your Grandfather's Office Park."

While the space is 95% leased to outfit ranging from Kawasaki Rail Car, which manufactures New York City subway cars, to biotech firm ContraFect Corp., it commands annual rents in the mid-\$20-a-square-foot range, compared with the \$27 average for Westchester County office space, and \$71 in Manhattan,

according to JLL, a commercial real-estate services firm.

I toured the offices of one tenant, IAC Applications, housed in a loft the size of an airplane hangar, where techies develop apps such as Pimp Your Screen. Brand Vice President Julie-Anne Selvey said the division recently surveyed its employees to see if they would prefer relocating to IAC headquarters in Manhattan. "We got the surprising feedback that this works for us," she said.

I also spent some time wandering the city's hilly downtown. That's when reality hit.

There are plenty of dollar stores and a Yonkers Fried Chicken, but no serious coffee place—not even a Starbucks. There's no health-food store, yoga studio or book shop, but I did discover the Christian Love Tabernacle and the Easy Pickins dress shop.

I like Yonkers just the way it is. But urban millennials seeking a Williamsburg or Hoboken alternative might want to wait before moving.

Amanda Ioco, a 24-year-old artist-in-residence at Urban Studio Unbound, says that while she enjoys working in Yonkers, she plans to keep her apartment in Astoria, Queens. "If I want to grab a coffee, there's not a coffee shop. There's a lot of emptiness."

Yonkers, she says, "Feels like it's on the way."

I ran this notion by Mayor Mike Spano, who grew up in Yonkers. Brooklyn's transformation took time, he noted. Yonkers is just earlier in the process. "Get here early to make the investment!" he urged.

GREATER NEW YORK WATCH

NEW YORK STATE

Barge Runs Aground, No Gasoline Spilled

A shipping company said one of its gasoline barges ran aground in foggy weather on the Hudson River, about 30 miles south of Albany, but there were no spills or injuries.

Reinauer Transportation Cos., based on Staten Island, said the barge hauled by the tugboat Meredith Reinauer ran aground around 8:30 a.m. Tuesday near Catskill. The company dispatched another tugboat to help transfer the gasoline to another barge.

The U.S. Coast Guard and state pollution response teams investigated and said there was no sign of a tank puncture or leaking gasoline.

—Associated Press

NEW JERSEY

Bodies of Two Men Found in the Hudson

The deaths of two men whose bodies were found floating in the Hudson River don't appear to be suspicious, authorities said.

Hudson County Prosecutor Esther Suarez said 41-year-old Ali Harb, of West New York, and 35-year-old Juan Bustamonte, of Union City, were found Tuesday morning within an hour of each other in Weehawken Cove. Authorities said a cause of death hasn't been determined for either man.

—Associated Press

NEW JERSEY

Pair With Reputed Mob Ties Sentenced

Two reputed associates of the New Jersey crime family believed to be the model for HBO's "The Sopranos" are headed to prison for their roles in a drug distribution ring.

Federal prosecutors said 33-year-old Rosario Pali, of Linden, was sentenced Tuesday to more than six years in prison, while 39-year-old Nicholas DeGidio, of Union, got a year-and-a-half term. Both had pleaded guilty to conspiracy to distribute more than 500 grams of cocaine.

Prosecutors say both men are associates of the DeCavalcante crime family.

—Associated Press

CONNECTICUT

Fleeing Motorcyclist Dies After a Crash

A motorcyclist fleeing a traffic stop died following a collision with a minivan in Torrington, police said.

Michael Hersey, 29 years old, was pulled over around 9 a.m. Monday for not having a license plate on his motorcycle, police said. He fled the traffic stop and crashed about one-third of a mile away, with his motorcycle bursting into flames.

Mr. Hersey wasn't being pursued at the time, and he died at the hospital, police said.

—Associated Press

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Caitlin Mulvihill modeled a shirt for her dad during intermission at the Off-Broadway show based on 'The Lightning Thief' novel.

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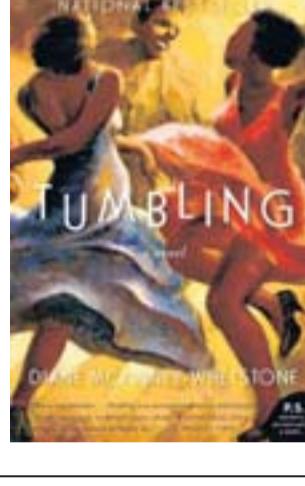
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LIFE & ARTS

WSJ BOOK CLUB

Roxane Gay On a Novel With 'Heart'



BY CHRISTOPHER JOHN FARLEY

AUTHOR ROXANE GAY first picked up a copy of Diane McKinney-Whetstone's novel "Tumbling" because of the jazzy-looking cover, and the writing has stayed with her for some 20 years.

Ms. McKinney-Whetstone "knows the people she writes inside and out and she lets us see them at their best and worst," Ms. Gay said in an email interview. "There is real humanity on every page of this novel and so much heart. I also love how she evokes place so distinctly."

Ms. Gay, whose works include the essay collection "Bad Feminist," the novel "An Untamed State" and the short-story collection "Difficult Women," is the host of the WSJ Book Club for April.

She picked "Tumbling," which is set in an African-American neighborhood in South Philadelphia, as this month's read. "This is an unforgettable, gorgeously written book," Ms. Gay said.

"Tumbling," Ms. McKinney-Whetstone's debut, drew critical acclaim when it was published in 1996. The story focuses on Noon, a preacher's daughter, and her husband Herbie, a former jazz drummer who works as a porter at a train station. Ms. Gay said "there is something so moving and heartbreaking about Herbie and Noon's relationship. They share so much love, but cannot quite make it to each other as fully as they both want. The ache of that is so compelling to read."

In June, Ms. Gay will publish "Hunger: A Memoir of (My) Body," about her relationship with food. Edited from the email interview.

Why did you select Diane McKinney-Whetstone's novel "Tumbling"?

I first read "Tumbling" in my 20s, and the book has stayed with me for 20 years—Herbie and Noon and how they tried so hard to love each other and protect each other while being imperfect people. It's a novel about how a family can be made in the most unexpected way and there are so many secrets that unfold so elegantly over the course of the novel.

"Tumbling" takes place in Philadelphia in the 1940s and 1950s. Is there anything about the setting that readers should be thinking about as they read the book?

The time period in which this novel is set and the city of Philadelphia itself are as Please see BOOK CLUB page A13

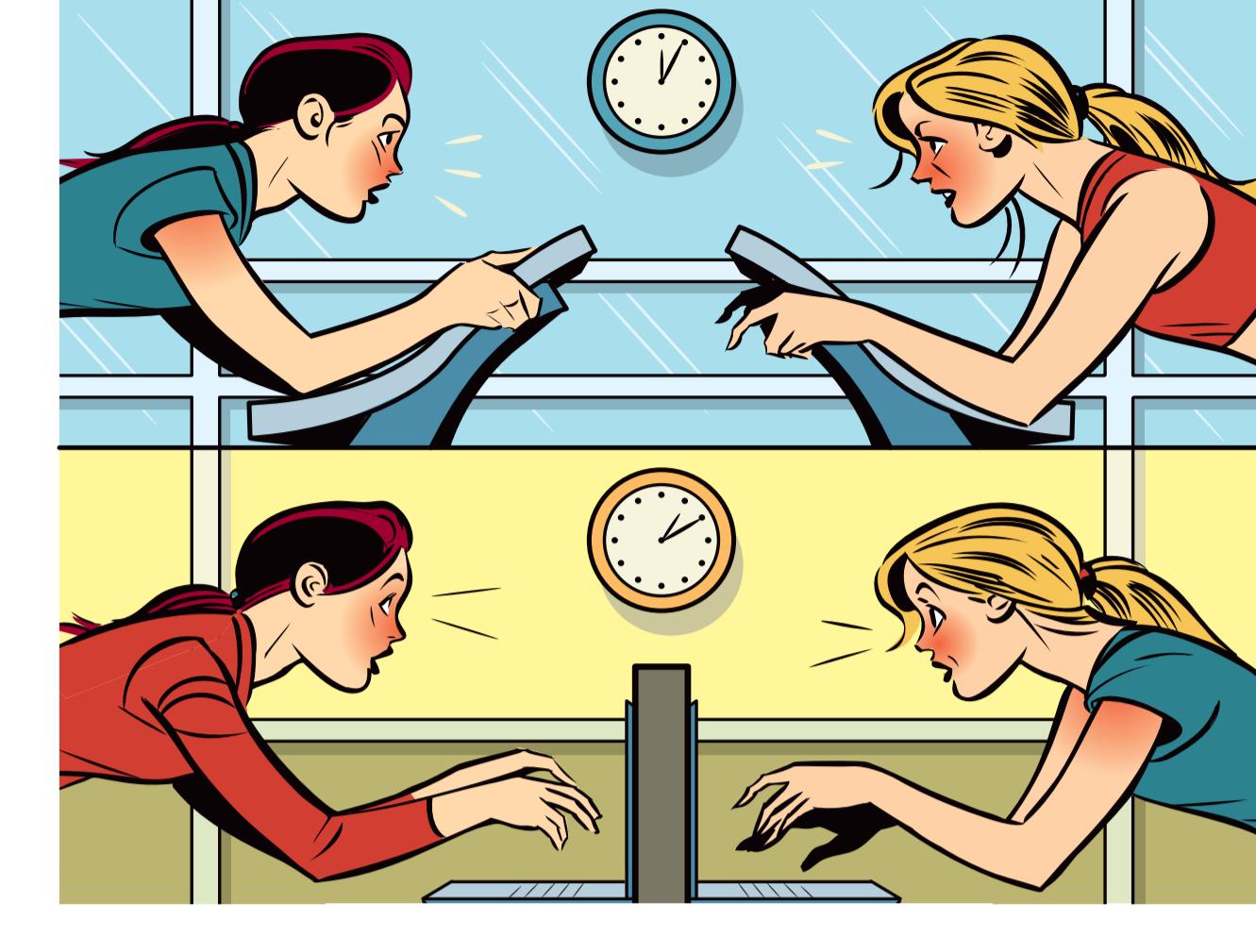


ILLUSTRATION BY MARK MATCHO

BY RACHEL BACHMAN

BRANDON SIEGESMUND

strained over his spread legs as he'd seen baseball players do on TV during warm-ups. The operations manager at Milwaukee-based More Than Rewards, which creates customer-loyalty programs for retailers, usually took walks outside. But he thought he'd start a winter routine in the office gym.

A colleague spotted him through a giant window on the gym door.

"What are you doing?" she asked. "You're going to hurt yourself." She showed him some gentler moves. When Mr. Siegesmund left the gym, the office was already ribbing him about his stretching routine.

Working out at work can get really awkward. Does it look like you're slacking off if you hit the company gym midafternoon? Do you talk to the woman from human resources one treadmill over? Change machines when your boss eyes his favorite StairMaster?

A work-gym routine requires strategy, from getting used to sweating in front of co-workers to practicing good shower etiquette.

But the upside is big. Office gyms can provide a cheap or free place to squeeze in a workout, often just an elevator ride from your desk. Employees who exercise during the workday manage time more effectively, have smoother interactions with colleagues and go home feeling more satisfied than colleagues who don't, research has found. About a quarter of U.S. companies have an on-site fitness center, according to a 2016 survey by the Society for Human Resource Management.

In Milwaukee, soon after Mr. Siegesmund's embarrassment, company owner Jason Brethorst covered the glass window with a motivational poster to create some privacy. More employees started using the gym. They got so comfortable they pasted up a drawing of Mr. Brethorst's face on Arnold Schwarzenegger's bemuscled, lounging body on the gym's bright-red wall.

"I wanted to make it really fun and silly and awkward, so it takes down that stiffness of 'Oh my gosh, it's the gym,'" Mr. Brethorst says.

FITNESS

The Etiquette Minefield of The Office Gym

You may have to put up with a lot for the convenience of exercising at work, but you can avoid awkward moments

Some bosses make a point of working out during the day to encourage others to follow. While working in Procter & Gamble's Cincinnati office years ago, Chip Bergh worked out at lunchtime before a company gym existed. "I borrowed a locker in the janitor locker room and brought my own towel!" Mr. Bergh, now president and CEO of Levi Strauss & Co., says, in an email.

He scrapped initial plans to build a gym at Levi's San Francisco headquarters ("A great gym is not cheap!") and opted for subsidized corporate memberships that cost employees \$50 monthly at the nearby Bay Club, whose facilities include a swimming pool and a large selection of classes. Unsubsidized memberships there start at about \$200. Mr. Bergh wrote that exercising during the workday "leads to happier and more engaged employees."

Grant Moos found other rewards for stepping out of his comfort zone. He had never tried yoga when, about eight years ago, he and his then-boss organized a class in a conference room at General Mills's Minneapolis headquarters. At first the yoga class was all women and him.

"We kind of called the group the Ya-Ya Sisterhood," recalls the 61-year-old Mr. Moos, who works in internal communications.

He picked a spot in the back so people wouldn't see the sweat pooling on his mat during the challenging vinyasa class. A few

co-workers teased him.

"People would walk by that I knew and would make faces at me," he recalls. But he loved how yoga limbered and strengthened the muscles he used for cycling and cross-country skiing. He recruited people to help keep the class going, and now it's about half men, he says.

A few months into his job as a data scientist at Verizon, Paulius Mikalainis got an email from a co-worker he hadn't met. It was about Mr. Mikalainis's performance on a stationary bike.

"Looks like you have to have the initials of PM. to make the top two on the Expresso Leaderboard," wrote co-worker Paul Macchia, who works in internal communications, also at Verizon's Basking Ridge, N.J., office. Mr.

Macchia enclosed a screen-grab of two recent times from internet-connected Expresso bikes at the company gym, with Mr. Mikalainis in the lead.

"I was kind of flattered," says Mr. Mikalainis, who has since met Mr. Macchia and developed a friendly rivalry with him. On a recent day at the gym, Mr. Macchia saw Mr. Mikalainis walking toward a bike.

"I kind of waved to him and said, 'Do arms today,'" Mr. Macchia says.

Intense classes can bring out the competitiveness even in the most professional setting. About a decade ago, Mike James's boxing class at the World Bank's office gym in Washington, D.C. was in full swing when he heard a ruckus.

In a corner, two men who were supposed to be practicing soft punches were "going at it hammer-and-tong in a full fist-type fight," recalls Mr. James, manager of the World Bank Fitness Centers. He separated the men and they apologized.

Despite the rising acceptance of exercise in the workplace, some people still are reluctant to be seen at the gym by their boss.

"There's one man I've known for years and he comes in carrying a file," Mr. James says. "He wants to look as though he's walking down to a meeting. He gets that stern look on his face and just keeps walking."

The man has been carrying the same file to the gym, Mr. James says, for 20 years.

BELOW FROM LEFT: 2017 SUCCESSION H. MATISSE/ARTISTS RIGHTS SOCIETY (ARS), NEW YORK/MUSEUM OF FINE ARTS, BOSTON; MUSÉE Matisse/MUSEUM OF FINE ARTS, BOSTON

ART REVIEW

MATISSE'S OBJECTS OF INSPIRATION

BY ERIC GIBSON

Boston HOW DOES an artist's mind work? There's no one-size-fits-all answer to that question, but broadly speaking we can say that it passes external stimuli through the refiner's fire of an individual sensibility or vision. The trouble is, we have almost no access to this process since we see only the end result, the finished work of art on the wall or pedestal.

With "Matisse in the Studio," the Museum of Fine Arts, Boston has mounted an ambitious effort to show us the workings of the creative imagination of one of the 20th century's greatest artists. Organized by Helen Burnham, the museum's curator of prints and drawings; Ann Dumas, a curator at London's Royal Academy of Arts (where the show will be seen this summer); and Ellen McBreen, pro-

Matisse's 'Vase of Flowers' (1924), left, and the vase he owned that appears in the painting, right.

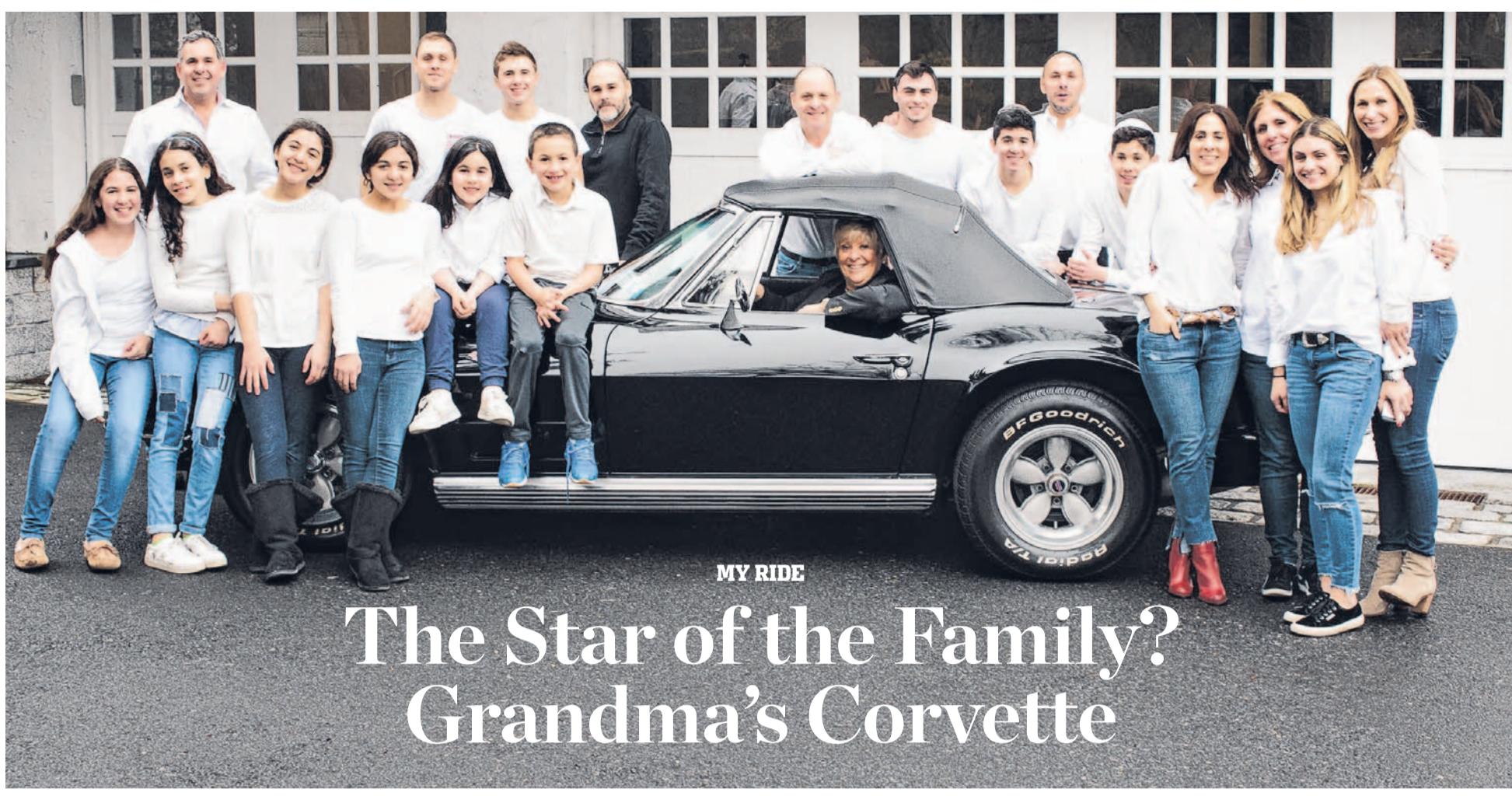
fessor of art history at Wheaton College, the show displays 82 works by Matisse in varying media from across his entire career with about 39 objects the artist kept in his studio that served as inspiration. Divided into five sections, "The Object is an Actor," "The Nude," "The Face," "Studio as Theater" and "Essential Forms," the exhibition is nothing short of a revelation—and not just about Matisse. I can think of no other exhibition that has told us so much about what artists do and how they think.

It's clear from the array of objects Matisse surrounded himself with—ranging from African textiles to a shell from Tahiti to Andalusian glassware to Ming porcelain to an extravagantly over-the-top Venetian chair whose arms are carved dolphins—that, perhaps more than any other artist, he depended on steady exposure to and acquisition of such things to prime his imaginative pump. Time and again we see how at critical moments a new object will push his art in a totally new direction.

The core of Matisse's aesthetic was seeking an equivalent in paint for the Please see MATISSE page A13



LIFE & ARTS



MY RIDE

The Star of the Family? Grandma's Corvette

Carol Horowitz, 74, a librarian from Westhampton Beach, N.Y., on her 1964 Chevrolet Corvette Sting Ray, as told to A.J. Baime.

Every Father's Day, our family gathers at my son David's house in Westchester County, N.Y.—my kids and my many grandkids. Some of us who are old enough to drive take turns in the old Corvette.

I love the power and a little speed, but it's the memories I love more—how it all started, my husband, our family, the racing trophies, what a great life it has been.

