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ASIA EDITION

What's News

Business & Finance

Fading fears of a U.S. trade crackdown powered a sharp rebound in shares of U.S. multinationals, the Mexican peso and emerging-market stocks and currencies in the first quarter. **A1**

◆ Big oil companies are struggling to break even despite spending cuts and an oil-price rebound. Exxon, Shell, Chevron and BP all ended 2016 with debt. **A1**

◆ U.S. ports are forging alliances as consolidation in the shipping industry threatens to cut some cities out of global trade routes. **B1**

◆ Ford's CEO received a \$2.5 million "strategic incentive" award last year for hastening the auto maker's transformation. **B2**

◆ Samsung and Apple are ramping up their smartphone fight with new devices they hope will entice users to switch brands. **B4**

◆ Investors say Glaxo's new CEO should focus on stoking the company's research pipeline of new drugs. **B3**

◆ Schneider Electric is close to selling its data-software business DTN in a deal valued at \$1 billion. **B3**

◆ Foxconn posted its first-ever drop in annual revenue as Apple shifted some iPhone orders to secondary suppliers. **B3**

◆ Snapchat added a search tool for its Stories feature in a bid for more engagement. **B4**

◆ Alibaba and Tencent earnings helped boost the MSCI China index. **B8**

World-Wide

◆ India and Pakistan are escalating their nuclear arms race, with new weapons and more aggressive doctrines increasing the risk of confrontation. **A3**

◆ A Pakistan shrine custodian and two aides were arrested for the torture and deaths of 20 devotees. **A3**

◆ U.N. envoy Nikki Haley stressed her tough stance on Russia over its actions in Ukraine and its interference in the U.S. election. **A7**

◆ The vote for Supreme Court nominee Gorsuch will test 10 Senate Democrats up for re-election in states won by Trump. **A7**

◆ The EU plans to support a peace deal between Afghanistan and an insurgent group led by a warlord. **A3**

◆ Trump will focus on security ties when he meets with Egypt's Sisi, and limit human-rights concerns to private conversations, in a shift on U.S. policy. **A3**

◆ Venezuela's top court reversed a ruling that dissolved Congress, but it is unlikely to quell concerns over a slide toward authoritarian rule. **A4**

◆ Ecuador's president led a blitz of inaugurations of public works to give a boost to his handpicked successor. **A4**

◆ A mudslide in Colombia caused by heavy rains killed at least 200 in the southern province of Putumayo. **A4**

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WORLD NEWS

U.K.'s Challenge: Reconciling Its Brexit Aims



EUROPE FILE

SIMON NIXON

After nine months of phony war, the Brexit battle lines have been drawn.

Last week's opening salvos were cloaked in generous diplomatic language. British Prime Minister Theresa May used her letter invoking Article 50 of the Lisbon Treaty to laud Europe's liberal democratic values and declared

her wish for a "deep and special partnership" with the European Union.

EU Council President Donald Tusk reciprocated by declaring the Brexit negotiations an exercise in "damage control" with the goal of keeping the U.K. as close a partner as possible.

Donald Tusk reciprocated by declaring the Brexit negotiations an exercise in "damage control" with the goal of keeping the U.K. as close a partner as possible.

The eurozone's jobless rate resumed its long decline in February, figures to be released by the European Union's statistics agency are expected to show. Economists predict a decline to 9.5% in February as the currency area's modest recovery continues.

TUESDAY: Statistics Canada releases Canadian merchandise trade data for February, and ex-

The desire for an amicable divorce on both sides is sincere, not least because the consequences of a collapse of the legal frameworks underpinning current cooperation in areas such as trade, finance, science and security would be so severe. Yet neither side is confident the obstacles to a deal can be overcome.

The greatest obstacles lie within the U.K. itself. Mrs. May faces what may prove an impossible trilemma.

She needs a deal that, first, is close enough to the EU to minimize disruption to business and allow the continued free flow of people, goods and services that are vital to the U.K.'s prosperity. Second, she needs a deal that will satisfy those in her own party who dream of a "global Britain" that can pursue an independent trade policy and cut regulation and taxes. Third, she needs a deal that will preserve the unity of the United Kingdom amid rising nationalism in Scotland and Northern Ireland and questions about the status of Gibraltar.

These three goals may be irreconcilable. The EU made clear in its draft negotiating guidelines that the price of a deep and comprehensive trade deal will be fiscal, social and environmental safeguards to protect the EU from suffering a competitive disadvantage through what it calls "social dumping."

Brexiters fear that whatever right the U.K. may have regained in theory to strike its own trade deals and re-engineer its economic model would likely be constrained in practice as the country would remain bound by rules over which it no longer had any control.

On the other hand, the kind of "clean Brexit" demanded by hard-line Brexiters whereby the U.K. simply seeks to trade with the EU on World Trade Organization terms would not only cause maximum economic disruption, it would create a hard border with the Republic of Ireland which could fuel Irish nationalism and jeopardize the peace process.

If forced to choose, it seems clear which way Mrs.