My late husband Robbie and I went to high school and Brooklyn College together. We were fans of the TV show "Route 66," about two adventurers in a Corvette. So a couple months after we got married in January 1964, we bought a

new Corvette Sting Ray at Curry Chevrolet in Scarsdale, N.Y., for \$4,150.20. Off we went to California on Route 66. We had no cellphones, no GPS. We just had each other.

Robbie loved racing as a hobby, and he raced this car at Lime Rock, Watkins Glen and Bridgehampton. When we had babies, the Corvette became a family car, even though it only had two seats. There were no car seats at the time, and I would put a child on a little bed next to me, propping the bed in safely with a spare wheel. (It seems crazy now, but that's how I did it at the time.)

In the 1960s, there was nothing else like the Corvette—a real American sports car. Today, it feels as exotic as it did then. When I park it on the street, people will



pass Ferraris to see our car. We get asked if our family would sell the car. Not a chance.

When the photographer came to take the pictures you see here, we made it a family event. We pulled out the old racing trophies

and the car's original bill of sale. Robbie was a wonderful guy (he passed away in 2012), and he would have loved it.

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

The Horowitz family with their 1964 Chevrolet Corvette Sting Ray, with Carol Horowitz in the driver's seat.



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LIFE & ARTS

BOOK CLUB

Continued from page A11
much characters as any of the people in this novel.

Why does "Tumbling" still have a hold on you two decades later?
This is one of those novels I read and forgot about absolutely everything but the words on the page.

"Tumbling" was McKinney-Whetstone's debut novel, and some critics might argue that it's still her best. Is there something about debuts that makes them stand out from books released at other times in a writer's career?

People are always looking for the next "It" writer, and debut novels offer that kind of hope. I also think there is something unique about a debut novel—they are generally written as labors of love. The focus of the writer is entirely on the work. The results are always fresh and imperfect and bold because the writer isn't writing for an audience or a "market." That said, most great writers are not defined solely by their debut. McKinney-Whetstone's debut was brilliant, but so are the other novels she has written.

You've written fiction and nonfiction. Which do you prefer to write and why?
Fiction is my first love. I am thrilled by getting to remake the world as I see fit in fiction.

Your latest short-story collection is titled "Difficult Women." Which story in the new book was the most personal for you to write?

Well, these stories are all fiction, so I



'Fiction is my first love,' says author Roxane Gay.

JAY GRABEC
mon & Schuster jointly puts out with the TED Conferences, because Simon & Schuster also was publishing a book, which they later canceled, by controversial blogger Milo Yiannopoulos. How did you feel about the way your decision played out, and when might readers get a chance to read your book?

I made the right decision and I've not regretted it for a moment. I've received several offers on the book and I will make a decision soon. I'd keep an eye out for the book in 2018.

Your book "Hunger: A Memoir of (My) Body" is set to be published by Harper in June. As a memoirist, have you ever decided that there's something in your life that's too personal to share with readers?

Absolutely. People think I reveal a lot of myself, but like most nonfiction writers, I am very careful about which details I reveal about myself. I have strict boundaries and I stick to them.

"Hunger" deals with your relationship with food. Why did you decide this was a book you had to write?

There are all kinds of books out there about weight, but most of them have been written by people who have lost a lot of weight. I'm in the middle of figuring out my relationship to my body. I live in an overweight body and felt the need to write about that, about how the world grows so much smaller, the larger you become.

What should readers keep in mind as they dive into "Tumbling"?

Readers should keep in mind that there are so many different ways for marriage and family to work.

don't know that any of them are the most personal. They are all important to me though, and my favorite story is probably "Break All the Way Down."

Fox Searchlight is turning your novel "An Untamed State" into a movie. How is that going and what's your involvement?

I wrote the first draft of the screenplay in December and now my co-writer and the movie's director, Gina Prince-Bythewood, is working on the second draft.

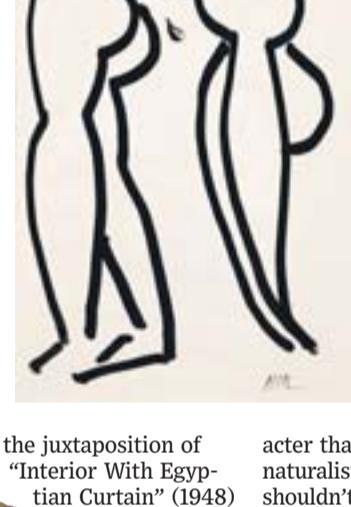
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MATISSE

Continued from page A11
emotion aroused by what he saw in front of him. We get a taste of that early on with "Vase of Flowers" (1924), a still life situated in a light-filled room with a view past the lace-curtained window to the sea beyond. Displayed alongside is the vase in question, a green, blown-glass vessel from Spain whose body and two handles suggest nothing so much as a stalwart figure, feet firmly planted and hands on hips like some angry concierge in a doorway. Matisse has captured that spirit exactly in the painting, where the vase functions as the adult in the room, firmly anchoring the composition and providing a balancing note of seriousness in what is otherwise a lushly hedonistic atmosphere of light, color, pattern and Mediterranean *jolie de vivre*.

Yet what's striking is how wide-ranging was Matisse's response to these stimuli.



Far left:
Matisse's
'Interior With
Egyptian Curtain'
(1948); left:
Matisse's
'Acrobat' (1952);
below: head of
an apostle (13th
to 14th century)
owned by
Matisse

Sometimes it is purely formal. Matisse collected African and other textiles, drawn both to their decorative patterning and the way this overall, flattened imagery could be deployed to break with the traditions of Renaissance perspective—a point powerfully dramatized by



the juxtaposition of "Interior With Egyptian Curtain" (1948) and an actual curtain of the type that inspired it.

In a similar vein,

Matisse, as a portraitist, was drawn to masks, believing that their stylized, simplified representations were more revealing of the subject's true char-

acter than would be a more naturalistic description. This shouldn't make sense—how often have we seen the term "masklike" to denote absence of affect?—but it does in the section titled "The Face," which mixes some half-dozen Matisse paintings with objects such as an African mask, a medieval head of a saint and a Thai head of Buddha. Despite radically simplifying his subjects' features in the manner of the objects accompanying them—in some cases to just a few lines—Matisse in paintings like "The Italian Woman" (1916) and "Woman With a Veil" (1927) gives us works of such penetrating psychological insight that had he explored no other genre he would still have gone down as a major 20th-century artist.

But other responses are of a more conceptual nature.

One of the show's most fascinating revelations comes in the last section, "Essential Forms." In 1929, on his 60th birthday, Matisse received

from his wife a large wooden panel decorated with four Chinese calligraphy characters.

One direct result was

"Acrobat" (1952), an ink

drawing of a figure arched over backward where the

lines seem as much writing as drawing. But he derived a

deeper, more nuanced lesson

from this object that was to

have far-reaching implications for his art: that a work

could be distilled into one or

more instantly graspable im-

ages silhouetted on a plain

background. From this in-

sight would emerge his revo-

lutionary cutouts, in which

he used scissors to slice

shapes out of pieces of

painted paper that he then

pasted on a paper or fabric

ground. These are the glow-

ing note on which this exhibi-

tion closes, a voyage through

one of the most interesting

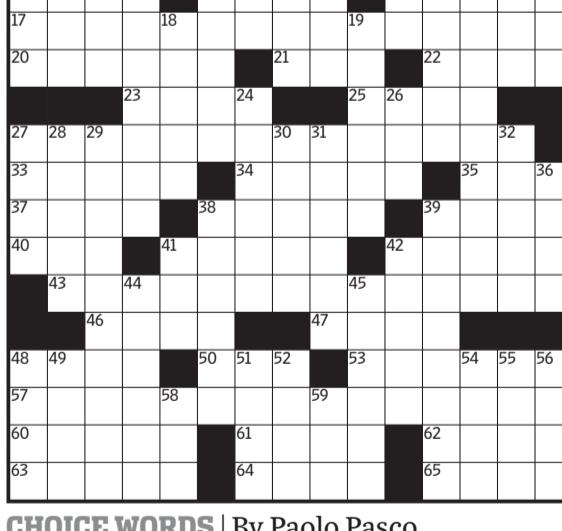
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Mr. Gibson is the Journal's Arts in Review editor.

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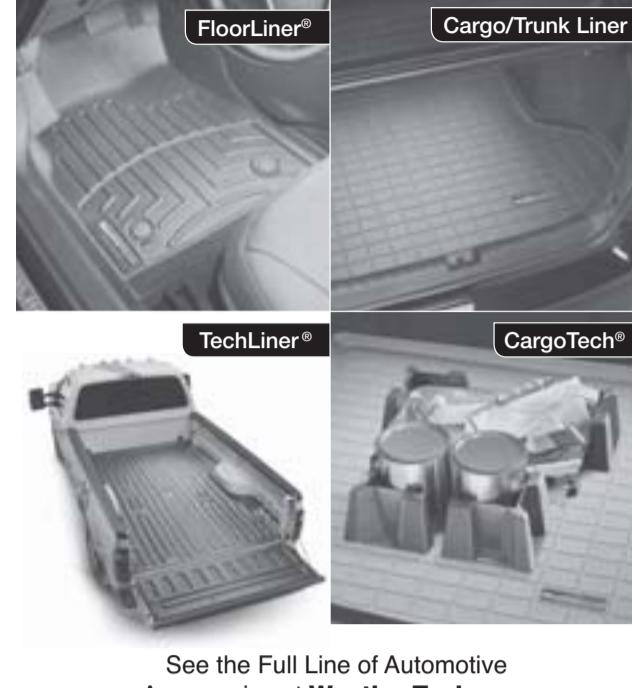
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20 Dump feature 42 Practical intelligence
21 Great Leap Forward leader 43 "Outta my way!"
22 There are seven in una semana 46 Manipulated one
23 Scorch 47 Tapered tuck
25 Chow ___ 48 Not in a private area?
27 Incredibly divisive 50 Join a jury

6 Bathroom at a pub 32 Ankle bones
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18 Trap at a lodge, say 48 Chemistry subject
19 Trattoria topping 49 Sad trumpet sound
24 Exterminator's target 51 Letter after theta
26 Letter before theta 52 Class where you'd use the SOHCATO mnemonic
27 Pie crust ingredient 53 Time for giving up?
28 Morphine source 55 All competition
29 Game involving on-screen drawing? 56 Put away
30 "Grease" character who sings "There Are Worse Things I Could Do" 58 Somewhat, suffixally
31 Bunker or stream 59 Majors in broadcasting?

Down 1 Resistance figures
2 Team with a flaming basketball logo
3 Kyoto quaff
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5 To boot

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OPINION

Don't Worry, It's Worse for Putin



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Dick Cheney unburdening himself on Russian meddling in the U.S. election has already been lost in the flood of new revelations of the last few days. "In some quarters," the former vice president overstates to a New Delhi audience last week, Russia's action "would be considered an act of war."

One might quibble with the legal basis for this claim, but Mr. Cheney's statement is one more reason it's increasingly hard to imagine that Vladimir Putin judges the outcome to be anything but a disaster.

Let's see, his hacking adventure has turned even Democrats into Cheney-like anti-Russia hard-liners. The chances of the U.S. removing sanctions now are nil. Western governments no longer can cover up for Mr. Putin to make him an acceptable interlocutor. The Brits failed to keep a lid on the Litvinenko murder. The Dutch have not kept a lid on the MH17 shoot-down. In The Hague, Russia's annexation of Crimea is on trial.

Marco Rubio, in a Senate hearing, publicly aired the most dangerous dirty linen of all, a possible secret police role in terrorist bombings that propelled Mr. Putin to his first presidential election.

Even Rep. Adam Schiff was demanding the Central Intelligence Agency open its files on

The quality most lacking in

Mr. Putin's corruption until he decided the real opportunity to position himself for Dianne Feinstein's Senate seat was to attack Mr. Trump.

We hasten to add, none of this remotely represents a "win" for the U.S. either. U.S.-Russia relations are spiraling, if not out of control, into a state of hostility that likely won't be relieved as long as Mr. Putin (age 64) remains in power.

Two bombshells landed Monday in relation to the competing partisan scandal quests here.

The Washington Post claims a typically dubious Trump hanger-on, with help of an Arab government, arranged a meeting with an unnamed Putin associate to see if Russia could be lured away from its alliance with Iran and Syria.

Not that the idea is a bad one, but everything about the episode, including the Trump White House's response to the disclosure, was characteristically amateurish.

The other big revelation was that then-Obama aide Susan Rice plumped legitimate "foreign intelligence" in search of possibly illegitimate intelligence on the Trump campaign.

Mike Doran, a Bush security

official now at the Hudson Institute, tweeted: "By 1/18 most voters will have concluded that Obama criminally abused the foreign surveillance machinery."

Unlike the Trump allegations, at least we know these acts took place.

The quality most lacking in

media coverage of these events has been judgment. Paul Waldman in the Washington Post has shown himself ready to believe unsubstantiated allegations about Mr. Trump, and now defends Obama spying on the Trump campaign, fairly shrieking that such monitoring is justified because "we're talking about associates of a presidential candidate communicating with representatives of a foreign power."

Though idiocy and partisanship are rampant in D.C. it's no 'win' for Russia.

Huh? Really? Doesn't the Washington Post, like The Wall Street Journal, communicate incessantly with "representatives of a foreign power"?

Seminars, conferences and confabs occur daily all over America at which said "representatives of foreign powers" are invited guests.

Between 1994 and 2013, U.S. presidents made 14 trips to Russia, dragging along hordes of U.S. business leaders to schmooze with "representatives of a foreign power."

Isn't the likelihood that *any* presidential candidate would have associates who "communicated with representatives of a foreign power" virtually 100%?

In this vein, perhaps the most truly useful revelations of the past 24 hours are those

concerning so-called Trump adviser Carter Page, whom a Russian agent apparently called an "idiot."

Mr. Page, it turns out, was "Male 1" in U.S. Attorney Preet Bharara's 2015 prosecution of a Russian spy ring centered on the New York office of government-owned Vnesheconombank. Google the details of the criminal indictment for an idea of the lameness of Russian espionage efforts in the U.S. these days. Read the long Politico magazine article on the vaporous wannabe Mr. Page.

Now use this information to reframe your thinking on the competence of Russian intelligence as it handed the fate of Moscow's diplomatic interests over to hired hackers from Russia's cybercrime netherworld.

When the chaff is boiled away, the real story will be the one U.S. institutions are still choking on: Donald Trump—ignorant of and contemptuous of the byways of America's governing class—is president. A decisive part of the U.S. electorate decided he couldn't be worse than the standard-issue alternatives.

In this context, one Trump-Russia connection really does leap out. Present at his 2005 wedding was a man who would soon raise \$140 million from parties variously associated with the sale of a U.S. uranium business to the Putin government. His wife controlled a U.S. agency that gave a needed approval of the deal.

That wedding guest was Bill Clinton.

The U.S. Needs a New China Debate



POLITICS & IDEAS
By William A. Galston

When President Trump meets this week with his Chinese counterpart, Xi Jinping, he should keep in mind that the relationship between Washington and Beijing will shape international relations for decades. The talks will focus on urgent matters, especially North Korea's nuclear program and the massive bilateral trade imbalance. But even-larger issues loom in the background.

For four decades, U.S. policy has been guided by the idea that China's integration into the global economic, diplomatic and security architecture would serve both countries' interests. Does this proposition remain valid?

Changes in China's conduct have forced this question onto the agenda, as argued in a February task-force report sponsored by the Asia Society and the University of California, San Diego. Since 2008 Beijing has embraced protectionism, boosting state-owned enterprises, discriminating against foreign-owned firms and pushing multinationals to transfer intellectual property to Chinese entities as the price of admission to the Chinese market.

On foreign policy, the report says, "China started asserting territorial and maritime claims in the South China Sea and East China Sea in an increasingly coercive manner that rattled the

region and raised questions about its ultimate intentions." The Chinese government, expecting a leadership transition in North Korea, increased its support to Pyongyang and rejected strong action against Kim Jong Un's nuclear program for fear of destabilizing his regime. At home China cracked down on foreign media and nongovernmental organizations while ratcheting up pressure on internal dissent.

Despite these troubling developments, the task force adheres to the long-dominant view that relations between the U.S. and China can be mutually beneficial or, as the Chinese often put it, win-win. To this end, its report identifies policies the Trump administration can use to "defend US interests and encourage China to act in ways that respect the interests of the United States and other countries."

We are not fated to replay the Thucydidean drama between Athens and Sparta that made conflict inevitable, it concludes: "A rising power need not become an adversary of the established power if its rise is restrained in manner and if the established power is open to sharing responsibility with the rising power."

A 2015 report from the Council on Foreign Relations takes a different view. Authors Robert Blackwill and Ashley Tellis argue that American administrations have enabled China's rise even though the original justification for this policy—Soviet containment—no longer applies. U.S. support

for China's entry into the global trading system, for example, has "accelerated its rise as a geopolitical rival." Now we are faced with the high probability of a "long-term strategic rivalry between Washington and Beijing." Over the coming decades, China will remain America's "most significant competitor." This competition, Mr. Blackwill and Ms. Tellis argue, is playing out on many fronts.

The status quo may not be sustainable, but conflict isn't inevitable.

A core Chinese aim—the pacification of its "extended geographic periphery"—cannot succeed unless Beijing delegitimizes the U.S. alliance system in Asia. China wants to recover from America the "primacy" it once enjoyed in Asia as a "prelude to exerting global influence." The U.S. cannot have it both ways, they contend, accommodating Chinese concerns about America's ability to project power while continuing to defend vital national interests in the region.

These facts warrant a fundamental reorientation of U.S. policy toward China, Mr. Blackwill and Ms. Tellis conclude. Washington should focus more on meeting the strategic challenge and be "less preoccupied with how this more robust US

approach might be evaluated in Beijing."

A Pew Research Center report released on April 4 suggests that the American people would support a tougher stance toward China. Although their worries about Chinese economic competition have declined over the past five years, their concern about China's military power has increased. Fifty-eight percent of Americans, including 52% of Democrats, support the use of force to defend our Asian allies against a Chinese attack.

Mr. Xi is as determined to make China great again as Mr. Trump is to make America great again. The difference is that while the American president defines greatness principally in domestic terms, the Chinese president sees greatness in regional—even global—terms.

Canceling the Trans-Pacific Partnership has already given China the opportunity to write the economic rules for East Asia. If Mr. Trump accepts 19th-century spheres-of-influence thinking, an outlook to which he often seems drawn, the Chinese could regain hegemonic power throughout the region.

Which of the competing perspectives summarized here should guide America's policy toward China in the coming decades? I don't know, but a debate is necessary. Ducking basic questions and muddling through will mean the victory, by default, of current assumptions, with dire consequences for the United States if the challengers turn out to be right.

private research further. A modernized standard for Alzheimer's drug approvals is a critical first step.

That doesn't mean the process will be easy. The main obstacle to progress in the fight against Alzheimer's disease has been the absence of drug candidates with a proven benefit on either cognition or function. Researchers are striving to develop such compounds.

President Trump's nominee for FDA commissioner, Scott Gottlieb, begins his confirmation process Wednesday. If confirmed, he should encourage FDA's career scientists to play a major role in a desperately needed war on Alzheimer's disease.

Mr. Vradenburg is chairman of UsAgainstAlzheimer's. Dr. Fillit, a geriatrician and neuroscientist, is chief science officer of the Alzheimer's Drug Discovery Foundation.

the agency articulated an informal policy requiring Alzheimer's drug candidates to prove benefit on two different "primary endpoints": "cognition" (memory) and "function" (ability to perform everyday tasks).

Under the policy, a safe and well-tolerated drug that is shown to improve patients'

memory can still be rejected if it is not also proven to improve "functional activities" such as using the bathroom and getting dressed. For Alzheimer's patients, improvement in cognition or function would provide desperately needed, meaningful benefit.

The dual-primary-endpoint policy was never formalized in

any regulation or completed guidance. It applies a higher and more rigid standard to Alzheimer's drug candidates than the FDA applies to most other disease areas, including neurological disorders such as depression, schizophrenia, and Parkinson's disease. A proven benefit on a single primary endpoint is the typical standard for approval.

When we declared war on cancer, HIV and heart disease, the FDA helped jump-start drug development by articulating new, flexible approaches to drug approvals. Those reforms not only sped approval of safe and effective new medicines but spurred hundreds of billions of dollars in private investment.

A similar approach to Alzheimer's disease is now desperately needed. Public and private financing has lagged and a recent string of high-profile, late-stage clinical trial failures threatens to deter

BOOKSHELF | By Michael Auslin

Remaking Our World Order

Easternization

By Gideon Rachman

(Other Press, 307 pages, \$25.95)

When Donald Trump and Xi Jinping sit down this week at Mar-a-Lago, the Chinese leader will have the wind at his back. In the face of the president's "America First" rhetoric, Mr. Xi has emerged as an unlikely champion of free trade and a voice urging restraint on the Korean peninsula. According to Gideon Rachman, all this is emblematic of "Asia's Rise and America's Decline," as the subtitle of his book proclaims. If a new world order was in the making before Mr. Trump took office, his policies may well ensure the continued diminution of American power that began in earnest during Barack Obama's presidency.

The domination of the Atlantic rim nations over the rest of the globe may seem like it is fated, since it has been the power dynamic for nearly half a millennium. But the truth, as Mr. Rachman points out, is that it is an anomaly in the longer-run pattern of history. For thousands of years, non-European empires controlled the ancient world; it was only beginning in the 16th century that smaller Western states were vaulted to global supremacy thanks to their technological and economic prowess.

Now we are witnessing the resurgence of the great Eurasian powers, particularly China, Russia, Turkey and Iran. Is this shift the inevitable result of globalization, as conventional wisdom seems to have it, or the outgrowth of specific failures by the Euro-Atlantic West? Mr. Rachman thinks it is the former—and believes that the shift is "theoretically attractive," correcting the relatively recent imbalance of power resulting from Western imperialism. Unfortunately, "such a multipolar world is already emerging and proving to be unstable and dangerous."

In "Easternization," Mr. Rachman, the foreign affairs columnist for the Financial Times, offers a birds-eye view of the transformation—some would say collapse—of the post-World War II global order. In brisk, engaging prose, he takes us around the world in 14 chapters, beginning with Asia, then moving to Europe, the Middle East, Africa, Latin America and what he calls the "borderlands" between East and West, including Ukraine, Turkey and Hungary. Vast amounts of territory are dealt with, often in a few paragraphs. Though largely geographically structured, the book centers on China's challenge to the West and America's response to that challenge.

There are a dizzyingly complex set of global changes that compromise easternization, but Mr. Rachman identifies two trends at its core: the end of U.S. dominance and an intensifying contest between America and China. As such, "Easternization" fits squarely into the burgeoning literature on the end of the Pax Americana, but makes a bold, if implicit, claim that the "globalization" of the future is not the harmonizing of economic and political interests, but instead the spread of Sino-American economic and political competition across the globe.

When Xi Jinping sits down with Trump this week at Mar-a-Lago, he'll be looking to finally overcome China's 'century of humiliation.'

Asia's new predominance—which essentially means China's increasing power—is taken as the starting point of Mr. Rachman's narrative. He makes the convincing, chilling case that the military gap between the United States and China is rapidly narrowing and that the "focal point of Chinese-American military rivalry is the control of the Western Pacific," which is now "disputed territory." Reviewing China's challenge to America's decades-long predominance in Asia's waters, Mr. Rachman links it to a broader Chinese goal, led by Mr. Xi, of finally overcoming China's so-called "century of humiliation."

This is a fascinating story. The trouble is that easternization, in Mr. Rachman's telling, isn't simply about China's rise; he also uses it as a catchall description of our global woes, which ultimately dilutes his message about the Chinese threat. An interesting chapter on Chinese inroads into Africa, for example, is countered by a discussion of Europe where Asia plays very little role. Beijing certainly didn't have much of an impact on the dramas of Brexit, the Eurozone crisis or the Middle Eastern migrant wave rolling over Germany and other nations. Yet all those subjects are taken up here. Similarly, Turkey's easternization is really about creeping Islamism, and has little in common with trends in Asia, other than a growing authoritarianism that may resemble China's.

Mr. Rachman's book is reportorial, and, as he freely admits, it is largely informed by the elites he encounters in his journeys. Those who attend cocktail parties in London or Washington, D.C., will already know many of those quoted in the book. Davos regulars may be well-read, but their views are divorced from the daily experience of billions of people in Asia and elsewhere dealing with the realities of easternization. The voices of ordinary Asians, especially those living outside of major cities, would have added a crucial perspective.

If easternization depends on the continued growth of Asia, then it may prove to be a shorter era than the author expects. Mr. Rachman leaves largely unaddressed mounting evidence of Asia's problems, including China's continuing macroeconomic slowdown, regionwide demographic pressures (there are too few people in Japan and South Korea and too many in India and Indonesia), and the risk of armed clash between China and its neighbors, such as Vietnam and Japan. If easternization is knocked off course because of timid economic reform, public uprisings against corrupt elites or territorial disputes, a poorer, more fragmented Asia may not be able to continue to pull the balance of global power eastward. Just as importantly, as Mr. Rachman notes in his final chapter, the West retains powerful institutional advances in the "hidden wiring" of the global and economic and political system, further limiting the ultimate effects of easternization.

No one can deny the extraordinary rise of Asia over the past half-century. But even if the West is losing power and wealth on a comparative basis, in absolute terms the global economic pie is still growing, and American absolute wealth continues to rise, if unevenly. Easternization might be better understood as a much more fluid process that has elements of fragmentation as well as integration, and one in which America will remain dominant for a long time to come.

Mr. Auslin is the author of "The End of the Asian Century: War, Stagnation, and the Risks to the World's Most Dynamic Region."

By George Vradenburg and Howard Fillit

If we had put a war on neurologic diseases at the same time we declared a war on cancer, we probably would not be having this conversation." Those are the wise words of Janet Woodcock, director of the Food and Drug Administration's Center for Drug Evaluation and Research, before Congress last month.

Dr. Woodcock is correct. While the past two decades have brought breakthrough treatments for cancer, HIV and heart disease, no new treatments for Alzheimer's disease have been approved in nearly 15 years. In that time, deaths from Alzheimer's have nearly doubled and total spending on care for Alzheimer's patients ballooned to over \$230 billion in 2016.

One problem is the FDA's own standards. In the 1990s

the agency articulated an informal policy requiring Alzheimer's drug candidates to prove benefit on two different "primary endpoints": "cognition" (memory) and "function" (ability to perform everyday tasks).

Under the policy, a safe and well-tolerated drug that is shown to improve patients'

memory can still be rejected if it is not also proven to improve "functional activities" such as using the bathroom and getting dressed. For Alzheimer's patients, improvement in cognition or function would provide desperately needed, meaningful benefit.

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any regulation or completed guidance. It applies a higher and more rigid standard to Alzheimer's drug candidates than the FDA applies to most other disease areas, including neurological disorders such as depression, schizophrenia, and Parkinson's disease. A proven benefit on a single primary endpoint is the typical standard for approval.

When we declared war on cancer, HIV and heart disease, the FDA helped jump-start drug development by articulating new, flexible approaches to drug approvals. Those reforms not only sped approval of safe and effective new medicines but spurred hundreds of billions of dollars in private investment.

A similar approach to Alzheimer's disease is now desperately needed. Public and private financing has lagged and a recent string of high-profile, late-stage clinical trial failures threatens to deter

OPINION

REVIEW & OUTLOOK

Mr. Trump Meets Mr. Xi

President Trump has warned that the Mar-a-Lago summit with Chinese President Xi Jinping this week will be "difficult," and it's hard to know what that means. Mr. Trump likes to stake out tough negotiating positions but back down later, while the Chinese like to offer cosmetic concessions to mollify foreigners while relentlessly advancing their interests over time. The real measure of this summit will be whether Mr. Xi comes away thinking Mr. Trump means what he says or can be pushed around like President Obama.

In that sense Mr. Trump's warning not to expect immediate deliverables is a positive sign. After eight years of the Obama Administration papering over major disagreements between the U.S. and China, Mr. Trump may win Chinese respect with a tougher approach. But subtlety, hardly the U.S. President's strong suit, will be needed to keep the relationship constructive while pressuring Beijing to change its aggressive and mercantilist ways.

On North Korea, the most pressing issue, the two sides are poles apart. Mr. Trump says correctly that China could use its economic leverage to rein in North Korea's nuclear and missile programs but has failed to do so. Beijing believes the U.S. forced Pyongyang to build nuclear weapons by threatening its existence. The Chinese view is that Washington can and should resolve the standoff by making the Kim regime feel more secure.

Mr. Trump is trying to overcome Beijing's reluctance to help by suggesting that if it refuses the U.S. will solve the problem itself—a hint of potential military force. The U.S. will also continue to improve Japanese and South Korean missile defenses and other capabilities, which infuriates Beijing. Mr. Trump is justified in impressing on Mr. Xi that the American people can't accept the North deploying a nuclear missile capable of hitting San Francisco.

It's hard to predict how China will react to this pressure. It could recognize that the risk of war between two nuclear powers in its neighborhood is too dangerous and try to install a more pliable regime in Pyongyang. But even in that case Mr. Xi would avoid the appearance of acting under U.S. duress. He is more likely to push back hard and accuse the U.S. of destabilizing the Korean Peninsula.

On the South China Sea, Trump officials have made hawkish statements about rolling back China's base-building, yet the U.S. Navy is still

having trouble getting approval from the Pentagon to conduct freedom of navigation patrols. Mr. Trump needs to decide on his red lines, communicate them to Mr. Xi and stick to them.

On trade there is greater room for compromise, although an immediate breakthrough is unlikely. Mr. Trump brandished big sticks in the campaign by promising to declare China a currency manipulator and impose punitive tariffs. But this would hurt the U.S. as much as China. U.S. officials now concede that a better approach is to target areas where China fails to grant Americans the market access that Chinese enjoy in the U.S.

So if China declares internet industries off-limits to foreign investors, Chinese companies will be blocked from buying similar American firms. If Tesla is hit with high tariffs on its U.S.-made cars, then Chinese cars will face higher duties in the U.S. Exports from firms that receive state assistance under the "Made in China 2025" industrial-policy plan could be blocked or subject to countervailing duties.

That won't change the bilateral trade balance much, and tit for tat exchanges have a way of escalating. But such a policy would address the reality that after benefitting from access to Western markets, China in the past decade began to harass or close its door to foreign companies. The recent report by the European Union Chamber of Commerce in China is a non-American summary of this systematic bias. The Chinese should recognize that America's political tolerance for such mercantilist behavior is waning, and the resonance of Mr. Trump's protectionist campaign is a warning.

* * *

The Obama Administration often rewarded China's poor behavior, or protested rhetorically without taking credible action. Meanwhile, allies like Japan, South Korea and Taiwan were given too little attention. Mr. Trump has begun to rectify this mistake, for instance, by inviting Japanese Prime Minister Shinzo Abe as his first foreign guest at Mar-a-Lago.

The U.S. goal this week should be to show Mr. Xi that the new Administration will be hard-nosed but constructive. If Mr. Trump masters his briefing books, he could lay the foundation for future deals. But nobody, least of all Mr. Trump, should expect the Chinese to agree to new bilateral terms at the first meeting. The Chinese are impressed by firmness and consistency, not rhetoric.

Susan Rice Keeps Her Mask On

Susan Rice returned to the friendly confines of MSNBC Tuesday to respond to softball questions about the news that the Obama national security adviser had "unmasked" the identity of at least one member of the Trump transition team who was surveilled by U.S. intelligence. Her answers make it all the more imperative to hear her under oath before Congress.

Ms. Rice didn't deny that she had sought the name of a Trump transition official in intelligence reports, though she said she hadn't done so "for any political purposes." We'll take this as confirmation that President Obama's confidante was receiving summaries of surveilled foreign officials that included references to, or conversations with, Donald Trump's team.

Ms. Rice insisted that unmasking was a routine part of her job and is necessary to understand the context of some intelligence reports. Perhaps, but why specifically did she need to see intel summaries dealing with Trump transition plans and policy intentions? And what was the context for seeking the name of any Trump

official? Unmasking is typically the job of professional intelligence analysts, not senior White House officials.

The press corps buys her story that 'unmasking' was no big deal.

Ms. Rice was also at pains to say that unmasking is not the same as leaking to the press and that she "leaked nothing to nobody, and never have." But she hasn't been accused of leaking the name of the Trump official. She is responsible for unmasking a U.S. citizen, which made that name more widely disseminated across the government and thus could have been more easily leaked by someone else. Michael Flynn lost his job as Mr. Trump's national security adviser because of leaks about his conversations with the Russian ambassador to the U.S.

Meanwhile, Democrats and the Beltway press are rallying to defend Ms. Rice by claiming that it isn't news for a senior White House official to unmask the name of a political opponent of an incoming Administration. Thanks, guys. If you want to cover only one side of the Trump-Russia-intelligence story, we'll be happy to cover both.

Syrian Chemical Repeat

Just when Western leaders think they can forget about the Syrian civil war, Bashar Assad drags them back in. A suspected poison gas attack widely blamed on the Syrian regime killed at least 58 people in opposition-held territory Tuesday, including 11 children.

Syria's army denied using chemical weapons, but then that's what the regime said in 2013 when it used them against civilians in opposition territory in a Damascus suburb. This time bombs dropped by warplanes hit the town of Khan Sheikoun in northwestern Syria, spreading an unknown gas that caused people to faint, foam at the mouth and suffocate, according to doctors and rescue workers.

"All pieces of evidence indicate that the raid was carried out by the regime," said Raed Saleh, director of the White Helmets civil-defense organization that operates in rebel-controlled Syria. As far as we know, the Syrian opposition doesn't have warplanes.

Such an attack isn't supposed to be possible now because President Obama, John Kerry and Vladimir Putin claimed to have rid Syria of its chemical-weapons stockpiles. Mr. Obama took up the Russian strongman's arms-control offer in 2013 after Mr. Obama flinched on a military strike to enforce his famous "red line" against Mr. Assad's use of chemical weapons.

The two nations and the United Nations then made a great show of destroying the

stockpiles that Mr. Assad claimed not to have. But U.S. intelligence believed the regime was holding some weapons in reserve, and the use of chlorine gas has become almost routine. Tuesday's attack seems to have been a deadlier gas, perhaps sarin that was used in 2013.

The Russian defense ministry, which is Mr. Assad's military patron, dismissed reports of the attack as "absolutely fake," but the victims on video from Syria look real enough. The attack again shows the folly of relying on arms-control promises from men like Messrs. Assad or Putin. The Russian is violating the 1988 INF treaty by introducing new missiles in Europe, so why would he fret about more poison gas in Syria?

A State Department official said the facts suggest the attack is a war crime, and White House spokesman Sean Spicer said "these heinous actions by the Bashar al-Assad regime are a consequence" of the Obama Administration's "weakness and irresolution." He's right, but Donald Trump is now the President. The attack comes after the Administration has been publicly signaling that deposing Mr. Assad is no longer a goal of U.S. policy. It's possible the regime took those comments as license to unleash more hell.

Mr. Trump inherited a mess in Syria, but if he doesn't want to preside over endless civil war and more war crimes, he'll need a better strategy than Mr. Obama's default of moral denunciation and trusting Russia.

LETTERS TO THE EDITOR

Tax Reform Won't Yield a 1980s-Style Boom

In Robert Barro's "How to Engineer a Trump Boom" (op-ed, March 28), strategies such as cutting taxes, deregulation and infrastructure spending are posed as the keys to creating an economic boom. However, the greatest economic punch stems from cutting corporate tax rates—as long as the fiscal hawks and progressives don't corrupt the process. There are two significant, but false, impediments. First, claiming that other taxes must be raised to offset the decline in corporate tax revenue. Second, claiming that "loopholes" in the corporate tax structure must be closed.

Overall tax revenue will not fall if corporate tax rates are reduced. The incremental corporate cash flow from lower rates will not disappear into cyberspace. That incremental cash will go to workers, management or investors—all of whom will pay taxes. The cash that workers receive will address the income inequality issue. The cash that management receives will be subject to tax rates equal to, or higher, than the corporate rate. The cash that investors receive will inflate the stock market, helping to resolve the state-local pension shortfalls. Regardless of the actual distribution of the incremental cash flow among these recipients, societal goals will be advanced.

The so-called corporate tax loopholes don't need to be closed. There is no need to create a lobbying fight among industries all fighting to pre-

serve "their loophole." As the corporate tax rate is decreased, the use and significance of those loopholes will fade away. Of course, at a zero corporate tax rate, there would be no loopholes. Boosting economic growth to 3%–4% is simply not possible without meaningful corporate-tax-rate cuts.

JERRY HARTZOG, PH.D.
Seabrook Island, S.C.

Prof. Barro cites the favorable experience for economic growth and employment resulting from the Reagan tax cuts in the 1980s. However, he fails to remind us that when those tax cuts were made, U.S. unemployment was high and the public debt to GDP ratio was low. He also glosses over the substantial rise in the budget deficit that occurred during the Reagan years.

Tax reform today would be made in the very different context of low unemployment, rising wage pressures and a relatively high public debt to GDP ratio. This makes it all the more important that any tax-cut proposal today must be revenue neutral if a renewed rise in the budget deficit and a return to inflation is to be avoided. It also makes it less likely that we would get anything like the same boost to economic growth and employment from a tax cut today that we did in the 1980s.

DESMOND LACHMAN
American Enterprise Institute
Washington

Debating a Basic Guaranteed Income for All

Some ideas are just bad. I appreciate Marc Levinson's review of Philippe Van Parijs and Yannick Vanderborght's "Basic Income" (Bookshelf, March 24) but I don't think I need to read the book. The idea is simply bad.

We already have a government-controlled retirement system, and the recipients are easily convinced that any effort to reform Social Security is going to cost them personally. As a result, reform is impossible and the system may soon crash.

It hardly matters how reasonable the proposals might be, how modest the amount or how many other anti-poverty programs could have been eliminated; once the basic income becomes part of our fabric of entitlements, one or more lobbying groups will ensure that money keeps flowing into it until it drives the nation to bankruptcy.

DOUGLASS HOLMES
Louisville, Ky.

Mr. Levinson fails to mention the Family Assistance Plan developed by President Richard Nixon and his adviser Daniel Patrick Moynihan that

There are advantages to the Van Parijs/Vanderborght plan. Providing a "living wage" for everyone eliminates the need for minimum-wage requirements. Anyone can choose to work for any amount they like providing a starting point for most everyone, highly skilled or not. Secondly, this plan would encourage couples to pool their resources and live together versus the current welfare system that provides incentives for couples to live apart to qualify for government resources. This could be especially valuable based on the likelihood that many more children might be raised in two-parent households than today.

M. SANNA
Sherman, Texas

Gorsuch v. Scalia on the Freedom of Religion

In "What Gorsuch Sees That Scalia Didn't" (op-ed, March 17), Nathan Diament makes the valid point that in *EmploymentDivision v. Smith* (1990) Justice Antonin Scalia restricted the rights of members of a Native American sect by upholding denial to them of unemployment benefits after they were fired for using peyote, a hallucinogen, as part of a religious ceremony. Religious organizations and their adherents must obey neutral laws of general applicability, he said. The piece suggests that Judge Neil Gorsuch would have been more sympathetic to the religious practice and more tolerant of religion generally.

Justice Scalia sought to equate religious organizations with nonprofit, nonreligious ones with respect to government largess. Thus, in Scalia's view, if a Rotary Club could use public property for a meeting without charge, so could a church or church-

This Immigrant Problem Is More Imagined Than Real

I suspect that the readers who comment negatively about today's immigrants not assimilating into American culture don't know any and have spent no time with them (Letters, March 28 responding to Bret Stephens's "Other People's Babies," Global View, March 21). Challenge yourself to do this: Go volunteer at your local school and meet some of the kids, go to community gatherings and meet the parents. You will be pleasantly surprised. Many, possibly most, espouse the best of traditional American conservative values: hard work, a focus on education, thrift, industry and a strong interest in engaging with the larger American community.

KIM GOULD
Seattle

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Pepper ... And Salt

THE WALL STREET JOURNAL



"The press calls it 'congressional stalemate.' I call it my comfort zone."

OPINION

Fake News and the Digital Duopoly

By Robert Thomson

Fake news" has seemingly, suddenly, become fashionable. In reality, the fake has proliferated for a decade or more, but the faux, the flawed and the fraudulent are now pressing issues because the full scale of the changes wrought upon the integrity of news and advertising by the digital duopoly—Google and Facebook—has become far more obvious.

Google's commodification of content knowingly, willfully undermined provenance for profit. That was followed by the Facebook stream, with its journalistic jetsam

Google and Facebook have created a dysfunctional and socially destructive information ecosystem.

and fake flotsam. Together, the two most powerful news publishers in human history have created an ecosystem that is dysfunctional and socially destructive.

Both companies could have done far more to highlight that there is a hierarchy of content, but instead they have prospered mightily by peddling a flat-earth philosophy that doesn't distinguish between the fake and the real because they make copious amounts of money from both.

Depending on which source you believe, they have close to two-thirds of the digital advertising market—and let me be clear that we compete with them for that share. The Interactive Advertising Bureau estimates they accounted for more than 90% of the incremental increase in digital advertising over the past year.

The only cost of content for these companies has been lucrative contracts for lobbyists and lawyers, but the social cost of that strategy is far more profound.

It is beyond risible that Google and its subsidiary YouTube, which have earned many billions of dollars from other people's content, should now be lamenting that they can't possibly be held responsible for monitoring that content. Monetizing yes, monitoring no—but it turns out that free money does come at a price.

We all have to work with these companies, and we are hoping, mostly against hope, that they will finally take meaningful action, not only to allow premium content models that fund premium journalism, but also to purge their sites of the rampant piracy that undermines creativity. Your business model can't be simultaneously based on both intimate, granular details about users and no clue whatsoever about rather obvious pirate sites.

Another area that urgently needs much attention is the algorithms that Silicon Valley companies, and Amazon, routinely cite as a supposedly objective source of wisdom and insight. These algorithms are obviously set, tuned and repeatedly adjusted to suit their commercial needs. Yet they also blame autonomous, anarchic algorithms and not themselves when neofascist content surfaces or when a search leads to obviously biased results in favor of their own products.