Prime Minister Theresa May

May intends to jump. In her public statements last week, she used the cloak of a largely concocted row about whether she was blackmailing the EU by linking future security cooperation to a trade deal to drop many cherished goals of hard-line Brexiters.

She accepted that British businesses would have to abide by EU rules—at least when doing business with the EU; that the U.K. would have to pay a financial price to secure an exit deal; and

that far from gaining £350 million a week, as Brexiters famously promised, there would be "consequences" for the U.K. economy.

Meanwhile, ministers acknowledged that immigration from the EU might even go up after Brexit and that the U.K. would continue to abide by EU freedom of movement rules until the U.K. leaves the EU in 2019.

Privately, some cabinet ministers accept that further substantial compromises will be essential if the U.K. is to get any negotiated exit and trade deal. They believe that Mrs. May has established enough political capital with the Brexiters to negotiate whatever deal she thinks is in the national interest. They believe that many Brexiters will back down from their most hard-line demands if it helps to preserve the unity of the U.K.

These cabinet ministers also hope that even if Brexiters don't like what Mrs. May agrees to, they will back her because once Brexit is delivered, it will be easier to preserve the unity of the U.K.

for future U.K. governments to renegotiate the deal.

Nonetheless, Mrs. May's political capital is about to be severely tested. The EU's draft negotiating guidelines show the bloc will be tough in defending the interests of its member states. It won't discuss future trade arrangements until the two sides have made "sufficient progress" toward a deal that will settle the U.K.'s financial obligations and which protects the rights of EU citizens currently settled in the U.K. Neither of these are straightforward.

Far more problematically, the EU is determined to find a solution that avoids a hard border in Northern Ireland before trade talks start and it wants to make any deal effectively conditional on the U.K. reaching an agreement with Spain over the future status of Gibraltar. Both may require compromises beyond even Mrs. May's capacity to deliver.

Indeed, as Mrs. May contemplates her trilemma, it is clear that her need for a deal that strengthens the unity of the U.K. may be the toughest condition to fulfill.

ECONOMIC CALENDAR

MONDAY: The Bank of Japan's tankan corporate survey out Monday (Sunday evening in the U.S.) likely will show a sharp rise in sentiment during the January-to-March period, in a further sign of recovery in the world's third-largest economy.

The eurozone's jobless rate resumed its long decline in February, figures to be released by the European Union's statistics agency are expected to show. Economists predict a decline to 9.5% in February as the currency area's modest recovery continues.

TUESDAY: Statistics Canada releases Canadian merchandise trade data for February, and ex-

pectations are for the country to record a fourth straight monthly trade surplus. The outlook for trade in Canada has become murky due to potential North American Free Trade Agreement changes under U.S. President Donald Trump.

WEDNESDAY: An IHS Markit survey of purchasing managers in the U.K. service industry will be parsed for clues about the state of this key economic engine as the country begins exit negotiations with the EU.

The Federal Reserve will release minutes from its March 14-15 policy meeting, which ended with the U.S. central bank voting

to raise short-term interest rates for the third time since the financial crisis. The minutes will offer insight into that decision and could clarify when the Fed might move rates higher again. Fed watchers also will look for details about when and how it might start to shrink its large balance sheet.

FRIDAY: The U.S. Labor Department releases its jobs report for March. Any further decline in the unemployment rate, combined with more pickup in wage growth, would point to a tightening labor market and could prompt Fed officials to consider a more rapid pace of rate increases to contain potential inflation.

OIL

Continued from Page One

sue has worried investors who expect those steady dividends because oil giants don't have the capacity to grow much. Exxon, Shell and their competitors are under pressure to show they can drum up cash to keep shelling out dividends.

"Since the oil price collapsed, it's been all about who's fastest down the road to breaking even," said Iain Reid, a senior analyst at Macquarie Capital. "In the short term, it's all about cash flow because people are still worried about the dividend."

In a sign that investors remain fixated on companies' cash flow position, BP's share price tumbled around 4% when the company upgraded its break-even oil price to \$60 a barrel in February. International benchmark Brent crude hasn't hit that level since 2015.

"The ultimate goal of the company is to generate excess free cash flow," BP Chief Executive Bob Dudley said in a March interview in Houston. The company has seven new projects starting up this year and nine more under way that will add 800,000 barrels a day of new production by the end of the decade, pushing up returns.

Exxon, Shell and their peers spent much of the past three years scrambling to reassure investors that their dividends were safe amid the oil-price crash. These companies were already struggling to live within their means at elevated oil prices.

In response to the tumble in prices, the companies laid off thousands of workers, slashed billions in spending

and piled on debt to protect the payouts. Despite disappointing profits last year, they say that medicine is now working.

"We are right in the middle of transforming the company," Shell Chief Executive Ben van Beurden told the CERAWeek conference in Houston in March. "We are going to be able to produce a free cash flow that is going to be more than twice as high as it was in the \$90 era, but this time in a \$60 world."