Look at how Google games searches. A study reported in The Wall Street Journal found that in 25,000 random Google searches ads for Google products appeared in the most prominent slot 91% of the time. That is not that the unfair leveraging of search dominance and the abuse of algorithm? All 1,000 searches for "laptops" started with an ad for Google's



ISTOCK/GETTY IMAGES

Chromebook—100% of the time. Kim Jong Un would be envious of results like that at election time.

And then there are the recently launched Google snippets, which stylistically highlight search results as if they were written on stone tablets and carried down from the mountain. Their sheer visual physicality gives them apparent moral force. The word Orwellian is flagrantly abused, but when it comes to the all-powerful algorithms of Google, Amazon and Facebook, Orwellian is underused.

As for news, institutional neglect has left us perched on the edge of the slippery slope of censorship. There is no Silicon Valley tradition, as there is at great newspapers, of each day arguing over rights and wrongs, of fretful, thoughtful agonizing over social responsibility and freedom of speech.

What we now have is a backlash with which these omnipotent companies are uniquely ill-equipped to cope. Their responses tend to be political and politically correct. Regardless of

your own views, you should be concerned that we are entering an era in which these immensely influential publishers will routinely and selectively "unpublish" certain views and news.

We stumble into this egregious era at a moment when the political volume in many countries is turned to 10. The echo chamber has never been larger and the reverberation rarely more cacophonous. This is not an entirely new trend, but it has a compounding effect with the combination of "holier than thou" and "louder than thou."

Curiously, this outcome is, in part, a result of the idealism of the Silicon Valley set, and there's no doubt about the self-proclaimed ideals. They devoutly believe they are connecting people and informing them, which is true, even though some of the connections become conspiracies and much of the information is skimmed without concern to intellectual property rights.

Ideas aside, we were supposed to be in a magic age of metrics and data. Yet instead of perfect precision we have the cynical arbitraging of ambiguity—particularly in the world of audiences. Some advertising agencies are also clearly at fault because they, too, have been arbitraging and prospering from digital ambiguity as money in the ad business has shifted from actually making ads to aggregating digital audiences and ad tech, better known as fad tech.

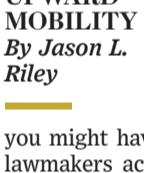
And so, as the Times of London has reported, socially aware, image-conscious advertisers find themselves in extremely disreputable places—hardcore porn sites, neofascist sites, Islamist sites. The embarrassment for these advertisers juxtaposed with jaundice is understandable, but the situation is far more serious than mere loss of face.

If these sites are getting a cut of the commission, the advertisers are technically funding these nefarious activities. Depending on the type of advertising, it is estimated by the ad industry that a YouTube partner could earn about 55% of the revenue from a video. In recent years, how many millions of dollars have been channeled to organizations or individuals that are an existential threat to our societies?

Provenance is profound, and in this age of augmented reality and virtual reality, actual reality will surely make a comeback. Authenticated authenticity is an asset of increasing value in an age of the artificial—understanding the ebb and flow of humanity will not be based on fake news or ersatz empathy, but on real insight.

Mr. Thomson is the chief executive of News Corp, which owns The Wall Street Journal. This is adapted from a speech he delivered on March 29 to the Asia Society in Hong Kong.

Trump Says He'll Work With Democrats. Will They Work With Him?



In one of his last interviews before leaving office, President Obama was asked to explain what drove the consistent Republican opposition to his legislative agenda. The interviewer, Ta-Nehisi Coates of the Atlantic, suggested (as you might have expected) that GOP lawmakers acted out of racial bias. The president offered (as you might not have expected) a more practical explanation.

"If Republicans didn't cooperate," said Mr. Obama, "and there was not a portrait of bipartisan cooperation and a functional federal government, then the party in power would pay the price and they could win back the Senate and/or the House. That wasn't an inaccurate political calculation."

After Republicans blocked President Trump's plans to replace ObamaCare, he vowed to work with Democrats in Congress if necessary to advance his policy agenda. But this strategy presupposes that Democrats are interested in helping the adminis-

tration succeed. As even Mr. Obama acknowledged, full resistance paid big dividends for the GOP as Democrats lost control of the House in 2010, the Senate in 2014 and the presidency last November. Some Democrats from states Mr. Trump carried, such as Sens. Heidi Heitkamp of North Dakota and Joe Manchin of West Virginia, are supporting the Supreme Court nominee, Judge Neil Gorsuch, and might back the administration on other issues—but these are party outliers, not trailblazers.

Mr. Trump's overall approval rating is already historically low for a first-term president, and it's just 12% among Democrats, according to a CBS News poll released last week. If you are Senate Minority Leader Chuck Schumer of New York or House Minority Leader Nancy Pelosi of California, why get in the way of this Republican intraparty row? A new president's party usually loses seats in the first midterm election, which would only increase the Democrats' political leverage after 2018.

Moreover, around a third of the House Democratic caucus hails from three of the nation's bluest states—New York, California and Massachusetts—where dislike of the president

remains visceral and giving him any quarter is verboten. Just ask Sen. Elizabeth Warren, whose vote in committee for Mr. Trump's secretary of housing, Ben Carson, drew such outrage from the left that the Massachusetts liberal reversed course and joined fellow Democrats in opposing his nomination on the floor.

Under Obama, the GOP thrived through conflict. The other party looks to be following that example.

Mr. Trump would do better to unify his own party and show voters that Republicans can deliver on their promises of economic growth and job creation. Instead, the president has been busy berating conservative lawmakers who refused to support the White House health-care bill, including Reps. Jim Jordan of Ohio, Justin Amash of Michigan and Mark Meadows of North Carolina. In fact, Mr. Trump has threatened to "fight them" in the 2018 midterm elections.

Democrats are no doubt thrilled

at the prospect of Mr. Trump expending precious political capital to bludgeon congressmen from his own party, but it may be an idle threat. Like other members of the House Freedom Caucus, these lawmakers represent some of the most conservative districts in the country, where their ideological purity tends to be an asset, not a liability.

"In terms of the general election, Freedom Caucus members generally outperformed Trump," reports FiveThirtyEight.com. "All but five won by a larger margin in their districts than Trump did." And none of the five who underperformed Mr. Trump were among those the president called out on Twitter last week. Mr. Amash won his district in November by about 13 points more than Mr. Trump.

Still, most GOP lawmakers aren't part of the Freedom Caucus, and more-moderate members of Congress also opposed the ObamaCare reform. Nearly two dozen Republicans in the House represent districts Hillary Clinton won, and many of them balked at how the White House legislation would have affected Medicaid and insurance coverage for people over 55. It isn't only conser-

vatives Mr. Trump needs to worry about.

Democrats are counting on Mr. Trump's low approval rating and Republican disunity to work to their advantage. That turned out to be a mistake during last year's campaign, but the Freedom Caucus is also making a mistake in treating President Trump the way they treated President Obama. Democrats are secure in the knowledge that voters will blame the party in charge for dysfunction, and Republicans are in charge.

Many on the left continue to be in denial about why Mr. Trump won the presidency, insisting that racists, misogynists and xenophobes carried the day. But even articles in the New York Times are now acknowledging the reality. "If turnout played only a modest role in Mr. Trump's victory," the paper reported last week, "then the big driver of his gains was persuasion: He flipped millions of white working-class Obama supporters to his side."

In other words, swing voters elected Mr. Trump. And if Republicans don't show they can govern, there's nothing to stop these voters from swinging back to where they came from.

The Challenge at Mar-a-Lago: Wooing China to Drop Its Tariffs

By Bill Lane

There's a Civil War story about a farmer who wakes up one morning to find his house wedged between large Yankee and Rebel armies. In an effort to extricate himself from the predicament, he puts on blue pants and a gray coat before walking outside under the white flag of truce. But he doesn't get far. The Confederates shoot him below the waist while the Union troops shoot him above it.

That's the risk of trying to split the difference—a lesson worth keeping in mind this week as President Trump meets China's President Xi Jinping. Some of Mr. Trump's supporters want

him to restrict imports from China sharply. Yet many Americans fear that doing so may spark a trade war. So how to avoid putting on the blue pants and the gray coat?

The answer is economic growth. Presidents Trump and Xi, as the leaders of the world's two largest economies, must certainly realize that robust growth at home would be the best answer to their respective critics. Better to coordinate policies to stimulate prosperity than to cause a confrontation and risk an economic downturn.

A central issue during the meeting this week will be America's bilateral trade deficit with China of about \$350 billion—more than half of the overall

U.S. trade deficit. Whether one is a free trader, a managed trader or a protectionist, there is no denying that trade between the U.S. and China is out of balance. The average American spends 17 times as much on Chinese products as the other way around.

Economists come up with all sorts of benign-sounding reasons for this imbalance: China saves too much; the U.S. doesn't save enough; Americans simply like to buy inexpensive stuff. Others suggest more sinister causes: currency manipulation, trade barriers or cheating. But regardless of whether the U.S.-China trade imbalance is economically sustainable, the 2016 election demonstrated that it isn't politically sustainable.

That's where the opportunity comes. President Trump has a chance to recenter America's economic relationship with China not by the saber but through flattery and mutual respect.

Beijing joined the World Trade Organization in 2001, nearly two decades

ago, on terms that made sense then. Since that time, however, no country has more enthusiastically embraced economic change. Mr. Trump encourages America to do big things, yet China has been practicing what he

Beijing joined the WTO in 2001 on terms that no longer make sense for an industrial powerhouse.

behind double-digit tariffs. In the old days, these weren't considered a big deal because new rounds of negotiation under the General Agreement on Tariffs and Trade were held every decade or so to revise the rules. The expectation was that greater trade liberalization would be coming.

Today revising WTO rules is perceived as too difficult, so the world is stuck with an outdated framework. This particularly affects trade with the countries that have changed the most—China in particular. What's surprising is that Beijing knows it, but has generally taken the attitude of "why change unless you have to?"

President Trump should point out that China has options. It can further open its markets to the U.S. via bilateral, regional, multilateral or, best of all, unilateral action. But Beijing has to act with a sense of urgency, as the status quo is no longer politically acceptable.

President Xi made eloquent comments at January's economic summit in Davos about the virtues of free trade. President Trump insists he is a free-trader, too, albeit with caveats. Maybe this is the right time for the two leaders to cut a deal to slash Chinese trade barriers. This would give Chinese consumers increased access to U.S. products, while Mr. Trump could claim a victory for American exporters and their workers. And the whole world would benefit as the U.S. and China—the twin engines of global economic growth—start pushing once again in the same direction.

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

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Notable & Quotable: Elites

From "Bernie Sanders's Misguided Attacks on the 'Liberal Elite'" by Noah Berlatsky, *NewRepublic.com*, April 4:

"The elites, who live in enclaves of privilege in cities such as New York, Washington and San Francisco, scold an enraged population," [Sen. Sanders] wrote at Truthdig. "They tell those they dismiss as inferiors to calm down, be reasonable and patient and trust in the goodness of

the old ruling class and the American system." . . .

But it's worth asking: If all these full-throated attacks on liberal elitism ended with the ascension of a racist, sexist authoritarian who has a gross

WORLD NEWS

Venezuelan Police Clash With Protesters

Foiled by court rulings, opposition lawmakers turn to unorthodox forms of resistance

BY ANATOLY KURMANAEV
AND JUAN FORERO

CARACAS, Venezuela—President Nicolás Maduro deployed thousands of police and soldiers across the capital against an opposition march, doubling down on his political foes days after he revoked a takeover of congress and called Venezuela “a powerful democracy.”

National guardsmen armed with automatic weapons closed off the main highway entrances into the city on Tuesday. As riot police threw up barricades against several thousand demonstrators, protests quickly descended into violence.

Infuriated by worsening food shortages and runaway inflation, hundreds of youths armed with stones and bottles charged the police, who responded with tear gas and water cannons.

Several policemen were carried away with injuries, and opposition lawmakers had to hug the servicemen cornered by the angry protesters to protect them from the mob. One protester was wounded from a gunshot in the



President Nicolás Maduro deployed police and soldiers against an opposition march in Caracas. Above, people shielded themselves from a melee.

leg, a local mayor said.

“The protests are not led from a desktop,” said opposition lawmaker Miguel Pizarro, who braved tear gas and stones to try to mediate between the police and protesters. “The opposition

leaders are here giving an example of civic resistance.”

Opposition lawmakers have recently turned to unorthodox protests to get their message out, from bursting into subway cars with megaphones to decry

what they call a dictatorship to

running onto highways with placards to stop traffic. They are led by a young generation of lawmakers like Mr. Pizarro, who are using WhatsApp groups and YouTube videos to break

through the government’s control of mainstream media.

With the opposition-controlled congress neutered by court rulings favoring the government, they say it is one of the few options they have to press

their demands: immediate elections and the release of political prisoners.

More flash protests are planned in the coming days in cinemas, discothèques, churches and malls, said Mr. Pizarro, a 29-year-old, tattoo-covered son of leftist intellectuals.

The new prominence of Young Turks like Mr. Pizarro has brought a breath of fresh air to the opposition movement long dominated by elderly politicians in gray suits, said protester Salomon Guerra, a 22-year-old law student.

For the government, the protests are part of a diabolical plot by the U.S. to take over Venezuela. The officials never provide evidence.

“One day, American imperialism and the State Department will get tired of the incompetence of these people,” Diosdado Cabello, vice president of the ruling party, said of the opposition lawmakers Tuesday.

He said the opposition’s new tactics—including reaching out to embassies here to complain about the government—would fail.

“Let them complain,” Mr. Cabello said. “We’re going to keep governing...forever!”

—Mayela Armas
and Maolis Castro
contributed to this article.

WORLD WATCH



JEROME FAURE/EUROPEAN PRESSPHOTO AGENCY

IN MEMORIAM: A man prays at a relative's grave during the Qingming Festival, known as Tomb-Sweeping Day, in Hong Kong.

HUNGARY Parliament Enables Anti-Soros Agenda

Parliament approved legislation that provides grounds for the government to shut down a university founded by billionaire George Soros. The assembly voted on Tuesday that any university operating solely in Hungary but registered outside the European Union must secure an agreement from both nations’ governments to continue.

Only one institution would be affected, the government said: Budapest’s Central Euro-

pean University, which Mr. Soros founded in 1991. Regional governments are pressing Mr. Soros to stop financing charities that advocate for refugees.

—Drew Hinshaw

SOUTH AFRICA

Trade Unions Call On Zuma to Quit

The country’s federation of trade unions called on President Jacob Zuma to step down, becoming the latest ally of the ruling African National Congress—after the South African Communist Party—to abandon the embattled

president. The Congress of South African Trade Unions called on Mr. Zuma to quit after he dismissed the finance minister.

—Gabriele Steinhauser

ECUADOR

Electoral Council Confirms Vote Result

The national electoral council said the results of the presidential election were irreversible, giving the ruling-party candidate, Lenin Moreno, the victory.

Council President Juan Pablo Pozo said Mr. Moreno got 51.2% of the votes, compared with 48.8%

for conservative Guillermo Lasso, with almost all ballots counted. The candidates can still appeal the outcome to electoral authorities, as Mr. Lasso is expected to do.

—Ryan Dube

CHINA

Americans Express More Positive View

The Pew Research Center said 44% of Americans surveyed this year held a favorable view of China, up from 37% a year ago. Unfavorable views of China fell to 47%, from 55% last year.

—Josh Chin

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INDEX TO BUSINESSES

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

A	Fifth Third Bancorp...B5
AIG	B14
Ainsworth Pet Nutrition	B3
Allergan	B14
Allstate	B3
Amazon.com	B1,B2,B13,B14
American International Group	B14
AmTrust Financial Services	B13
Apple	B4,B14
Aurizon Holdings	B13
B	Bain Capital...B1
Bank of America	A7
Bank of New York Mellon	B12
Bed Bath & Beyond	B13
Berkshire Hathaway	B14
Blackstone Group	B6
BMW	B3
Boeing	B1,B2,B4,B13
C	Caterpillar...B13
CBS	B2
Cerberus Capital Management	B2
CG Gruppe	B6
Citigroup	A1,B12
Comcast	B2
Condé Nast	B6
Constant Contact	B3
D	Daimler...B3
E	Endurance International Group Holdings...B3
Exxon Mobil	B3
F	Facebook...B2

Globe Staff Photos by Spencer Platt/GETTY IMAGES

INDEX TO PEOPLE

A	Gross, Bill...B1
B	Gruber, John...B14
Bennett, Ben	B12
Blackburn, Jeff	B2
Brown, Tichaona	B3
Burger, Jeffrey B.	B12
C	Caruso, Rick...B6
Chesney, Bret	A7
D	Denham, Barbara...B6
Dimon, James...B12	
Douglas, Monica	B3
E	Easterbrook, Steve...B3
F	Flatley, Morgan...B3
Flattum, David	B2
G	Goodman, Shira...B2

Globe Staff Photos by Spencer Platt/GETTY IMAGES

Amazon in Deal To Stream NFL

BY JOE FLINT AND SHALINI RAMACHANDRAN

Amazon is ready for some football.

The National Football League has reached a deal to stream 10 Thursday night games with **Amazon.com Inc.**, the online retailer that is aggressively trying to position itself as a premier source of entertainment content.

The one-year agreement is valued at around \$50 million, according to people familiar with the matter. That price tag represents a fivefold increase over the NFL's agreement with **Twitter Inc.** for the same number of games last season.

While Twitter streamed the games on its free social network site, Amazon's games will be available only to its Amazon Prime members, who pay \$99 a year for free, two-day shipping and access to music, movies and TV shows. Amazon has more than 60 million Prime members world-wide, according to analyst estimates.

The games will continue to be available on television as well. The Thursday night package is split between **CBS** and **NBC**. The NFL Network also carries Thursday night football.

Other bidders for the Thursday night package included **Google**, Twitter and **Facebook**, according to a person familiar with the matter. Twitter and Facebook representatives didn't return a request for comment, while a Google spokesman declined to comment.

For Amazon, the push into sports distinguishes its programming ambitions from **Netflix Inc.** and **Hulu**, the online streaming service co-

owned by **Walt Disney Co.**, **21st Century Fox**, **Comcast Corp.** and **Time Warner Inc.** Both Netflix and Hulu have steered clear of sports and other live content.

"We're focused on bringing our customers what they want to watch, Prime members want the NFL," said Amazon Senior Vice President Jeff Blackburn. The large audience that the NFL attracts will also give Amazon a promotional platform for its other content, he added.

Amazon has also sought live game rights from various other right holders, from the NBA to soccer and surfing leagues. With some, it has even raised the idea of creating a premium sports package that would be offered as an add-on for Prime members, The Wall Street Journal reported in November.

Amazon's interest hasn't been limited to the U.S.: In India, it threw its hat in the ring last year to bid on rights for the popular Indian Premier League cricket games.

Amazon executives believe the e-commerce giant can uniquely target fans with sports gear, a way that the company could potentially justify forking over high fees for big-ticket sports. Mr. Blackburn declined to talk specifically about how Amazon might use the NFL to sell merchandise.

For the NFL, the Amazon deal continues its eagerness to experiment with new distribution platforms as viewing patterns continue to shift away from traditional media. Brian Rolapp, the NFL's executive vice president of media said Amazon's "deep and rich streaming experience really caught our eye."

E-Commerce Helps Fall Polo Store



NO SALE: Ralph Lauren Corp. plans to close its largest shop, a Polo store on Fifth Avenue in Manhattan, amid online-shopping pressures.

RAZOR

Continued from the prior page
special trimmer on the back for hard-to-reach areas.

A four-pack that was selling for around \$19.50 will now go for closer to \$15. On average, prices will fall by 12%, P&G says. P&G in recent years also launched its own competitor to online razor services, the Gillette Shave Club.

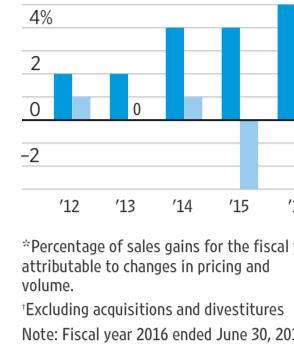
Ms. Buckley said P&G will still offer and develop high-end products, but also will put more resources into marketing and expanding lower-priced product lines. The company's upgrade last year of its lower-end Mach 3 razors and blades was the first in many years.

Ms. Lieberman, the Barclays analyst, called Gillette's move a "full capitulation on price," and said she doubted it would stem the company's market-share erosion. "We think it will be very tough to switch users back from Dollar Shave Club & Harry's," she wrote.

Both Dollar Shave Club—acquired last year by P&G rival

More From Less

P&G year-over-year change in grooming unit (Fiscal years)



*Percentage of sales gains for the fiscal year attributable to changes in pricing and volume.

Excluding acquisitions and divestitures

Note: Fiscal year 2016 ended June 30, 2016

Source: P&G

THE WALL STREET JOURNAL.

Unilever PLC for \$1 billion—and smaller competitor Harry's continued to grow substantially last year.

Combined, the two companies' share of the U.S. market rose to 12.2%, from 7.2% in 2015, according to Euromonitor, which estimates both online or in-store sales.

U.S. sales at Harry's,

launched in 2013, more than doubled to \$113 million last year, according to Euromonitor. The growth in part came from a deal with Target Corp. to sell razors in its nearly 1,800 stores, the company's founders said last month.

Harry's co-founder Jeffrey Raider said he was confident Harry's could retain customers even as Gillette cut prices.

"People trust that our pricing is fair," he said. "And there is significant pent-up frustration among guys that Gillette has been methodically overcharging them for decades."

Dollar Shave Club declined to comment. The company said its internal data show a higher market share than Euromonitor.

Edgewell Personal Care Co.'s lower-priced Schick is most vulnerable to Gillette price cuts given that the brands are sold side-by-side at retailers, according to analysts. The company also sells private-label razors, which are in growing demand.

An Edgewell spokesman declined to discuss Gillette's move or Edgewell's plans.

PIMCO

Continued from the prior page
move beyond the most tumultuous period in its history.

In the third and fourth quarters of 2016, investors put more money into the firm than they pulled out, reversing an extended period of outflows. In December, Pimco settled Securities and Exchange Commission claims that the firm misled investors in an exchange-traded fund once managed by Mr. Gross. Then last week, Pimco removed its last major legal headache by resolving a breach-of-contract lawsuit with Mr. Gross for \$81 million.

At a meeting with fellow money managers on Monday, Pimco Chief Investment Officer Daniel Ivascyn paused briefly to acknowledge the firm's recent string of positive results, according to a person who attended the meeting. Pimco's Income Fund, which Mr. Ivascyn manages, had \$79.1 billion in assets under management as of March 31, the firm said Tuesday. TCW's MetWest Total Return Bond Fund had \$78.6 billion, according to the firm and research company Morningstar Inc.

"Congratulations on the recent performance," Mr. Ivascyn told the group, according to the person. Making peace with Pimco's past has been a priority for Chief Executive Emmanuel Roman since his arrival in November. As part of that effort, he played a critical role in ending the feud with Mr. Gross, people familiar with the matter said.

Mr. Gross abruptly left Pimco in September 2014 after disagreements with his colleagues. In 2015, he sued the firm for at least \$200 million in damages.

Settlement talks with Mr. Gross had been sporadic until this year. On Jan. 13, Mr. Roman visited Mr. Gross's office at **Janus Capital Group Inc.**, and told him he was willing to end the legal dispute partly by giving the firm's former investment chief something he wanted: recognition for his role in creating an investment powerhouse at Pimco, according to people familiar with the matter. But if Mr. Gross didn't settle, Mr. Roman said, he should prepare for an ugly trial, these people said.

\$79.1B

Assets under management in Pimco's Income Fund

The conversation, officiated by a mediator, was intense, one of the people said. Mr. Gross railed against former colleagues he blamed for his 2014 ouster from the firm, the people said.

In late January, Pimco's lawyers approached Mr. Gross's legal team with a much better financial offer, paving the way for a final agreement, people familiar with the matter said. Mr. Gross intends to donate the proceeds to charity.

Mr. Roman is planning a gathering for former managing directors in a bid to help the firm heal from its recent upheaval and strengthen ties to the diaspora of former Pimco employees. Mr. Gross is invited to the dinner, though it isn't clear if he will attend.

The alumni network idea was first discussed by Mr. Ivascyn along with Pimco President Jay Jacobs and David Flattum, the general counsel. It stems from the belief that a tightknit alumni community will foster goodwill for the firm and create business opportunities. Such alumni networks are common at other financial companies.

Another change expected soon is the return of framed illustrations of Mr. Gross and Pimco's other co-founders, along with newspaper articles and other artifacts charting the firm's rise, to a conference room atop the firm's headquarters. The gallery disappeared from view after Mr. Gross left. The firm agreed to restore it as part of last week's settlement.

As part of last week's settlement, Pimco also named Mr. Gross a director emeritus of the firm's foundation. Both Pimco and Mr. Gross also pledged to avoid disparaging each other, people familiar with the matter said.

IRAN

Continued from the prior page
from Iran. The company said Tuesday that based on U.S. government data "an aerospace sale of this magnitude creates or sustains approximately 18,000 jobs" in the U.S. That figure includes jobs throughout the supply chain. It was unclear if the Iran deal—which adds to a Boeing backlog of about 6,000 jets—would justify creating any new positions.

Ali Vaez, an Istanbul-based Iran analyst for the International Crisis Group, said the Trump administration had no basis for stopping a deal that had been in the works for more than a year. But he suggested the plane deals didn't necessarily mean the administration was softening its approach.

Its hostile posture toward Iran, combined with incoming congressional sanctions, could eventually erode the nuclear accord and prevent the Boeing deal from ever materializing," Mr. Vaez said.

After foreign powers secured the nuclear accord with Iran, Boeing won a \$16.6 billion deal

before discounts to sell 80 planes to **Iran Air**. It is awaiting final approval from the U.S. Treasury for those sales.

Boeing deliveries to the state-owned airline aren't due until next year, and the company—unlike Airbus—hasn't added Iran Air to its official order book. "We are currently authorized to deliver commercial passenger airplanes to Iran Air, but are working to clarify open issues that we expect to resolve in the near term," said a Boeing spokesman.

Airbus secured a deal for 100 planes from Iran Air. The Toulouse, France-based plane maker has already started delivering those planes.

The two plane transactions have been controversial in Washington, where some lawmakers have tried to block them. Rep. Peter J. Roskam (R., Ill.) called Boeing's latest deal outrageous, noting it came the same day Iran ally Syria was accused of using chemical weapons against some of its citizens. "We will do everything within our power, and we hope the administration will do everything within its power, to prevent the sale of even more airplanes to state-owned com-

panies in the Islamic Republic," Rep. Roskam said.

Uncertainty over Mr. Trump's stance has clouded decision making by U.S. and other Western executives considering business in Iran. Western banks have largely refused to handle transactions to Iran for fear of being fined for running afoul of banking sanctions that remain. But many foreign firms are plugging in.

France's two auto giants, Peugeot maker **Groupe PSA SA** and **Renault SA**, signed local production ventures that are expected to turn out their first cars this year. European oil and gas firms including **Royal Dutch Shell PLC** and France's Total SA have entered preliminary agreements to develop energy resources.

Shortly after taking office, Mr. Trump took a confrontational posture toward Iran, tweeting in early February that Tehran was on notice for carrying out ballistic missile tests. The Trump administration followed up by sanctioning 25 people and entities allegedly connected to Iran's missile program. Iran responded last month by sanctioning 15 American companies, mostly arms manufacturers.

STAPLES

Continued from the prior page
market for things like printer paper and filing cabinets.

Staples continues to generate robust sales from its delivery business, which accounts for most of its online sales.

The segment benefits from reliable corporate customers who provide a steady stream of cash. Large wholesale purchases also give Staples good rates on office supplies that few rivals, aside from Amazon, can match. The company's market-leading delivery business helped foil its planned \$6.3 billion merger with Office Depot last year. Last May, a federal judge blocked the deal on the grounds that it could lead to higher prices for large companies that buy things like paper, pens, coffee and janitorial supplies in bulk. The defeat cost longtime Chief Executive Ron Sargent his job.

Shira Goodman, who took over for Mr. Sargent, last month said the company is in the middle of "dramatically changing our mind-set and operating model" to boost results. After the deal collapsed, Staples said it would cut costs

and redouble efforts to win more business from midsized companies. But the turnaround strategy, dubbed Staples 20/20, hasn't yielded significant gains yet.

In the fourth quarter of 2016, comparable-store sales at the retail business fell 7% as total sales fell 8% to \$1.65 billion. Comparable sales at the larger North American delivery segment rose 1%, while the segment's total sales fell 1% to

The company's plans to merge with Office Depot were blocked on competition concerns.

and to make its stores more profitable. A pilot program with Workbar, for instance, carves out slack space in large stores for shared office space, taking advantage of investors' enthusiasm for a fast-growing business in membership-based workplaces. Retailers' troubles have turned them into cheaper acquisition targets. That is a contrast with most of the broader market, where rising valuations have made attractively priced takeovers harder to find. The S&P Retail Select Industry index is down 9.5% the past year, versus a 14% gain for the S&P 500.

Private-equity firms, meanwhile, have more cash than ever to spend. The firms predominantly invest on behalf of pensions, sovereign-wealth funds and other large institutions. Buyout firms were sitting on \$820 billion in unspent capital as of December, up 8.6% from a year earlier, according to Preqin, a private-equity researcher.

Staples has previously had private-equity ownership. Bain Capital, an early backer of the company, took Staples public in 1989, making multiple times its investment.

BUSINESS NEWS

Brazil's Deepwater Oil Lures Exxon

By BRADLEY OLSON
AND PAUL KIERNAN

Exxon Mobil Corp., the only big oil company without a major foothold in Brazil, is in talks to gain access to the country's prized deepwater resources, according to people familiar with the matter.

The talks have included discussions about a joint-venture partnership through which Exxon would invest in projects with state-oil firm **Petróleo Brasileiro** SA, or Petrobras, as well as potentially buying stakes in offshore tracts the Brazilian government plans to lease out this year, the people said.

Petrobras Chief Executive Pedro Parente on Tuesday confirmed the talks and Exxon's interest. "This demonstration of interest happened on the part of several companies, including Exxon," he said. "But in terms of work toward a strategic partnership, we still don't have anything concrete with Exxon. But certainly on their part there was a very strong demonstration of interest in exploration in the Brazilian sub-salt."

Exxon, which has eyed deepwater resources in Brazil for at least a decade, is working with **Hess** Corp. in seeking to expand in the country after Brazil revised its regulations last year to attract more foreign investment, the people said. Representatives for Exxon and Hess declined to comment.



Brazil revised regulations, and Exxon is taking another look.

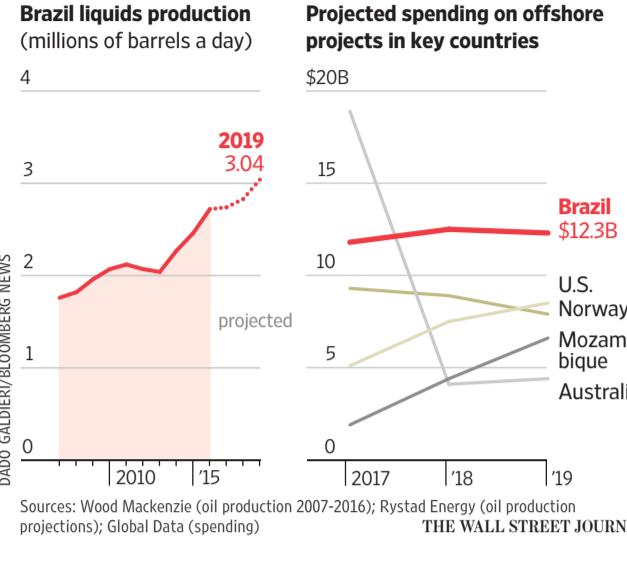
Exxon would join French giant **Total** SA and Norwegian state-controlled **Statoil** ASA, both of which have formed partnerships with Petrobras and expanded in Brazil over the past year. **Royal Dutch Shell** PLC has said it plans to invest \$10 billion in the country over the next five years as part of a push to double its global deepwater production.

The race to expand in Brazil comes as Petrobras is selling tens of billions of dollars in assets in a bid to work off the largest debt burden in the global oil industry.

Brazil's conservative govern-

Back to Brazil

Brazil is re-emerging as a critical investment area for global oil



Sources: Wood Mackenzie (oil production 2007-2016); Rystad Energy (oil production projections); Global Data (spending)

THE WALL STREET JOURNAL.

ment, in power since the impeachment of former President Dilma Rousseff last year, sees foreign investment in the oil sector as key to an economic recovery after Brazil's worst recession on record. Risks abound for the big oil companies. Petrobras, the dominant player in Brazil, is at the center of a corruption scandal and is financially crippled by its \$118 billion debt load. While the business environment has improved over the past nine months, political analysts say the 2018 presidential election could easily reverse that trend.

To gain entry to certain ar-

eas, Exxon has offered foreign players a chance to diversify their holdings and invest alongside it in other projects around the world. Joining forces with Petrobras in a similar fashion on a series of investments may be the only way to build an offshore position in Brazil, analysts said. "If you don't have a relationship with a dominant state player, such as Petrobras in Brazil, it's very difficult to go anywhere," said Ruaraidh Montgomery, an analyst at energy consulting firm Wood Mackenzie.

—Sarah Kent contributed to this article.

Tesla's Share Price Tops \$300 for First Time

By TIM HIGGINS

Tesla Inc., which overtook **Ford Motor** Co. as the second-largest U.S. auto maker by market value, continued its run Tuesday by eclipsing \$300 a share for the first time and closing the gap with **General Motors** Co.

The Palo Alto, Calif., electric-car maker is on a hot streak with investors ahead of the introduction of the company's Model 3 sedan, a

mainstream electric car expected to be priced at \$35,000 and roll out later this year.

Tesla Chief Executive Elon Musk's success with the pricier Model S sedan and Model X sport-utility vehicle has helped make a case for the future of electric cars.

Tesla shares rose to \$303.70 at 4 p.m. in New York, up 1.7% from Monday's close and equaling a \$49.53 billion market value, accord-

ing to FactSet. That compares with GM's \$34.27 share price and \$51.34 billion market value.

GM is currently the U.S. auto maker with the highest market capitalization, but still trails global heavyweights such as Toyota Motor Corp.

Tesla on Monday surpassed Ford's market value, which stands at \$45.19 billion. Disappointing sales announced by traditional auto

makers on Monday were in contrast to Tesla reporting a record quarter on Sunday.

GM on Monday reported a modest sales gain for March.

Mr. Musk's plans for the Model 3 were given a vote of confidence last week when Chinese tech company Tencent Holdings Ltd. revealed it had taken a 5% stake in Tesla.

Tesla shares are approaching a \$305 price target set by Morgan Stanley autos analyst Adam Jonas.

McDonald's Top Marketer In U.S. Exits

By JULIE JARGON

McDonald's Corp.'s top marketer in the U.S. is expected to leave the company as part of another management shake-up aimed at reviving the burger chain's fortunes, according to people familiar with the matter.

Deborah Wahl, the chain's U.S. marketing chief for the last three years, is expected to be replaced by Morgan Flatley, formerly chief marketing officer of Global Nutrition at PepsiCo Inc. In addition, two other top U.S. executives are expected to leave. Lance Richards, head of U.S. menu, is expected to be replaced by Linda VanGosen, a former Starbucks Corp. vice president. Julia Vander Ploeg, head of U.S. digital, is expected to be replaced by Farhan Siddiqi, who most recently served as vice president of global digital experience at McDonald's.

They are the latest management changes being made by Chief Executive Steve Easterbrook, who has to strengthen the business in McDonald's biggest market. The chain experienced a sales lift immediately following the launch of all-day breakfast last year, but the growth tapered off before falling in the fourth quarter as it lapped the daylong breakfast anniversary. The company last week said it plans to switch to fresh beef in its Quarter Pounders next year. The move was seen as a way for McDonald's to be more competitive with fast-food rival

Wendy's Co., which has always served fresh beef, as well as with fast-casual burger chains. McDonald's recently said it plans to embrace its identity



Deborah Wahl

as an affordable fast food company rather than chasing customers who just won't go to a McDonald's. The chain has been working on improving its core products, like removing preservatives from its chicken nuggets, switching to real butter in its Egg McMuffins and coming out with new Big Mac sizes—all of which it has been focusing on in its advertising.

Mr. Easterbrook made a series of management changes last year, including choosing Kraft Foods Group Inc. executive Chris Kempczinski to head the U.S. business. Several other top-ranking executives retired last year, including its chief field officer, chief administrative officer and the executive in charge of customer experience.

Last month, the company tapped Bob Rupczynski, a Mondelez International Inc. executive, to be its new global vice president of media and customer relationship management. McDonald's is trying to better target customers with an improved loyalty program and roll out mobile ordering and payment in its biggest markets.

—Suzanne Vranica contributed to this article.

O'Reilly Show Loses Ads

By ALEXANDRA BRUELL
AND JOE FLINT

BMW AG, Allstate Corp. and **GlaxoSmithKline** PLC have joined a growing list of brands pulling advertising from Bill O'Reilly's show following reports of sexual-harassment accusations against the Fox News star.

Mr. O'Reilly—anchor of the channel's most popular show, "The O'Reilly Factor"—is facing the backlash from advertisers after the New York Times reported that he and **21st Century Fox**, the parent company of Fox News, collectively paid about \$13 million to female employees who claimed they were sexually harassed or verbally abused by him.

The quick response from advertisers highlights the intense pressure marketers can face, particularly on social media, for being associated with a show or news outlet that covers controversial topics or a personality who is accused of inappropriate behavior.

"We are continually reviewing our advertising to ensure it is conducted in a responsible manner aligned with our values," said a spokeswoman from drugmaker GlaxoSmithKline. "We have temporarily put a hold on spots running on 'The O'Reilly Factor' while we assess this situation."

A spokesman for BMW of North America said the auto company suspended advertising with the show "in light of the recent New York Times investigation."

Allstate said it suspended its advertising with Mr. O'Reilly's show because of concerns "about the issues surrounding the program." "Inclusivity and support for women are important Allstate values," the insurer said.

"We value our partners and are working with them to address their current concerns about the O'Reilly Factor," Fox News said on Tuesday. At this time, advertising purchased by those clients is being run in other Fox News programming, the network said.

Over the weekend, 21st Century Fox stood by Mr. O'Reilly in the wake of the Times report, saying he denies the



Bill O'Reilly has been the subject of sexual-harassment reports.

merits of the allegations against him but "has resolved those he regarded as his personal responsibility."

21st Century Fox shares common ownership with News Corp., the parent company of The Wall Street Journal.

Daimler AG's Mercedes-Benz and **Hyundai Motor** Co. were among the first advertisers to withdraw their advertising following revelations of the harassment allegations.

Constant Contact Inc., an email marketing firm, and **Ainsworth Pet Nutrition** have also said they are pulling their ads from the program.

"Based on the recent allegations and our strong commitment to inclusion, respect and tolerance in the workplace, we have decided to pull Constant Contact's ads from 'The O'Reilly Factor,'" said Lark-Marie Anton, chief communications officer for Constant Contact parent company **Endurance International Group** Inc. An Ainsworth spokeswoman said the firm is "very disturbed by the allegations" and continues "monitor

the situation very closely."

Some marketers didn't specify whether their suspension of advertising on the show is temporary or permanent. It is often the case that marketers return to a program once the controversy prompting their retreat cools down.

Fox News is facing other legal battles. A third black employee of Fox News has joined a lawsuit accusing the network, some of its executives and 21st Century Fox of racial discrimination.

According to an amended complaint filed Tuesday, Monica Douglas, a manager in the credit and collections department at Fox News, was "subjected to the same racially discriminatory treatment" that plaintiffs Tichaona Brown and Tabrese Wright claim to have endured at the hands of a longtime senior Fox News executive, former comptroller Judith Slater, who is white.

Ms. Slater, who was fired in February, declined to comment on the initial suit.

—Suzanne Vranica contributed to this article.



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INTERNATIONAL PROPERTY: GERMANY

Investors Turn to Real Estate for Safety

Turbulence in Europe is driving some to park their money in Germany's properties

BY PETER GRANT
AND ART PATNAUDE

Last fall, when a planned €3.3 billion (\$3.5 billion) initial public offering of a German office-building company was pulled due to weak demand, market observers expected private-equity giant **Blackstone Group** LP to move in for the kill.

Blackstone had previously expressed interest in OfficeFirst Immobilien AG, which owns about 100 properties in Frankfurt, Berlin and other German cities. When the IPO was shelved, "I was expecting Blackstone to look them deep into their eyes and say, 'What is the discount?'" said Peter Papadakos, an analyst with real-estate research firm **Green Street Advisors**, who tracked the deal closely.

Instead, Blackstone last week closed on its purchase of OfficeFirst in a deal valuing the company at roughly the same €3.3 billion price tag that caused IPO investors to balk. The firm felt the price was fair given rent and occupancy trends in Germany, according to people familiar with the matter.

Blackstone and some other



German cities such as Munich are expected to be resilient even if political shifts within Europe bring a disintegration of the euro.

investors also increasingly see Germany as a haven in a turbulent Europe, where risks include a disintegration of the euro.

"If the euro remains, [Germany] will remain in the same strong position it is now," said Lars Huber, chief executive of property giant Hines's European operation. "If the euro breaks up, when the dust settles Germany will probably be even stronger."

Last year, Germany led Europe in commercial-property sales volume for the first time, displacing the U.K., which has topped charts since 2007, according to data firm Real Capital Analytics. The values of office buildings, shopping centers and warehouses are continuing to rise in many markets, experts say.

Foreign investors new to European property markets typically have looked at Lon-

don and Paris before Germany, which has had a reputation for plodding growth. But these days Germany appears more attractive to many investors given uncertainty in the U.K. due to its coming divorce from the European Union, and in France ahead of elections.

"Boring is sexy in a world where you have more volatility and political risk," said Marcus Lemli, head of European investment for Savills PLC.

Germany's relative strength comes as investors worldwide grapple with the challenges of investing in commercial property after years of steady price increases in most markets.

German sales volume has slumped, but far less than in the rest of Europe. In the last six months of 2016, transaction volume was roughly €38.3 billion, down 4.8% from the same period in 2015, according to Real Capital Analytics. By com-

parison, volume in all of Europe was down 13.1% during the same time frame, RCA said.