Shell has already brought spending into balance, generating enough cash from operations to cover capital spending and shareholder payouts in both the third and fourth quarter of last year.

\$60

Oil price that BP says it will need to cover its costs

Exxon also broke even in the fourth quarter, and by its own metrics, which exclude dividend payouts, it was the only major oil company to generate enough cash to cover spending last year. The Texas company has increased its dividend annually for the past 34 years and says it remains committed to that track record.

BP expects to drive its break-even price back down toward \$55 a barrel by the end of the year from about \$60 now.

"The message going forward is good," Chevron Chief Executive John Watson told analysts in January. "Four years ago, I wouldn't have thought that would be the

case at moderate prices." But all of the companies' ability to break even rely on forces outside their control, especially oil prices.

In February, investment banks predicted oil prices would average about \$57 a barrel this year, according to a Wall Street Journal poll. Analysts said prices could fall short of that mark depending on how quickly U.S. shale producers ramp back up and whether the Organization of the Petroleum Exporting Countries can maintain its agreement with other major oil producers to reduce output.

Chevron's \$50-a-barrel break-even threshold relies in part on support from asset sales. Shell also is leaning heavily on plans to divest \$30 billion worth of assets by next year to help it bring down its elevated debt levels. At the end of last year, the four companies' combined net debt amounted to \$186.3 billion.

"This is the year when their credibility will be tested," said Jefferies analyst Jason Gammel, referring to big oil companies. "Some are more capable than others."

Even Exxon, the world's biggest publicly traded oil company, is showing rare signs of weakness. The company wrote down the value of more than \$2 billion in U.S. assets earlier this year and shaved a chunk off its reserves estimates because of Securities and Exchange Commission rules. It ended 2016 with net debt totaling \$39.1 billion—the highest debt level in the company's history.

Exxon said its balance sheet remains stronger than those of competitors.

—Bradley Olson
contributed to this article.

On the Beach at South Korea's Military Exercises



PREPARATION: South Korean marines participated in amphibious operations exercises to guard against a possible North Korean attack in the eastern city of Pohang on Sunday.

TRADE

Continued from Page One

election, he quickly appointed economist Peter Navarro, an ardent skeptic of trade with China, to head the White House National Trade Council and pulled the U.S. out of negotiations to form the Trans-Pacific Partnership, a 12-nation trade deal.

There are already signs the White House is backtracking on some of the antitrade rhetoric on which Mr. Trump campaigned. The administration, for instance, recently signaled it would seek mostly modest changes to the North American Free Trade Agreement in coming negotiations with Mexico and Canada, a deal Mr. Trump called a "disaster" during the campaign.

"The fact that there hasn't been much saber rattling there has been greeted favorably by the market," said David Donabedian, chief investment officer at CIBC Atlantic Trust.

The recent failure of Mr. Trump's health-care bill has also, for many investors, highlighted divisions in Congress that make some of the administration's more controversial policies appear less likely.

"I think we had some nightmares of a sort of big bang

trade agenda including labeling China a currency manipulator and talk of a rapid imposition of tariffs, and we have now realized it's going to be much more nuanced," said Guy Monson, chief investment officer at asset manager Sarasin & Partners.

In February, 34% of fund managers surveyed by Bank America Merrill Lynch saw protectionist policies as the most likely catalyst to end the eight-year equity bull market. And in March, just 21% cited protectionism as their big fear, ranking below worries over higher interest rates or weaker earnings.

In March, U.S. Treasury Secretary Steven Mnuchin re-

Aberdeen Asset Management. While some of this year's market moves can be attributed to a weaker dollar, shifting earnings prospects and higher global growth, waning trade fears have been an important factor, analysts say.

To be sure, the Trump administration's pursuit of a broad "America First" agenda could still ignite global trade conflicts, hurting export economies and global companies as they struggle to reconfigure complex supply chains.

In March, U.S. Treasury Secretary Steven Mnuchin re-

Millennium Global Investments. Among investors in key U.S. trading partners, concerns over a global trade clampdown have eased. The Mexican peso is up nearly 11% against the dollar this year, nearly back to pre-election levels, and the iShares MSCI Mexico Capped exchange-traded fund, which tracks publicly traded companies, has climbed roughly 16%.

Shares of U.S. multinationals have also started to pick up pace. Shortly after the November election, small-capitalization stocks outperformed larger ones, in part as investors bet that domestically focused companies would do better than multinationals in the event of trade friction.

The Russell 2000 index of small-company shares jumped nearly 14% between the November election and the end of last year, compared with a 4.6% climb for the S&P 500. But the Russell 2000 is up just 2.1% on the year, compared with a 5.5% gain for the S&P 500.

The technology sector, among the largest exporters in the U.S., was perceived as a potential loser from changes to trade and immigration policies. It is now the best performer in the S&P 500, up around 12% this year.

Emerging markets in Asia have rebounded as Mr. Trump's

campaign rhetoric against Chinese trade and currency policies has subsided. Mr. Trump is due to meet Chinese President Xi Jinping at the Mar-a-Lago resort in Florida this week.