Prices are rising in Germany, as evidenced by the willingness of investors to accept lower yields—or "capitalization rates" as they are known in the industry—when they buy buildings. In the past three years, yields of prime high street retail have declined an average of 0.7 percentage point in the top seven cities, according to Savills.

Berlin office buildings are especially hot thanks to the city's growing population, limited supply and booming tech scene. Prime office capitalization rates there are at 3.25%, a record low, according to CBRE Group Inc.

U.K.-based Rockspring Property Investment Managers has made three acquisitions in Berlin in the past six months, including a €59 million deal last week for Coca-Cola Co.'s German headquarters. "The standout location for tenant demand is Berlin," said Stuart Reid, a Rockspring partner.

Investments in other German cities also have been doing well. In 2013, a venture of Hines and an Asian investor purchased Siemens AG's former headquarters in Munich as a redevelopment project. Today, it is 40% preleased to media company **Condé Nast** and about a year ahead of schedule, according to Mr. Huber.

Frankfurt Courting Brexit Banks

BY WILLIAM WILKES
AND ART PATNAUDE

FRANKFURT—The office market in Germany's financial capital is emerging as one of the winners from Brexit less than a year after the U.K.'s historic vote to quit the European Union.

British Prime Minister Theresa May last week began the process by formally notifying the EU of the U.K.'s intention to withdraw. That began a two-year divorce process.

But major financial institutions with offices in London already have begun to plan for difficulties with doing business across the English Channel. For instance, banks in London currently can sell products to clients in mainland Europe. Brexit is likely to change that.

Competition among European cities and countries to lure business from post-Brexit Britain has been heating up, with Paris, Dublin, Milan and even Wroclaw, Poland, making their cases heard.

But Frankfurt appears to be in pole position: About 15 major banks from the U.S., Japan, China and Britain are in talks with German officials about relocating to Frankfurt, according to people familiar with the matter.

Banks could shift up to 900 staff each from London to Frankfurt to ensure they can



Commerzbank offices in Frankfurt. Banks are considering relocating staff to the city from London.

continue when the U.K. quits the EU, as soon as 2019.

Russia's second-largest bank, **VTB**, in February said it would establish a new headquarters in Frankfurt. Deutsche Bank AG and Goldman Sachs Group Inc. said they could relocate staff to Frankfurt.

Additionally, other tenants in Frankfurt's market have been getting more aggressive in leasing space, partly with an eye toward coming competition from across the English Channel. Last year, businesses leased 525,000 square meters (5.6 million square feet) in the

city, the most since 2007, according to JLL.

Prime office rents at the end of the fourth quarter were €37 (\$39.50) per square meter a month, up 4.2% from a year earlier, JLL said.

New Frankfurt projects that are under way include **Tishman Speyer**'s Omiturm, a 45-story tower that will include 472,000 square feet of office space and 88,000 square feet of rental space. It is scheduled to be completed by early 2019.

No office leases have been announced, but negotiations are intensifying with several financial-services firms, ac-

cording to Florian Reiff, a Tishman Speyer senior managing director. "You can see now the market is firming up," he said. "The Brexit decision is becoming more concrete," he said.

PGIM Real Estate, a unit of Prudential Financial Inc., also sees Brexit-related demand picking up for its Junghof Plaza project in Frankfurt. A venture led by PGIM acquired the 14-year-old office building late last year and is converting it into a mixed-use project with office, retail and a hotel.

—Peter Grant contributed to this article.

Immigrants Fueling a Surge in Home Prices

BY WILLIAM WILKES

FRANKFURT—Development of middle-class housing in Germany is increasing, but the pace isn't fast enough to meet booming demand.

The number of new homes built in Germany last year hit its highest level since 1999, at about 320,000 units. But record levels of immigration helped boost demand, leading to soaring rents and home prices in major cities, data show.

That has been mostly good for investors in public companies that focus on German housing. Three-year annualized returns are about 25%, well ahead of other sectors, according to real-estate research firm **Green Street Advisors**.

Meanwhile, developers like Berlin-based **CG Gruppe**, which has projects valued at €2.2 billion (\$2.34 billion) in the pipeline, are chugging ahead on all cylinders.

"The market is endless," said Christoph Gröner, chairman of CG Gruppe. "You have practically no risk if you invest in the middle class."

Some investors who purchased rental apartments with an eye toward converting them into luxury condos might not be as fortunate. Their

plans could run into trouble if the government makes it tougher to do such conversions.

"There's probably a good case for exiting if you bought opportunistically," said John Amram, chief executive of HPBA, a Berlin-based real-estate investment boutique. "The political environment is a little hostile to put it mildly."

Germany would need to build 100,000 more homes annually to keep up with demand, according to Ralph Henger, a real-estate expert at the Cologne Institute for Economic Research.

Low borrowing costs, a result of ultralow European Central Bank interest rates and easy-money policies, are spurring demand for new homes from Germans hunting for places to park investment cash.

But record immigration is the main driver of stellar price gains.

More migrants flocked to Germany in 2015 than in any previous year, as people fled war and economic hardship in Asia, Africa and the Middle East. A strong German economy, against a backdrop of high unemployment elsewhere in Europe, also is fueling a strong inflow of immigrant workers.

Airport Hotel Left in a Holding Pattern

BY FRIEDRICH GEIGER

BERLIN—A few steps away from the German capital's new airport stands the Steigenberger Airport Hotel Berlin, an exclusive getaway with 322 rooms and suites, restaurants, a spa and a full-time cleaning staff.

What the four-star hotel hasn't had since it was completed in 2012 is guests. The reason is that the airport, initially scheduled to open 10 years ago, never did, and it is unclear when it will welcome its first passenger plane.

The opening of the €6 billion (\$6.4 billion) Berlin Brandenburg Airport, or BER, some 20 miles to the south of the German capital, has receded every time it has appeared to inch closer. Some of the airport's technical installations had flaws, and the insolvencies of companies working on the construction site caused delays. For ECE Projektmanagement GmbH, owner of the Steigenberger hotel, and other local investors who are nursing losses caused by the airport's delayed opening, it is a cautionary tale about tying one's fortunes to a prestigious

but troubled project.

"The hotel will open only when the airport assumes operations," said Lukas Nemela, spokesman for ECE.

Some investors resisted the urge to take the plunge before 2012, when it seemed BER's opening was around the corner, as advertised on billboards around the city. They have been standing on the sidelines ever since but haven't put away their wallets, said Jürgen Kuse, head of the regional committee of property valuation experts. "One

denburg GmbH, stopped announcing new launch dates. The company said recently it could provide a date only when the BER building was completed.

Berliners and visitors have had to make do with two smaller airports—Berlin-Tegel Otto Lilienthal Airport, a 1960s concrete hexagon in the northern district of Tegel, and Schönefeld Airport to the southeast of the capital. A steady increase in visitors to Berlin—overnight stays doubled in the past 10 years—and the closure of the city-center Tempelhof airport in 2008 have pushed Tegel and Schönefeld to capacity.

New problems with BER's automatic doors and sprinklers mean there is a 73% chance the airport will open by the fall of 2018, a recent study by consulting firm Roland Berger concluded.

Instead of the boom many real-estate experts were expecting a decade ago, commercial property and land prices in the area have stagnated as prices rocketed in the rest of Berlin.

—Peter Grant contributed to this article.

Plots & Ploys

RETAIL PROPERTY SECTOR STILL RESILIENT DESPITE STORE CLOSINGS

Despite a wave of retail store closings and mall vacancies across the U.S., the national retail-property market is holding steady.

Vacancy rates in shopping centers increased in 28 of 77 U.S. metro areas in the first quarter from the same period a year earlier, according to data from real estate researcher Reis Inc. That was a slight improvement from the fourth quarter, when 30 metro areas recorded increases.

For regional malls, vacancy rates rose slightly, to 7.9% in the first quarter from 7.8% in the fourth quarter of 2016.

Asking rents increased 0.4% in the first quarter, matching the fourth quarter of 2016.

"The overall retail real estate statistics recorded very little change in the quarter," said Barbara Denham, an economist at Reis.

The vacancy rate of neighborhood and open-air shopping centers remained unchanged at 9.9%, the same as the fourth quarter and the first quarter of 2016.

—Esther Fung

MANAGEMENT MALL MAGNATE RECRUITS EXPERT FOR HOTELS PUSH

Retail mogul Rick Caruso has hired a prominent hotel industry executive as his multi-billion-dollar real-estate company makes its first push into the resort business with the five-star Rosewood Miramar Beach Montecito on the California coast.

The property is under construction on the site of the old Miramar By The Sea Hotel, which has roots dating back to the 1800s.

Mr. Caruso has tapped Ali Kasikci to head the Miramar and the rest of his fledgling hotel business. Mr. Kasikci is known in the industry for managing the Peninsula Beverly Hills for more than 15 years and serving as a senior executive for Belmond Hotels.

The new Miramar will have 161 guest rooms and family bungalows on 16 acres. The resort, about an hour north of Los Angeles, also will include a private beach, club house, a "manor house" and two pools.

Mr. Caruso, who was a pioneer of outdoor shopping centers like the Grove in Los Angeles, is investing more than \$200 million on the project in Montecito.

—Peter Grant

denburg GmbH, stopped announcing new launch dates. The company said recently it could provide a date only when the BER building was completed.

Berliners and visitors have had to make do with two smaller airports—Berlin-Tegel Otto Lilienthal Airport, a 1960s concrete hexagon in the northern district of Tegel, and Schönefeld Airport to the southeast of the capital. A steady increase in visitors to Berlin—overnight stays doubled in the past 10 years—and the closure of the city-center Tempelhof airport in 2008 have pushed Tegel and Schönefeld to capacity.

New problems with BER's automatic doors and sprinklers mean there is a 73% chance the airport will open by the fall of 2018, a recent study by consulting firm Roland Berger concluded.

Instead of the boom many real-estate experts were expecting a decade ago, commercial property and land prices in the area have stagnated as prices rocketed in the rest of Berlin.

—Peter Grant contributed to this article.



The Berlin Brandenburg Airport's opening ran into multiple delays.

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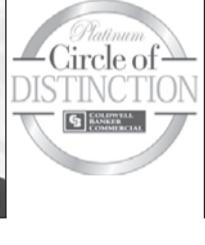
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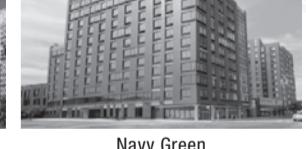
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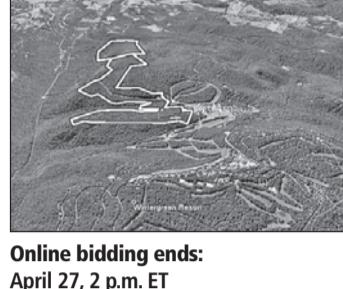
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Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year return annualized.

e-Ex-distribution f-Previous day's quotation g-Footnotes x and s apply. j-Footnotes e and s apply k-Recalculated by Lipper, using updated data. p-Distribution costs apply. 12b-1 r-Redemption charge may apply s-Stock split or dividend t-Footnotes p and r apply v-Footnotes x and e apply x-Ex-dividend z-Footnote x, e and s apply NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper, data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Tuesday, April 4, 2017

Fund	Net NAV	YTD Chg %	Fund	Net NAV	YTD Chg %	Fund	Net NAV	YTD Chg %
IntGowY	37.28	+0.03 7.5	MuShAdml	15.77	... 0.6	P	PrmcAdml	-117.44 -0.20 7.9
			REITAdml	r	117.42 +0.01 1.2			
Parnassus Fds	40.75	+0.03 4.0	SmCapAdml	63.32 +0.01 2.8				
PIMCO Fds Instl			STBndAdml	10.45 -0.01 0.6				
AllAsset	NA	... NA	TotBldAdml	10.70 -0.01 1.1				
HiYld	8.90	... 2.4	TotBldIdxAdm	21.66 +0.01 0.2				
ToTR	10.15	-0.01 2.0	TotIntlAdml	r	26.64 +0.02 8.5			
			TotIntlAdml	r	58.93 +0.03 5.6			
PIMCO Funds A	NA	... NA	TxMinr	12.59 ... 7.7				
PIMCO Funds D	NA	... NA	ValAdml	37.17 +0.05 3.2				
IncomeFd	NA	... NA	WdrslAdml	65.17 +0.03 4.5				
PIMCO Funds Instl	NA	... NA	WellsAdml	62.72 ... 2.3				
IncomeFd	NA	... NA	WellnAdml	69.38 +0.06 3.5				
			WrdslAdml	r	73.00 +0.05 5.4			
VANGUARD FUNDS P	NA	... NA	VANGUARD FDS					
IncomeP	NA	... NA	DivGro	24.60 ... 5.6				
			BLCInv	199.44 +0.5011.0				
			CapApp	27.55 -0.01 5.2				
			Eqlnc	32.32 +0.03 3.0				
			EqIndex	63.42 +0.05 5.9				
			Growth	59.19 -0.0211.2				
			Harbor Funds	65.59 -0.0811.0				
			InstCap	32.43 +0.0210.9				
			IntStk	13.69 -0.02 6.9				
			LifeCon	18.95 ... 3.2				
			LifeMod	30.46 +0.01 5.5				
			MCapGro	20.78 -0.02 7.2				
			MCapVal	29.88 +0.05 2.8				
			NorHoriz	47.47 ... 9.6				
			OverS SF	9.81 ... 8.2				
			R2015	14.78 -0.01 4.2				
			R2020	21.42 -0.01 4.9				
			R2025	16.36 ... 5.5				
			R2030	23.89 ... 6.0				
			R2035	18.72 +0.01 5.5				
			R2040	32.01 +0.01 6.0				
			R2045	20.05 +0.01 6.1				
			R2050	32.25 +0.02 6.1				
			R2055	13.09 ... 2.5				
			TotBldIdxInv	10.83 ... 0.2				
			Welln	25.89 ... 2.3				
			Wndsrll	40.18 +0.04 3.5				
			VANGUARD INDEX FDS					
			S&P Sel	36.47 +0.02 6.0				
			T					
			TIAA/CREF Funds					
			EqldInst	NA ... NA				
			TrotBd	10.66 -0.01 1.1				
			TrotIntl	15.93 +0.01 8.5				
			TrotSt	58.91 +0.03 5.5				
			VANGUARD INSTL FDS					
			BalInst	32.13 ... 0.1				
			DevMktIdxInst	12.60 -0.01 7.6				
			ExtndInst	75.15 -0.03 3.7				
			GrwthInst	185.46 -0.07 3.7				
			SmVlAdml	52.32 +0.03 1.1				
			TrotBd	10.66 -0.01 1.1				
			TrotBdIdx	32.51 +0.02 0.2				
			TrotBdPl	186.74 -0.31 5.6				
			TrotBdPl	11.34 -0.02 1.6				
			TrotBdPl	10.66 -0.01 1.1				</

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How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.

This list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, April 4, 2017

NYSE

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg			
ABB	ABB	23.46	.02	BlackKnight	BKF	38.50	-.30	DevonEnergy	DVR	42.49	.46	NewfieldExpln	NFX	17.90	.03	NetScout	SSCO	36.14	.12	UnitedContinental	UAL	69.76	-.15	Gentex	GNTX	20.41	.25
AECOM	AEC	34.36	-.01	BLK	380.80	-.12	Digeo	DEO	115.06	-.02	NextEraEnergy	NEE	44.20	-.07	NorthWestern	NU	52.07	-.02	UnitedPacifc	UPC	106.63	-.21	PTC	PTC	51.86	-.40	
AES	AES	11.27	.08	BoardwalkPwP	BWP	18.47	0.0	Digital Realty	DLR	105.08	-.31	NextEraEnergy	NEE	43.19	0.20	OccidentalPetro	OXY	43.44	0.00	Unilever	UL	123.77	-.06	Pearcey	PCAR	66.62	-.22
Aflac	AFL	72.61	-.05	BrownForman	BFX	133.85	0.83	DiscoverSys	DFS	67.05	0.00	NextEraEnergy	NEE	124.18	-.05	OpelikaBnd	SPD	131.13	-.31	PerkinElmer	PRK	57.69	0.21				
AT&T	T	41.61	.12	BrownForman	BFX	133.85	0.83	DollarGeneral	DG	63.85	-.07	NextEraEnergy	NEE	124.18	-.05	OrbitalATK	OATK	97.16	0.01	PerpetualHealth	PH	33.88	0.00				
AXIS Capital	AXS	67.36	.55	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
BabbettLabs	ABT	44.18	.29	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	Phoenix	PWRA	27.00	-.63				
Babvby	BBV	65.11	0.08	BroadfieldMgt	BGM	36.70	0.35	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Accenture	ACN	118.04	0.40	BroadfieldMgt	BGM	36.70	0.35	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AcuityBrands	AYI	173.79	-30.13	BroadfieldMgt	BGM	36.70	0.35	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Adient	ADT	68.13	-.20	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AdvanceAuto	AAP	143.04	-2.46	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AdvSimEng	ASX	6.51	-0.53	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Aegon	AEG	5.07	-0.02	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AerCap	AER	45.45	0.12	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Aetna	AET	127.85	-0.89	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AffiliatedMtrs	AMG	16.09	0.40	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AigentTechs	AGT	34.23	0.49	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Ailera	AIR	11.24	0.49	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Allegany	AY	52.62	0.58	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Allegro	AGG	94.87	-0.33	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllyFinancial	ALLY	19.50	-0.48	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Altira	MO	71.95	0.33	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
Allianz	ALL	20.95	0.64	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllianceData	ADS	295.97	0.64	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllianzBerstein	ABB	22.55	0.05	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllianzGlobal	ASB	127.78	-0.10	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllianzGenCo	AGC	24.00	0.49	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllianzGenCo	AGC	24.00	0.49	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllianzGenCo	AGC	24.00	0.49	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllianzGenCo	AGC	24.00	0.49	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04	-.06	NextEraEnergy	NEE	124.18	-.05	Orbitz	OTZ	57.68	0.21	PhillyPayroll	PPY	43.67	0.00				
AllianzGenCo	AGC	24.00	0.49	BrownForman	BFX	133.85	0.83	DominionRcs	DIS	113.04</																	

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

20689.24 ▲ 39.03, or 0.19%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

* P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2360.16 ▲ 1.32, or 0.06%
High, low, open and close for each trading day of the past three months.



65-day moving average

Nasdaq Composite Index

5898.61 ▲ 3.93, or 0.07%
High, low, open and close for each trading day of the past three months.



65-day moving average

Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	3-yr. ann.
Dow Jones								
Industrial Average	20701.29	20605.30	20689.24	39.03	▲ 0.19	21115.55	17140.24	17.5 4.7 8.0
Transportation Avg	9104.11	9052.46	9100.67	14.43	▲ 0.16	9593.95	7093.40	17.1 0.6 6.3
Utility Average	702.13	695.43	699.89	2.38	▲ 0.34	720.45	625.44	6.6 6.1 9.6
Total Stock Market	24452.64	24367.16	24447.70	9.25	▲ 0.04	24868.78	20583.16	16.4 5.0 7.6
Barron's 400	622.48	617.81	619.90	-1.99	-0.32	635.07	491.89	21.4 3.0 6.3

Nasdaq Stock Market

Nasdaq Composite	5901.39	5878.76	5898.61	3.93	▲ 0.07	5914.34	4594.44	21.8 9.6 12.6
Nasdaq 100	5441.34	5415.30	5440.41	8.21	▲ 0.15	5440.41	4201.05	21.7 11.9 15.4

Standard & Poor's

500 Index	2360.53	2350.72	2360.16	1.32	▲ 0.06	2395.96	2000.54	15.4 5.4 8.2
MidCap 400	1711.97	1703.53	1707.93	-1.62	-0.09	1758.27	1416.66	20.0 2.9 7.7
SmallCap 600	832.29	825.47	828.79	0.42	▲ 0.05	862.21	668.72	23.2 -1.1 7.7

Other Indexes

Russell 2000	1374.05	1363.30	1368.18	-1.49	-0.11	1413.64	1089.65	24.9 0.8 5.9
NYSE Composite	11472.04	11424.17	11470.54	6.62	▲ 0.06	11661.22	9973.54	14.0 3.7 2.9
Value Line	516.40	514.13	515.27	-0.70	-0.14	529.13	435.06	16.0 1.8 1.6
NYSE Arca Biotech	3542.66	3504.99	3520.34	1.47	▲ 0.04	3642.30	2818.70	14.8 14.5 12.1
NYSE Arca Pharma	511.09	508.74	511.00	2.31	▲ 0.45	554.66	463.78	2.5 6.1 1.1
KBW Bank	91.85	91.08	91.57	-0.26	-0.29	99.33	60.27	44.6 -0.2 8.5
PHLX® Gold/Silver	86.29	85.31	86.28	0.98	▲ 1.15	112.86	69.61	23.9 9.4 -2.6
PHLX® Oil Service	169.26	166.51	169.23	1.29	▲ 0.77	192.66	148.37	12.0 -7.9 -16.5
PHLX® Semiconductor	1007.05	997.23	1000.48	-5.32	-0.53	1012.29	630.77	49.0 10.4 20.0
CBOE Volatility	13.07	11.70	11.79	-0.59	-4.77	25.76	10.58	-23.5 -16.0 -5.5

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
Gartner Inc	IT	10,601.8	108.69	-0.01	-0.01	108.85	108.21	
SPDR S&P 500	SPY	7,857.3	235.78	0.30	▲ 0.13	235.83	234.75	
Finl Select Sector SPDR	XLF	7,735.1	23.69	0.04	▲ 0.17	23.71	23.64	
D&B	DNB	4,240.9	105.99	...		106.20	105.99	
INC Research Hldgs Cl A	INCR	2,492.8	44.60	-0.05	-0.11	44.70	44.45	
CEB	CEB	2,388.4	78.75	...		78.85	78.75	
Fang Holdings ADR	SFUN	1,772.0	23.45	...		23.47	23.09	
Arconic	ARNC	1,521.9	26.38	...		26.50	26.36	

Percentage gainers...

Panera Bread Cl A	PNRA	136.0	307.65	33.65	▲ 12.28	314.50	272.30	
Kayne Andrsn Midstr Engy	KMF	5.1	17.64	1.24	▲ 7.56	17.64	16.00	
A Schulman	SHLM	44.3	31.80	1.80	-6.00	32.80	29.95	
Landec	LNDC	43.8	12.30	0.60	▲ 5.13	12.85	11.70	
Corvus Pharmaceuticals	CRVS	60.6	10.85	0.49	▲ 4.73	10.95	10.30	

...And losers

Zillow Group Cl C	Z	8.5	32.70	-1.23	-3.63	33.93	32.70	

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.		3.329	3.454		3.302	3.449	.147	125,054
April 2,5900 2,6080 2,5900 2,6060 0.085 1,728	Open	High	hilo	Low	Settle	Chg	interest	Open
May 2,6040 2,6210 2,5940 2,6120 0.085 121,500	Jan'18	3.565	3.674		3.555	3.671	.124	86,526
Gold (CMX)-100 troy oz.; \$ per troy oz.								
April 125.10 126.30 125.00 125.50 4.20 2,550	Oct	374.00	377.25		370.50	370.75	-.450	405,329
June 125.50 126.370 125.50 125.80 4.40 301,526								
Aug 125.80 126.60 125.80 126.10 4.40 41,285								
Oct 126.00 127.00 126.30 126.90 4.40 5,958								
Dec 126.00 127.30 126.00 126.20 4.30 43,886								
Feb'18 126.90 127.50 126.80 127.10 4.30 7,063								
Palladium (NYM)-50 troy oz.; \$ per troy oz.								
April 788.00 803.45 788.00 806.95 4.40 5	May	307.50	310.50		307.20	308.10	.50	155,900
May 800.95 810.95 ▲ 800.95 806.95 4.40 3	July	311.00	313.80		310.50	311.50	.50	116,786
June 802.10 813.35 801.90 806.95 4.40 32,677								
Sept 806.45 808.00 806.45 807.15 4.30 575								
Platinum (NYM)-50 troy oz.; \$ per troy oz.								
April 958.00 961.30 956.70 961.20 6.50 279	May	1007.50	1010.00		1005.00	1007.00	... 8,702	
Oct 965.10 970.10 961.10 968.10 6.40 3,266	July	1033.00	1043.00		1032.00	1033.00	... 2,192	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.								
April 18.20 18.20 18.200 18.302 0.111 472	May	426.75	432.25		425.75	427.00	-.75	20,474
May 18.305 18.430 18.210 18.323 0.111 156,871	July	438.25	444.25		438.25	440.00	-.25	139,857
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.								
May 50.24 51.30 49.88 51.03 0.79 561,505	May	418.50	424.75		417.50	421.75	2.75	108,218
June 50.68 51.74 50.35 51.51 0.80 326,910	July	430.50	437.75		430.50	434.50	2.25	101,020
July 51.09 52.09 50.72 51.88 0.80 143,585								
Sept 51.58 52.51 51.20 52.37 0.81 172,657								
Dec 51.93 52.88 51.59 52.72 0.78 259,491								
Dec'18 51.71 52.47 51.46 52.31 0.57 121,699								
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.								
May 1,5634 1,5985 1,5527 1,5923 0.0289 125,121	April	132,675	132,675		130,800	131,025	-2,050	7,553
June 1,5678 1,6055 1,5599 1,5994 0.0289 80,292	May	131,225	131,350		129,875	130,300	-1,500	24,326
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.								
May 1,6950 1,7283 1,6839 1,7217 0.0280 131,754	April	119,150	119,150		118,125	118,225	-1,200	33,754
June 1,6937 1,7233 1,6796 1,7179 0.0284 68,613	June	110,525	110,525		109,100	109,300	-1,400	186,764
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.								
May 3,145 3,301 3,121 3,293 .165 303,324	April	64,800	64,950		63,575	63,675	-1,125	17,327
June 3,221 3,372 3,198 3,365 .161 122,551	June	72,575	72,950		71,825	71,975	-.675	80,768
July 3,292 3,437 3,272 3,430 .157 150,480	May	373.50	376.30		369.80	373.10	-.90	3,670
Sept 3,305 3,442 3,294 3,437 .150 106,351	July	382.40	384.70		379.00	381.70	-.150	1,631

Cash Prices | WSJ.com/commodities

Tuesday, April 04, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Tuesday	Tuesday	Tuesday	
Energy				
Propane,tet,Mont Belvieu-g	0.6122	18,3400	Soybeans,No.1 yellw IL-bp,u	9,0150
Butane,normal,Mont Belvieu-g	0.7426	14084	Wheat,Spring14%-pro Mnpls-u	6,0725
NaturalGas,HenryHub-i	3,070		Wheat,No.2 soft red,St.Louis-bp,u	4,1850
NaturalGas,TranscoZone3-i	3,040		Wheat - Hard - KC (USDA) \$ per bu-u	3,7675
NaturalGas,TranscoZone6-NY-i	2,920		Wheat,No.1soft white,Portl,Or-u	4,6350
NaturalGas,PanhandleEast-i	2,790			
NaturalGas,Opal-i	2,780			
NaturalGas,MarcellusNE PA-i	2,810			
NaturalGas,HaynesvilleLA-i	3,030			
Coal,Cap,1,250,000Btu,12S02-r,w	51,750			
Coal,PwdrRvrBsn,8800Btu,08S02-r,w	11,500			
Metals				
Gold,per troy oz	1259.79		Food	
Engelhard industrial	1259.79		Beef,carcass equiv.index	194.91
Engelhard fabricated	1354.27		choice 1-3,600-900 lbs.-u	194.91
Handy & Harman base	1257.65		select 1-3,600-900 lbs.-u	184.86
Handy & Harman fabricated	1395.99		Broilers,dressed "A"-u	n.a.
LBMA Gold Price AM	*1246.25		Broilers,National comp wghtd-u,w	0.9845
LBMA Gold Price PM	*1247.25		Butter,A Chicago	2,1500
Krugerrand wholesale-e	1306.76		Cheddar cheese,bbl,Chicago	148.00
Maple Leaf-e	1319.33		Cheddar cheese,bch,Chicago	152.00
American Eagle-e	1319.33		Pork,bellies,12-14 lb MidUS-u	15.00
Mexican peso-e	1522.96		Pork loins,13-19 lb MidUS-u	15.00
Austria crown-e	1234.62		Steers,Tex,Oka,Choice-u	15.00
Austria phil-e	1319.33		Steers,feeder,Oka,City-u,w	15.00
Silver, troy oz.				
Engelhard industrial	18,3000			
Engelhard fabricated	21,9600			
Handy & Harman base	18,3250			
Handy & Harman fabricated	22,9060			
LBMA spot price	£14,7321			
Metals				
Gold, per troy oz	1259.79		Grains and Feeds	
Engelhard industrial	1259.79		Barley,top-quality Mnpls-u	n.a.
Engelhard fabricated	1354.27		Bran,wheat middlings,KC-u	65
Handy & Harman base	1257.65		Corn,No.2 yellow,Cent L-bp,u	3,3950
Handy & Harman fabricated	1395.99		Corn gluten feed,Midwest-u,w	n.a.
LBMA Gold Price AM	*1246.25		Corn gluten meal,Midwest-u,w	200
LBMA Gold Price PM	*1247.25		Cornmeal,feed,Cent IL-u,w	92
Krugerrand wholesale-e	1306.76		Meat-bonemeal,50% pro Mnpls-u	270
Maple Leaf-e	1319.33		Oats,No.2 milled,Mnpls-u	2,8775
American Eagle-e	1319.33		Rice, 5% Broken White, Thailand-l,w	350.00
Mexican peso-e	1522.96		Rice, Long Grain Milled, No. 2 Ar-u,w	20.25
Austria crown-e	1234.62		Sorghum,(Milo) No 2 Gif-u	6,7950
Austria phil-e	1319.33		SoybeanMeal,Cent IL,rail,ton48%-u	301.60
Gold, per troy oz	1259.79			
Engelhard industrial	1259.79			
Engelhard fabricated	1354.27			
Handy & Harman base	1257.65			
Handy & Harman fabricated	1395.99			
LBMA spot price	£14,7321			
Fibers and Textiles				
Burlap,10-oz,40-in NY yd-n,w	0.6200			
Cotton,11/16 std w-mdlMphs-u	0.7235			
Cotlook 'A' Index-t	*87.40			
Hides,hvy ntny steers piece fob-u	n.a.			
Wool,64s,staple,Terr del-u,w	4.45			
Gr				

MARKETS & FINANCE

ECB Tapering Looms Over Bonds

As central bank pares back its holdings, investors brace for corporate-debt selloff

BY CHRISTOPHER WHITTALL

High-grade corporate bonds surged when the European Central Bank added them to its €2.3 trillion (\$2.45 trillion) purchase program last year. Now, with a slowdown in ECB buying on the horizon—alongside potentially risky European elections—some investors are bracing for a selloff.

The ECB started paring its monthly purchases of European debt from €80 billion to €60 billion in April, meaning it will buy around €1.9 billion fewer corporate bonds every month, assuming it keeps the allocation of its purchases steady.

Some analysts think there is more tapering to come from the ECB, potentially turning the largest source of demand for the European corporate-bond market over the past year into its greatest risk.

It feels like “the quiet before the storm,” said Hans Lorenzen, head of European investment-grade credit strategy at Citigroup, listing a string of potential risks, including Brexit negotiations and the threat of euroskeptic candidate Marine Le Pen winning the French presidency.

“But what really worries people is what happens when asset classes like credit no longer have the outright support of the ECB,” he added.

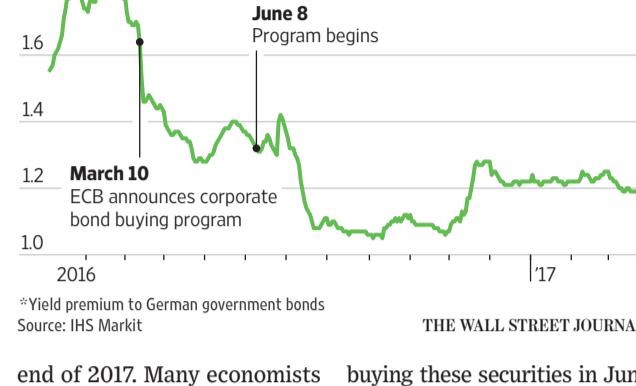
The ECB has said it would continue buying bonds at its current pace until at least the

The ECB Effect

Corporate bonds have benefited from ECB stimulus, and could be hurt by its withdrawal. **B7**

Credit spreads* on the iBoxx Euro Non-Financials corporate bond index

2.0 percentage points



*Yield premium to German government bonds

Source: IHS Markit



Germany's Henkel sold bonds at a negative yield. Above, a Henkel unit's manufacturing plant in Kiev, Ukraine.

16

17

THE WALL STREET JOURNAL.

end of 2017. Many economists expect a fledgling eurozone economic recovery will allow the ECB to signal this year it will further reduce its purchases from 2018 onward.

They include strategists at J.P. Morgan Chase & Co., who wrote in a recent note that they expect the ECB to end its purchases by the middle of next year. That could prompt investors to pull out their money, the strategists said, pointing as evidence to the €15.2 billion of high-grade credit-fund outflows in the six months following the “bund tantrum” of 2015, when German yields jumped sharply on expectations of rebounding global inflation. Yields rise as prices fall.

As the dominant figure in European credit markets, the ECB had snapped up €75 billion of high-grade, euro-denominated nonfinancial debt as of March 31, having started

buying these securities in June 2016. That compares with roughly €79 billion of net issuance of debt eligible for the ECB program since then, according to Citigroup.

That demand pushed up corporate-bond prices sharply and lowered company borrowing costs across the eurozone. The credit spread investors demand to hold investment-grade corporate bonds rather than government debt fell to a recent low of 1.1 percentage points in September from 1.7 percentage points before the ECB announced its buying plans in March 2016, according to IHS Markit's iBoxx Euro Non-Financials corporate bond index.

Some investors even began paying for the privilege of lending money to companies. German consumer-products company Henkel AG and French drugmaker Sanofi SA priced bonds at negative

yields in September. U.S. firms—most of which cannot issue bonds eligible for the ECB's program—got in on the act this year, with Coca-Cola Co. and Pfizer Inc. recently selling floating-rate euro debt at negative yields.

Many investors believe valuations leave little room for bonds to gain further and plenty for prices to tumble.

“Even if you're super bullish on credit, there's not a lot further you can go,” said Ben Bennett, head of credit strategy at Legal & General Investment Management. He said the fund's investment-grade portfolios were holding high proportions of cash and generally favored U.S. bonds.

Some believe corporate bonds have the most to lose of any asset class from an ECB withdrawal, given that is where the bank's stimulus packed its biggest punch. “If we start to talk about taper-

ing, the No. 1 impact should be on credit,” said Olivier De La Rouzière, head of rates at Natixis Asset Management.

Thin credit spreads afford investors little protection against a sudden jerk higher in bond yields. Jorgen Kjaersgaard, head of European credit at AllianceBernstein, said he is concerned about a replay of the “taper tantrum” in the U.S.—a period when yields spiked after the Federal Reserve discussed scaling back its bond purchases in 2013.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS	
Applications	\$166,630,251,400
Accepted bids	\$55,000,171,400
*noncompetitively	\$397,618,900
*foreign noncompetitively	\$100,000,000
Auction price (rate)	99.940889
	(0.760%)
Coupon equivalent	0.771%
Bids at clearing yield accepted	92.22%
Cusip number	912796KU2
The bills, dated April 6, 2017, mature on May 4, 2017.	

The bills, dated April 6, 2017, mature on May 4, 2017.

Dimon Marvels at \$100 Million Phone Trade

BY EMILY GLAZER

How fast is technology spreading at big banks? A \$100 million currency trade was recently made through J.P. Morgan Chase & Co. with a cellphone.

So said J.P. Morgan Chairman and Chief Executive James Dimon on Tuesday after the release of his annual shareholder letter.

Responding to a question from a student on innovation in financial services during an interview with Yahoo Finance, Mr. Dimon talked about how the nation's largest bank spent

\$9.5 billion on technology and how customers were using electronics in a variety of businesses, including the bank's foreign-exchange business.

“We had someone do a \$100 million F-X trade on their mobile phone the other day,” Mr. Dimon said.

He then transitioned to joking about a potential future innovation that could save banks and investors money—keeping people from doing trades after a few drinks.

What they are going to have to do one day is “put a breathalyzer on that phone, so you

don't feel macho after dinner and a drink or two and say—I'm going long the yen!” Mr.

James Dimon says J.P. Morgan Chase spent \$9.5 billion on technology in 2016.

Dimon said, blowing into his hand to simulate the process.

Corporate and investment bank chief Daniel Pinto wrote in his shareholder letter that

83% of notional forex trading at J.P. Morgan is now done electronically, a big shift from years past. And on peak days in 2016, \$200 billion in currencies was traded through the bank's electronic channels, including its J.P. Morgan Markets platform that provides services ranging from research to posttrade reporting.

Those technology investments along with risk oversight helped the bank during big market swings such as Brexit, the U.S. presidential election and uncertainty around China's growth rate, Mr. Pinto wrote.

Mr. Dimon also wrote about technology in his letter. “The reasons we invest so much in technology (whether it's digital, big data or machine learning) are simple: to benefit customers with better, faster and often cheaper products and services, to reduce errors and to make the firm more efficient,” Mr. Dimon wrote.

He said that about \$3 billion of the \$9.5 billion in technology spending in 2016 was for new projects, and about \$600 million of that was in financial-technology areas including digital and mobile efforts.

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EQUITIES



Wall Street analysts are mostly bearish on Bed Bath & Beyond.

AHEAD OF THE TAPE | Steven Russolillo

Why Contrarians Won't Clean Up in Bed Bath & Beyond

It isn't easy finding a stock that is hated more than **Bed Bath & Beyond** Inc.

Only two of the 27 analysts who cover the struggling home-goods retailer recommend investors buy the stock, according to FactSet. Considering how lopsidedly optimistic analysts can be, that is even starker than it seems. Just 13 S&P 500 companies garner a lower proportion of "buy" recommendations.

Bearish analysts are often a great contrarian indicator, but investors shouldn't be tempted to zig while analysts zag on this stock. From shriveling margins to weak same-store sales, the negativity is justified heading into Bed Bath & Beyond's earnings report on Wednesday.

Those same analysts estimate fiscal fourth-quarter earnings of \$1.77 a share, down 4.3% from a year ago. Revenue for the period ending in February is expected to have ticked up by 2.4% to \$3.5 billion. Same-store sales, which have dropped in four of the past five quarters, are expected to edge 0.3% higher.

Bed Bath & Beyond has been slow to adapt to **Amazon.com** Inc.'s increasing

dominance. It has suffered from changing shopper habits and been hurt by the downturn weighing on many traditional brick-and-mortar retailers.

Late to the e-commerce game, Bed Bath & Beyond is now investing heavily in its online presence and experimenting with a new membership model. As a result, the company's already depressed margins have been squeezed further as it sells more online.

While many retailers including **Macy's** Inc., **J.C. Penney** & Co. and **Sears Holdings** Corp. have taken the difficult step of closing a significant number of stores, Bed Bath & Beyond has bucked the trend. It operates 1,541 locations across its brands, up from 1,496 three years ago.

"It's not that we are trying to get bigger or there's nothing about ego here," Bed Bath & Beyond's Chief Executive Steven Temares said on an earnings call in December. "It's all about being better...I mean, we'll close stores when they make sense to close them."

It is a move investors and analysts might want more than he thinks. Shares are already down 20% over the past year and have lost half their value since early 2015.

Earnings typically don't provide investors much relief either. The stock, which currently trades near its lowest level since September 2010, hasn't had a double-digit percentage jump in the day following an earnings report in at least the past five years.

Roughly one-quarter of Bed Bath & Beyond analysts have "sell" ratings on the stock. That is high; only 6% of all analyst ratings on S&P 500 companies are sells.

For once, though, Wall Street looks like it has a popular call right.

Throwing in the Towel

Percentage of analysts' ratings for Bed Bath & Beyond vs. S&P 500



Source: FactSet

THE WALL STREET JOURNAL.

Manufacturing Sector Helps to Buoy Stocks

By AKANE OTANI AND RIVA GOLD

U.S. stock indexes edged higher, led by a rise in shares of manufacturers.

Stocks have made few big moves in recent sessions, with major indexes recently closing out a relatively quiet quarter.

Some investors and analysts have attributed the sluggish trading in stocks to a reluctance to make new bets ahead of a number of key events this week, including minutes from the Federal Reserve's March meeting, due Wednesday, the U.S. jobs report on Friday and a meeting between President Donald Trump and Chinese leader Xi Jinping on Thursday and Friday.

The Dow Jones Industrial Average rose 39.03 points, or 0.2%, to 20,689.24, with **Caterpillar** posting the biggest gains. The S&P 500 rose 1.32 points, or less than 0.1%, to 23,601.16, and the Nasdaq Composite added 3.93 points, or less than 0.1%, to 5,898.61.

"We're returning to more of a muddled-up market, like we had before the election," said Thomas Martin, senior portfolio manager at Globalt in Atlanta. While signs of progress on hoped-for policies from the Trump administration such as tax cuts and infrastructure spending could jolt another rally in stocks, major indexes are likely to trade sideways until there is new information.

Manufacturing stocks led gains in the Dow industrials. Caterpillar jumped \$1.86, or 2%, to \$94.13 after Goldman Sachs Group reiterated a "buy" rating for the company's stock.

United Technologies rose 1.06, or 0.9%, to 112.99, and **Boeing** added 2.05, or 1.2%, to 178.70.

Energy stocks were also among the best performers Tuesday, rising 0.7% in the S&P 500 as oil prices climbed.

U.S. crude oil for May delivery rose 1.6% to \$51.03 a barrel.

Meanwhile, financial stocks in the S&P 500 fell 0.2%.

Some investors caution that U.S. stocks, while attractive, trade at pricey valuations.

The S&P 500 has gained 10% since Election Day, and the Dow industrials are up 13% since then.

"We look at the economic cycle in the United States as being stable, but with a bit of softness in 2017," said Stephen Wood, chief market strategist at Russell Investments. "We keep coming back to the assessment that U.S. markets are expensive and that valuations ultimately matter."