The MSCI Emerging Markets index lagged behind after the November election, but it is up more than 12% this year to date. Asian markets with the biggest dependency on U.S. trade, including Taiwan's Taiex index and Korea's Kospi index, have outperformed the S&P 500, up 6% and 6.6%, respectively.

While protectionism may be a risk in the longer term, "it's not meaningfully reflected in markets today," said Paul Griffiths, a chief investment officer at First State Investments.

CORRECTIONS & AMPLIFICATIONS

Tencent Holdings' first popular product, instant messenger QQ, was initially named OICQ. A China Circuit column in the Friday-Sunday edition about Tencent's investment in Tesla Inc. misspelled it as QICQ.

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

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WORLD NEWS

India, Pakistan Jockey For Nuclear Gain

Neighbors take steps to advance their own arsenals and gain strategic advantage

By SAEED SHAH

ISLAMABAD, Pakistan—The nuclear arms race between India and Pakistan is intensifying, with new weaponry and more aggressive doctrines that are stoking tensions between two powers at growing risk of confrontation.

The neighbors, which have fought three wars and many skirmishes, have in recent months adopted dueling steps aimed at gaining strategic advantage. Each has more than 100 nuclear warheads and new ways to deliver them from land, air and sea. India appears to be considering changing its nuclear doctrine to allow a first strike against Pakistan, according to some analysts.

India and Pakistan have fought three wars and many skirmishes.

Among developments, India tested interceptor missiles twice this year as part of its plan to develop a ballistic missile-defense shield. Pakistan in January tested a missile with multiple warheads capable of evading it.

India said last year it began testing its first homemade nuclear-powered submarine at sea and a nuclear missile capable of striking anywhere in Pakistani territory from far

offshore. Then Pakistan this year said it had tested its own undersea nuclear missile capable of carrying out a retaliatory strike.

India's army chief said for the first time this year that it devised a plan for a rapid, shallow, conventional invasion of Pakistan that some analysts say could be unleashed in response to a cross-border terror attack like the Mumbai assault of 2008, which killed 166 people.

India has calibrated such an invasion so as not to provoke Pakistan to retaliate with its big, strategic nuclear weapons, say current and former officials from both sides.

Pakistan, in response, has developed a capability to strike such an advance with tactical nuclear weapons—which have a smaller detonation—that it calculates wouldn't trigger a massive retaliation from India, these people say.

"We assess that these types of attacks and the potential reactions increase the likelihood for miscalculation by both countries," warned the head of U.S. Central Command, Gen. Joseph Votel, in congressional testimony in March. "A significant conventional conflict between Pakistan and India could escalate into a nuclear exchange."

The U.S. State Department declined to comment. The foreign ministries of Pakistan and India didn't respond to requests to comment. Both countries say they are developing a "credible minimal" nuclear deterrent.

Geopolitics is shaping the rivalry. While Pakistan races to keep pace with India, India is vying with the larger nuclear program of Pakistan's ally China—which is in competition



ISPHAGENCE FRANCE PRESSE/GETTY IMAGES

A photo released in January by Pakistan's military is said to show a submarine-launched missile capable of carrying a nuclear warhead.

with the U.S., which has drawn close to India in recent years.

International Physicians for the Prevention of Nuclear War, an advocacy group, said even a limited nuclear conflict between India and Pakistan would have such a devastating impact on global climate that it would put two billion people at risk of famine.

Pakistan says the driver of the current round of nuclear competition is the U.S. move in 2005 to legitimize India's nuclear program and allow it to buy fissile material on the international market. The U.S. says the deal strengthened nonproliferation.

That accord was intended to cement U.S. ties with India to help contain a rising China, analysts said. Meanwhile, Pakistan's relationship with the U.S. has suffered as the two nations blamed each other for chaos in Afghanistan.

The South Asia Arms Race

India dominates Pakistan in military spending but nuclear arsenals even the competition



*WSJ projection using the average annual growth rate from 2000-2014

Sources: Stockholm International Peace Research Institute (military spending); International Panel on Fissile Materials (nuclear stockpiles)

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Nuclear material stockpiles

Highly-enriched uranium

India 3.2 tons

Pakistan 3.1

Reactor-grade plutonium

India 5.5

Pakistan 0

Weapons-grade plutonium

India 0.6

Pakistan 0.2

Margins of error

India's HEU: ± 1.1 tons

Pakistan's HEU: ± 0.4 tons

India's reactor-grade plutonium: ± 3 tons

India's weapons-grade plutonium: ± 0.2 tons

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former role as broker to defuse India-Pakistan tensions.

Pakistan is increasingly relying on its nuclear deterrent against a neighbor that has a

much bigger defense budget and twice the military manpower. Pakistan is outproducing India's nuclear weapons by four to one, according to the Stimson Center, a Washington research group. Islamabad disputes that assessment.

India's bigger stockpile of nuclear fuel and new reactors set to soon start producing substantial amounts of plutonium give New Delhi the potential to overtake Pakistan's production of nuclear weapons in the future, experts said.

Pakistan's recent development of tactical devices raises the risk of a nuclear weapon being used and of them falling into the hands of militants, some experts say.

Another risk, they say, is India's stated belief that a limited conventional war with Pakistan is possible despite nuclear arms on both sides.

India seems to be rethinking its declared policy of not using nuclear weapons first, said Vipin Narang, a professor at the Massachusetts Institute of Technology.

If India believes Pakistan is about to use its tactical weapons, it would need to hit them first—and take out Pakistan's strategic arsenal with nuclear strikes before Pakistan could retaliate against Indian cities.

To destroy Pakistan's arsenal, India would need many more nuclear weapons; Pakistan would need to dramatically increase numbers to have a good chance of some weapons surviving an Indian first strike.

"Pakistan would have to go first and with everything because it can't afford to lose. And the Indians would have to go even earlier," said Prof. Narang. "No side could afford to go second."

Twenty Religious Devotees Tortured, Killed at Shrine

BY QASIM NAUMAN

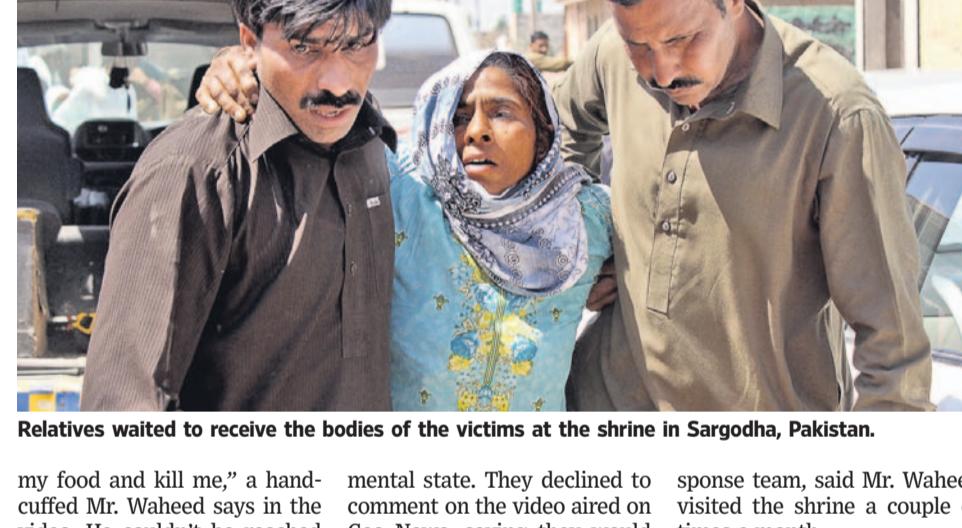
Every year, especially those dedicated to revered saints of Sufi Islam. Smaller shrines dedicated to local spiritual figures, like the one where the killings took place Saturday, also dot the country.

Devotees visit not only to pray, but also for exorcisms and treatment for illnesses they believe are caused by evil spirits. The custodians and healers at smaller shrines sometimes carry out violent rituals. Injuries and deaths from such rituals have been reported in recent years, but a high toll like that in Sargodha on Saturday is rare.

Police said they arrested Mr. Waheed and the two assistants early Sunday, and all three confessed to the killings. The assistants weren't identified.

In a video shot with a mobile phone and aired on local news channel Geo News, Mr. Waheed said his victims were planning to kill him.

"They had poison pellets, they were going to put that in



it will cleanse them." Zaeem Qadri, minister for religious affairs and sites in the Punjab province, where Sargodha is located, said "We've been taking action against such fake healers who dupe innocent people and then exploit and abuse them in the name of God." Mr. Qadri said this shrine was built two years ago and wasn't registered with the government.

Psychiatric experts say many in Pakistan attribute illnesses or personal troubles to evil spirits or divine punishment, and seek help from those claiming to be spiritual healers.

Many small shrines have been built in recent decades to earn money from exorcisms and cures, especially for mental illnesses and infertility, government officials say. A lack of adequate health care is also a factor, experts say. Public spending on health care between July 2015 and June 2016 was 0.45% of gross domestic product, according to the finance ministry.

U.S. to Tell Egypt Focus Is on Security

BY FELICIA SCHWARTZ

WASHINGTON—President Donald Trump will host Egyptian President Abdel Fattah Al Sisi on Monday as his administration focuses on its security relationship with Egypt while limiting human-rights concerns to private conversations, officials say, in a policy shift.

Mr. Sisi's visit Monday is his first to Washington since taking office. He won an election in 2014, several months after the military, then under his command, led a coup to oust Egypt's first freely elected leader, President Mohammed Morsi, of the

Muslim Brotherhood.

Mr. Sisi's relationship with President Barack Obama was rocky, as Obama administration officials pressed him on human rights and Egyptian officials disliked Obama officials' engagement with the Muslim Brotherhood.