Government bonds edged higher, with the yield on the 10-year U.S. Treasury note falling to 2.350% from 2.351% Monday. Yields fall as bond prices rise.

Elsewhere, the Stoxx Europe 600 gained 0.2%. Early Wednesday, Japan's Nikkei was up 0.3%.

COMMODITIES

Raw Materials, Sleek Tech

BY STEPHANIE YANG

Banks and traders are experimenting with the technology behind bitcoin in an effort to solve longstanding problems in the trading of physical commodities.

Blockchain, the technology used to record ownership of the cryptocurrency bitcoin, has been making inroads recently in the financial world. Central banks and other institutions are exploring it for payments and data sharing. Big banks including J.P. Morgan Chase & Co. and Citigroup Inc. have tested the technology in recording financial transactions.

Now commodities players are trying out blockchain to help buy and sell goods and raw materials.

French bank Natixis and commodity trading firm Trafigura Pte. Ltd. unveiled a platform in late March with **International Business Machines** Corp. to carry out U.S. crude-oil transactions electronically using blockchain technology.

A group of participants in the cotton market is also evaluating the use of blockchain in trading and plans to release its results in May. The consortium, which has collaborated with IBM to use its blockchain platform, includes big agricultural commodities traders Cargill Inc. and Louis Dreyfus Co.

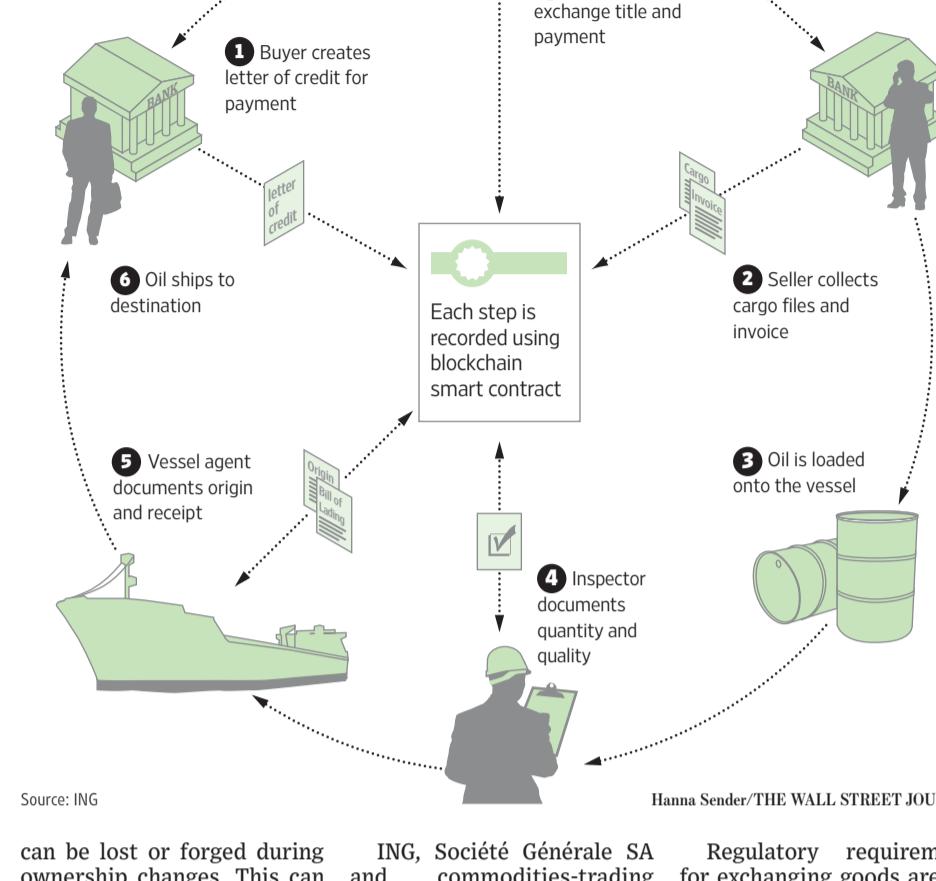
The technology records each transaction in a ledger of which every computer has an identical copy. This makes counterfeiting virtually impossible because every transaction can be checked against the other records. It also obviates the need for costly and time-consuming back-office record-keeping by third parties like finance companies.

Firms are turning to blockchain because the exchange of physical goods is plagued by pitfalls that have existed for decades in these notoriously opaque markets.

Trades are routinely bogged down by paper documents that take time to verify and

Blockchain Breakdown

How a traditional oil trade is executed using blockchain technology



Hanna Sender/THE WALL STREET JOURNAL.

can be lost or forged during ownership changes. This can be costly for consumers and producers, especially when payments or deliveries are delayed or interrupted. It can also frustrate those unable to track where their materials come from.

By establishing a decentralized system, traders think they can cut down on time, expenses and opportunities for fraud. Blockchain can create digital codes for, say, each gold bar or bale of cotton, and records all points of sale on an encrypted list that is verified by multiple parties.

"I'm more and more convinced that this technology is going to be disruptive for the industry," said Patrick Arnaud, managing director of trade and commodity finance at ING Groep NV.

ING, Société Générale SA and commodities-trading house **Mercuria Investment** Co. in February executed the first delivery of crude oil to run entirely on a blockchain platform. The trade tracked the transport of crude from Africa to China.

ING found that the use of blockchain, instead of paper certification, reduced its involvement in each transaction to about 25 minutes from an average of three hours. Blockchain also cut costs by about 30%, the bank said.

The banks are in discussions to conduct a similar trade in liquefied natural gas, according to Mr. Arnaud.

Despite the eagerness of some traders to adopt the technology, blockchain faces obstacles to its widespread use in commodities trading.

Regulatory requirements for exchanging goods are different from country to country and may need to change to become compatible with cross-border blockchain trades.

"It's going to brush up against an existing compliance regime as well as regulation or legislation in its own right," said Emma Weston, co-founder of AgriDigital, a commodity-management platform that has used blockchain to trade grain.

Another challenge is persuading an industry that has been resistant to change to embrace a new system, especially one that has had some misuses. While the underlying protocol for bitcoin has never been hacked, apps and services built on top of it have been plagued by privacy and intrusion scandals.

FINANCE WATCH

ACCOUNTING ISSUES

AmTrust Revises Earnings Downward

AmTrust Financial Services

Inc. revised its last three years of earnings downward by about \$136 million because of accounting errors, notably in how the company booked revenue from the warranty contracts it provides.

The New York property-casualty insurance company filed its delayed 10-K annual report with the Securities and Exchange Commission. In addition to the restatement of earnings dating to 2014, the company reiterated that it had weaknesses in its internal accounting safeguards.

AmTrust said it was now current on all exchange listing requirements, which had been jeopardized by the delay in the company's filing. "We are well positioned in the markets we serve to continue to realize AmTrust's potential," said Barry Zyskind, chairman and CEO.

The company's shares tumbled after its March 17 announcement that a restatement would be needed, but they rebounded Tuesday on optimism



Tropical Cyclone Debbie caused floods and landslides that shut Australian ports and mines.

that the company's problems were behind it. AmTrust shares jumped 20% to \$21.95, their highest close in nearly a month.

—Michael Rapoport

ENERGY

Price of Steelmaking Australia Coal Jumps

The price paid for Australian steelmaking coal rocketed 15% to its highest point since January, as shipments from the

world's top export hub were disrupted following a ferocious storm.

Last week, Tropical Cyclone Debbie lashed the eastern Australian state of Queensland with destructive winds of more than 160 miles an hour, causing floods and landslides and forcing the closure of many port and mining operations. Queensland accounts for about 60% of global shipments of coking coal.

Aurizon Holdings Ltd., Australia's largest rail-freight opera-

tor, said it could take weeks to get some routes between inland mines and export terminals running again.

On Monday, the price of Australian coking coal exports surged \$23.40 to \$175.70 a metric ton, according to the Steel Index, a data provider. That was the highest price paid since Jan. 18. As Australia is the top global supplier of steelmaking coal, the price for its exports is viewed as an international benchmark.

—Rhiannon Hoyle

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation		Latest	Week ago	—52-WEEK—	Latest	Week ago	—52-WEEK—	Latest	Week ago	—52-WEEK—
Feb. index	Chg. From (%)	Jan. 17	Feb. 16	High	Latest	Week ago	High	Latest	Week ago	High
U.S. consumer price index				1.0625	1.0625	1.0625	0.5600	n.q.	n.q.	n.q.
All items	243.603	0.31	2.7	0.7500	0.7500	0.8000	0.2000	n.q.	n.q.	n.q.
Core	251.143	0.42	2.2	0.9300	0.9100	0.9300	0.2000	n.q.	n.q.	n.q.
International rates		Latest	Week ago	—52-Week—	Latest	Week ago	—52-Week—	Latest	Week ago	—52-Week—
Prime rates				High	Latest	Week ago	High	Latest	Week ago	High
U.S.	4.00	4.00	4.00	3.50	0.760	0.745	0.770	0.160	0.152	0.152
Canada	2.70	2.70	2.70	2.70	0.790	0.780	0.790	0.220	0.215	0.215
Japan	1.475	1.475	1.475	1.475	0.910	0.905	0.910	0.340	0.335	0.335
Policy Rates		Latest	Week ago	—52-Week—	Latest	Week ago	—52-Week—	Latest	Week ago	—52-Week—
Euro zone	0.00	0.00	0.00	0.00	0.98611	0.98222	0.98611	0.43275	0.43275	0.43275
Switzerland	0.50	0.50	0.50	0.50</						

MARKETS

Investors Wary of Gains Look for Refuge

Gold, Treasurys and the yen climb amid concerns over Trump's plans for economy

By IRA IOSEBASHVILI
AND MIN ZENG

Havens like U.S. government bonds, gold and the Japanese yen are rallying, highlighting an undercurrent of investor worry in an otherwise buoyant market.

The Japanese yen strengthened against the dollar Tuesday and is up more than 4% from its March lows against the U.S. currency. The yield on the 10-year Treasury note closed at its lowest level in more than a month.

Prices for gold, another popular destination for nervous investors, rose for the third straight day. And utility shares, historically seen as a safety play for stock investors, have also gained ground. The S&P utilities sector is up 5.8% so far in 2017.

The broad appeal of haven investments in part reflects how investors' concerns about the pace of U.S. economic expansion and global politics are supplanting enthusiasm for the policies President Donald Trump has pledged to push through.

Investors bet on financial stocks and sold bonds and utilities after the U.S. election, expecting the new administration to introduce policies that fueled growth and boosted inflation.

Bond yields' recent decline is the timeliest sign that trade is unwinding, as investor skepticism increases.

"Faith in the Trump trade is shaken," said Priya Misra, head of global interest-rate strategy at TD Securities. "He couldn't get health-care reform done, and there is immense dysfunction in Congress."

Investors have pulled back from bets on higher bond yields over the past few weeks. Net wagers betting on higher bond yields via Treasury futures contracts were \$54.2 billion for the week that ended March 28, according to TD Securities, the lowest since Nov. 22. These wagers had reached \$100.7 billion in early January, the highest since 2008.

The yield on the 10-year Treasury note rose above 2.6% a few weeks ago, but settled at 2.350% Tuesday. The yield stood at 2.446% at the end of 2016. Yields fall as bond prices rise.

While stock indexes remain near records, weaker-than-expected monthly auto sales and manufacturing data at the start of the week have added to concerns that economic growth may be flagging. March employment numbers, due Friday, are expected to offer a snapshot of how the U.S. economy is faring.

Some investors are becoming wary ahead of a summit this week between President Donald Trump and Chinese leader Xi Jinping, a meeting Mr. Trump warned could be "very difficult."

Moreover, investors have become skeptical about Mr. Trump's ability to cut taxes and boost infrastructure spending after the GOP health-care bill failed last month.

French presidential elections, set for April, are also causing uncertainty for global markets with far-right candidate Marine Le Pen advocating pulling France out of the eurozone.

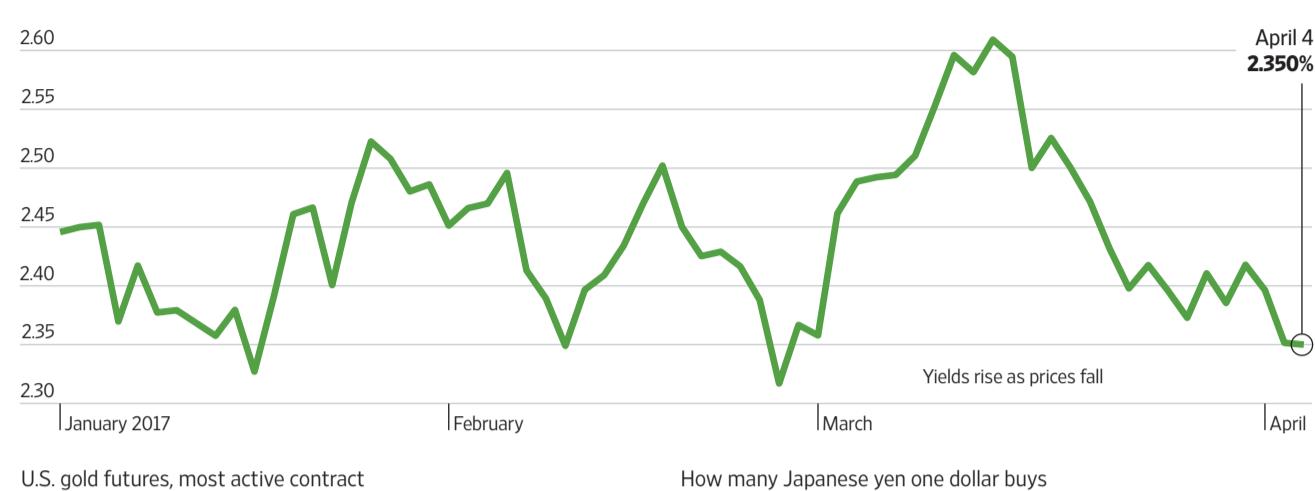
"The market is beginning to price in a more realistic scenario," said Gary Pollack, head of fixed-income trading at Deutsche Bank Private Banking.

U.S. economic growth and inflation "may not be much stronger than initially assumed," Mr. Pollack said.

Seeking Safety

Havens have rallied recently, sending U.S. government bond yields lower and gold prices higher, reflecting some caution among investors this year.

Yield on the 10-year Treasury note



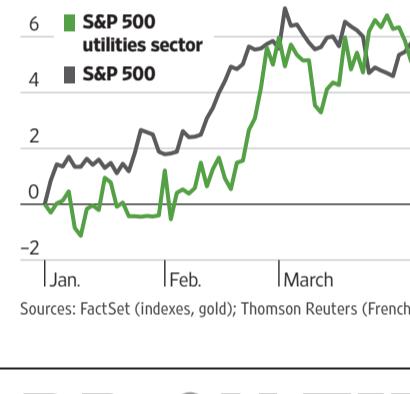
U.S. gold futures, most active contract



How many Japanese yen one dollar buys



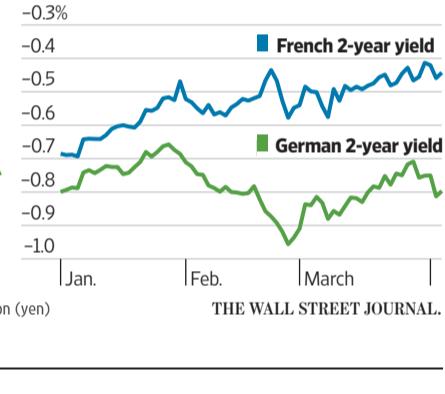
Index performance



10-year German bund yield



Investors are demanding a higher yield premium to hold French government debt relative to German bonds amid election uncertainty



Sources: FactSet (indexes, gold); Thomson Reuters (French, German bond yields and spread); Ryan ALM (US yield); Tullett Prebon (yen)

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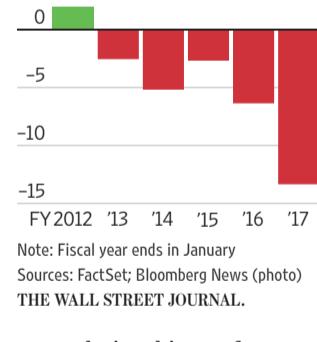
FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Staples Deal Needs 'Easy' Button

Out of Office

Staples's sales, change from a year earlier



Note: Fiscal year ends in January

Sources: FactSet; Bloomberg News (photo)

THE WALL STREET JOURNAL.



age than prices at Staples and Office Depot, respectively, according to a study of 30 items conducted in March by Loop Capital Markets.

Still, winding down the ailing retail business won't be easy, or cheap. Staples has already announced store closures and hundreds of millions of dollars worth of cost cuts. A leveraged buyout would saddle the company with more debt at a time of shrinking sales and more store-closure expenses on the horizon.

At its current valuation, much of the bad news is priced in. The company trades at 4.8 times this year's expected earnings before interest, taxes, depreciation and amortization, has net cash and generated \$207 million in free cash flow in the most recent quarter.

Investors sent shares of Staples up more than 10% Tuesday afternoon following the report of deal talks. Given the stock's recent declines, a deal could get done, but don't expect a big premium to Tuesday's price.

—Miriam Gottfried

OVERHEARD

Apple hasn't forgotten the faithful few who shelled out \$3,000 for its most top-of-the-line Mac computer. It just takes them a while to remember.

Apple says it is redesigning its eye-catching Mac Pro tower, which went on sale more than three years ago. This isn't particularly big business; Apple says the Mac Pro is a "single-digit percent" of its total Mac sales, according to blogger John Gruber who was briefed on the company's plans. It is also unclear when the new device will be out, though Apple said it is also updating its iMac line for later this year.

Desktop Macs accounted for only 26% of total Mac unit sales in Apple's fiscal 2012—the last year the company broke those numbers out. But Apple rightly sees value in the small but growing space for high-end personal computers. And the Mac overall has gained 4 percentage points of PC market share since 2010, according to IDC. So even an expensive Mac can find its place—once the company gets around to making it.

Gloom Over Teva Starts To Dissipate

It is easy for incremental good news to get drowned out by the negativity surrounding **Teva Pharmaceutical Industries**, but the arrival of a new drug in the company's portfolio is a meaningful step out of the generic drug giant's hole.

Teva announced Monday evening that the Food and Drug Administration has approved Austedo, its new treatment for symptoms associated with Huntington's disease. At its most common dosage the drug's gross price is \$60,000 a year before rebates and discounts. That is a lower cost than for currently available treatments. A decision for approval on a related indication is scheduled for this summer.

The approval doesn't resolve other challenges the company faces. The stock is down 40% over the past year amid a tough pricing environment for generic drugs. Meanwhile, generic competition for Teva's bestselling multiple sclerosis drug, Copaxone, is looming, and a 2015 acquisition of Allergan's generic business has weighed on the company's balance sheet. Teva had more than \$30 billion in net debt at the end of 2016.

Reducing that debt burden will be necessary to get the stock price moving higher once again. The best way to achieve that goal is to generate sales and profits, and Austedo is helpful in that respect. There is potential for sales of the drug to surprise, given that it costs less than existing treatments and has a less onerous side-effect profile.

It will take time for the stock to rebound. But Austedo will help on that front—even if investors have yet to agree.

—Charley Grant

Insurer AIG Remains on Track Despite Turmoil at the Top

American International Group is in management turmoil, but its prospects are improving.

The insurer's shares are down about 7.5% since it reported disappointing fourth-quarter earnings. A \$5.6 billion increase in reserves at AIG's property-and-casualty business sparked a board debate that culminated in the resignation of Peter Hancock as chief executive last month, though he remains acting CEO.

Yet the company remains on track to achieve goals it laid out in 2016, including an improved risk profile and

Stay on Target

Accident year loss ratio for AIG's commercial insurance unit



Source: the company

substantial capital returns.

Investors are fretting about further losses at the P&C unit. For policies written through 2015, though,

AIG has effectively capped its potential losses through a timely reinsurance deal with **Berkshire Hathaway**. But that doesn't cover later policies. At stake is management's claim that it can lower the accident year loss ratio on the P&C book to 62% by the end of 2017 from 67% last year and 71% in 2015.

AIG has pledged to return \$25 billion of capital to shareholders over two years and has \$12 billion remaining to meet that target. Analysts at Morgan Stanley figure it can tap about \$2 billion of parent-company liquidity to meet that goal, plus \$4 billion

lion to \$6 billion of dividends from subsidiaries this year. Recent life reinsurance deals could release another \$2 billion of liquidity.

That still leaves a shortfall of around \$2 billion to \$4 billion, but the company says it expects to receive \$2.3 billion of tax-sharing payments from subsidiaries in 2017. The remainder could be met with further divestitures.

What could derail this plan is the threat of a downgrade for the P&C unit, forcing the unit to curtail its dividend payments to the parent company. A.M. Best, a key industry rater, has the parent

company and its units on negative watch and is expected to make a decision soon.

A downgrade to below an A rating would roil the entire industry as some clients would be forced to switch insurers, but AIG has already done a lot to mollify raters.

At just 0.8 times book value AIG investors are getting a substantial discount to compensate for the risk of a slight capital-return shortfall. If it hits its marks in the months to come, the shares could prove to be one of the few bargains left in the financial sector. —Aaron Back