Senior White House officials on Friday praised Mr. Sisi for the policies he's pursued since he took office in 2014, including economic reforms and his calls for "reform and moderation of Islamic discourse."

The White House officials said it is Mr. Trump's belief that

it would be best to raise U.S. concerns about human rights in Egypt privately.

"Human rights are always an issue that are a concern to the United States. Our approach is to handle these types of sensitive issues in a private, more discreet way. We believe it's the most effective way to advance those issues to a favorable outcome," one senior White House official said.

The State Department's most recent human-rights assessment faulted Egypt for suppressing civil liberties, depriving people of due process and security forces' use of excessive force, as well as disappearances, harsh prison conditions and arbitrary arrests.

"The question is really, how much does the U.S. administration care about that?" said Michele Dunne, an Egypt expert at the Carnegie Endowment for International Peace. "And I don't mean care about it in the sense of morally, but to what extent does the U.S. government see human-rights abuses as problematic in terms of Egypt's stability and in terms of Egypt as a partner in the fight against terrorism."

Tens of thousands of people have been imprisoned since Mr. Sisi came to power, including several American citizens.

EU Plans to Support Afghanistan Peace Deal

BY JESSICA DONATI

KABUL—The European Union is preparing to offer millions of dollars to support a peace deal between the Afghan government and an insurgent group led by a notorious warlord, a measure it hopes will encourage similar accords with other militants in the war-torn country.

The EU's top envoy to Afghanistan, Franz-Michael Mellbin, said the bloc will review a proposal from the Afghan government before deciding on the amount it will commit to help implement the peace agreement with the Islamist political and militant group, Hezb-e-Islami, which the U.S. has endorsed.

An initial EU commitment could fall between \$2 million and \$5 million, according to notes from a recent diplomatic briefing on the matter reviewed by The Wall Street Journal.

The militant group is led by Gulbuddin Hekmatyar, who was removed in February from a United Nations Security Council sanctions list following a request from Afghanistan.

It isn't immediately clear what the EU funds will be used for. "Hezb-e-Islami will

not have any control over the money," Mr. Mellbin said.

The peace deal included a provision to provide compensation to Mr. Hekmatyar and members of his group. The deal also calls for joint commissions to implement other provisions, which contributions from international donors could pay for.

The U.S. and its allies hailed the deal with Mr. Hekmatyar, who has lost much of his influence in recent years, as a symbolic step that could build trust in peace talks. There is little evidence, however, that the Taliban, who are gaining on the battlefield, are interested in talks soon.

The deal's implementation faces hurdles, including how to lift international sanctions targeting Mr. Hekmatyar and reintegrate militants and their families into society. Mr. Hekmatyar is still a U.S.-designated "global terrorist" and his group is designated by Washington as a foreign terrorist organization. Afghan officials are hopeful the U.S. will also contribute funds to support the deal. A State Department official said expectations of U.S. funding were "inaccurate."

—Habib Khan Totakil contributed to this article.



IBRAHIM EZZAT/NURPHOTO/ZUMA PRESS

Protesters called on police last week to free a student they say was jailed for political opposition.

WORLD NEWS



Army servicemen and residents assist with rescue operations in Mocoa, Colombia, where at least 200 people were killed in a landslide on Saturday.

Wall of Mud Hits Colombian City

BY KEJAL VYAS

BOGOTÁ—A mudslide caused by heavy rains killed at least 200 people in Colombia's southern province of Putumayo, authorities said.

The National Disaster Agency said another 200 were injured and that the toll could easily go higher because many people were still unaccounted for as of Sunday morning.

A torrent of water surged through the small city of Mocoa, located along the country's southern border

with Ecuador, around midnight, as many residents were in their homes sleeping. Witnesses felt buildings vibrate before a torrent of water carrying mud and debris swept through, toppling homes and lifting trucks downstream.

"There are a lot of people missing. We are making an inventory," Colombian President Juan Manuel Santos said in televised comments after flying to the city Saturday to assess the damage.

The disaster in Mocoa comes just after unusually heavy rains in Peru last

month killed dozens of people and left hundreds of thousands of residents homeless.

Mr. Santos declared a state of emergency in Mocoa, which he said was to allow mobilization of rescue operations.

A downpour overnight led three rivers around the city to overflow, sending mud, rocks and fallen trees crashing into homes.

"Families, boys, girls, young people, the elderly" were killed in the mudslide, said Interior Minister Juan Fernando Cristo.

"My house is destroyed," the city's mayor, Jose Sanchez, told Caracol Radio. "The mud is almost up to the roof."

Mr. Santos said it was the most intense rainfall that the region had seen in 25 years. The government has dispatched more than a 1,000 soldiers, police and disaster-relief workers, he said.

Rescuers were continuing the search for survivors in Mocoa, but the death toll is expected to rise.

—The Associated Press contributed to this article.



THE WALL STREET JOURNAL.

Ecuador President Leads Push for Successor

BY RYAN DUBE

QUITO, Ecuador—In the final days of Ecuador's presidential campaign, departing President Rafael Correa has led a blitz of inaugurations of public works while railing against the opposition through Twitter and state media.

In the tightest presidential election in a decade, analysts say Mr. Correa is using state resources to highlight government projects and attack his opponents in this small Andean nation, giving a boost to his handpicked successor, Lenin Moreno, ahead of Sunday's vote against conservative rival Guillermo Lasso.

It is a strategy that may work, blunting a trend in Latin America that has seen Mr. Correa's leftist allies lose elections to center-right opponents following a decline in economic growth, including in this oil-rich nation.

A recent poll from Cedatos-Gallup International said Mr. Moreno, a former vice president of Mr. Correa who is expected to maintain his policies, had taken a narrow lead over Mr. Lasso, a pro-business ex-banker who has promised to cut taxes and attract investors



to police officers and their families, attributing the works to his leftist government's "citizen's revolution."

"This week has really been a week of dreams," Mr. Correa said in a televised interview of the new infrastructure. "The revolution won't be stopped."

The campaign to replace Mr. Correa, who is constitutionally barred from running again, has been contentious. Mr. Lasso, who was pelted with rocks and other objects while leaving a soccer game with his family, has been accused in state media of profiting from a 1999 banking crisis, which he denies.

Spray-painted walls in Quito say a victory for Mr. Lasso would bring back racism, corruption and "misery."

Mr. Lasso's supporters call Mr. Correa a dictator and others argue Mr. Moreno's election would bring Ecuador one step closer to becoming another crisis-ridden Venezuela.

"The next president is going to inherit a complicated country," said Vicente Albornoz, the dean of the business and economics faculty at Quito's Las Américas University. "The public spending creates a feeling that things are better than they are."

Official called ruling unconstitutional, in unprecedented breach of party unity.

A few hundred protesters blocked Caracas' main highway after the legislative session. Scuffles continued throughout Saturday afternoon, with police firing tear gas to disperse lawmakers and groups of students who attempted to march on the national human-rights agency.

The Supreme Court ruled Wednesday that the National Assembly was in contempt of court for having sworn in three lawmakers whom the ruling party had accused of electoral fraud, without presenting any evidence. The court said it had taken over all "parliamentary capacities" until the conflict is resolved.

Attorney General Luisa Ortega called the ruling unconstitutional, in an unprecedented breach of unity in the ruling party that forced Mr. Maduro to scramble to control one of the biggest crises of his troubled four-year rule.

Legal experts and economists said the court order was an attempt to seize crucial powers that would allow the executive to sidestep the required congressional approval for oil-sector deals. Mr. Maduro badly needs to jump-start the collapsing economy. The revised ruling still allows Mr. Maduro to sign such deals.

WORLD WATCH

SERBIA

Pro-Russia Premier Favored to Win Vote

Serbs voted Sunday in a presidential election that was a test of their leader's authoritarian rule amid growing Russian influence in the Balkan region.

Prime Minister Aleksandar Vucic, a former ultranationalist now a declared pro-European Union politician, is slated to win the presidency by a high margin against 10 opposition candidates, including a parody candidate who is mocking the country's political establishment.

Mr. Vucic's political clout could face a blow, however, if he doesn't sweep his opponents in the first round of voting.

Mr. Vucic needs to win by more than 50% of the vote to avoid a runoff election on April 16 that would put him in a much

trickier position against a single opposition candidate.

Mr. Vucic's main challengers include human-rights lawyer and former Ombudsman Sasa Jankovic; former Foreign Minister Vuk Jeremic; and Mr. Vucic's former mentor, Vojislav Seselj, a nationalist who has been tried for war crimes.

The opposition has accused Mr. Vucic of muzzling the media and intimidating voters ahead of the election. Mr. Vucic denies the allegations, saying only he can bring stability to a region scarred by the wars of the 1990s, which Mr. Vucic supported at the time.

About 30% of the electorate had turned out to vote six hours before the polls were to close, about the same as when Mr. Vucic's right-wing party won a parliamentary vote in 2014. Opposition candidates were expected to benefit from a higher turnout.

—Associated Press

SOUTH AFRICA

Parliament Considers No-Confidence Move

South Africa's speaker of parliament said she is considering



A voter casts a ballot in the Serbian capital Belgrade on Sunday

an emergency motion of no confidence against President Jacob Zuma after he fired the country's widely respected finance minister last week.

Baleka Mbete said Sunday that she cut short an overseas

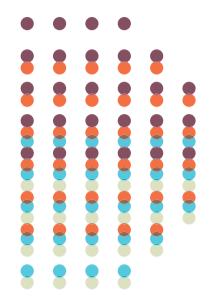
trip to deal with the "serious: parliamentary issues" that have arisen since President Zuma reshuffled his cabinet last week.

Ms. Mbete said her office received a letter from the main opposition party, the Democratic Alliance, requesting that the national assembly, which is in recess until May 10, resume earlier to vote on the motion.

The request for the motion, which would result in Mr. Zuma having to step down if it is passed, must be assessed to see if it complies with the parliament's rules, she said.

Opposition parties need 201 legislators out of 400 to vote for the motion to pass, but it is uncertain if they will garner adequate numbers in a parliament dominated by the ruling African National Congress. Zuma has easily survived earlier votes of no confidence.

—Associated Press



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IN DEPTH

VET

Continued from Page One

than 9,000 U.S. contractors in Afghanistan to handle logistics, help train local forces and provide security.

Early on, there was little oversight over guns for hire. A series of scandals led then-President Hamid Karzai in 2010 to issue strict regulations that dramatically reduced the number of providers and scaled back their freedom to operate. The U.S. embassy and the command of North Atlantic Treaty Organization forces here say the Wild West days are gone for good.

Mr. Allen's misadventures in Nangarhar show that the slow withdrawal from America's longest-running war sometimes leaves loose ends—including soldiers who have spent so long at war that they don't know how to go home.

These vets are prized in some military circles for their institutional knowledge—a counterweight to the short tours of duty for troops and diplomats who rotate in and out and barely get to know the country. They are free of the many restrictions that bind the military and U.S. embassy. The danger, of course, is what happens if they go rogue.

A grenade blast

If anyone could navigate Afghanistan's complex conflict it was Mr. Allen. The son of a military pilot, Mr. Allen arrived in Afghanistan as a Green Beret after the Sept. 11 terror attacks to fight the Taliban. In 2002, a grenade blast left him so badly injured that he spent over 18 months in the Walter Reed National Military Medical Center in Bethesda, Md.

Doctors warned he might never walk again. But Mr. Allen recovered enough to return to Afghanistan to set up a private military company, Four Horsemen International, or FHI, which provided wartime services for clients ranging from the Afghan government to the Central Intelligence Agency.

He was left with a limp and could be seen on some Friday evenings sporting a cane at Cigar Club, a popular gathering of soldiers, spies and contractors.

By the time of the U.S. troop surge in 2009, FHI was a thriving business. Mr. Allen's success, his friends say, stemmed from knowledge of the country and comfort on the battlefield. A video clip made the rounds of him dancing to the disco classic "Staying Alive" on a road in a Taliban area.

"He's the living, breathing example of the wounded warrior who has succeeded," said Michael Ricky, a security analyst and friend in Kabul.

But Afghanistan's dangers soon tripped up Mr. Allen's firm. A former Australian employee, Robert Langdon, killed an Afghan colleague in a dispute over an ambushed convoy and was sentenced to death by an Afghan court. The former reconnaissance officer was recently released after seven years in prison. He maintained the killing was self-defense.

Mr. Allen said U.S. authorities tried and failed to black-list his firm—which still was sponsoring Mr. Langdon's visa at the time of the incident—and his business suffered as a result. "They said, oh, I didn't

train him properly. He's Australian f—ing Special Forces. You want me to train him more than that?"

Mr. Allen's company still managed to win a small contract to provide interpreters in 2015 to the U.S. military, which he says he hoped to grow into something bigger.

Islamic State's emergence in Afghanistan offered Mr. Allen another opportunity to expand this relationship. A friend and powerful Afghan parliamentarian from Nangarhar, Zahir Qadir, was raising a militia that would fight Islamic State. Mr. Allen decided he could help Mr. Qadir, a man he had fought alongside in Afghanistan's rugged Tora Bora region, and set out to enlist U.S. military support for their group.

"We're not warlords or militias," Mr. Qadir said in an interview, taking issue with both descriptions. "It is our responsibility to defend ourselves."

At the time, the U.S. military footprint in east Afghanistan, where Islamic State had seized several districts, had shrunk to a 12-man special operations team at Forward Operating Base Fenty that was largely restricted to a training and advisory role. The small presence made powerful figures like Mr. Qadir important potential allies in the vast and mountainous battlefield that stretched to the porous border with Pakistan. Mr. Allen had the credentials to organize his group into a plausible U.S. ally, both to inform on and fight the extremist group.

A phone call in August 2015 laid the groundwork for a prospective partnership with the U.S. military. After hearing a U.S. Special Forces Major was on the line, Mr. Qadir told his partner to take the call.

"I get on the phone and they're like, 'Why! You talk great English,'" Mr. Allen recalls. "I'm like, 'What the hell are you talking about? I'm American. I'm retired SF!'"

The U.S. Special Forces major, on his fifth combat tour and in charge of the north and east, says he wanted to meet Mr. Qadir to ask about his plans to fight Islamic State.

Mr. Allen lives in an attic stocked with weapons, whiskey and a portable piano.

Over multiple tours spent embedded in remote Afghan villages, the major had come to believe the U.S.-led military coalition endangered lives by ignoring the country's power brokers. "The government is unstable and they're all jockeying for what happens next," says the officer, over coffee near Fort Bragg, N.C. "By neglecting to build any relationships with them, we lose any visibility on all these political workings. And it makes us less effective—it puts the people more at risk."

The major invited Messrs. Qadir and Allen to his base in western Kabul. The pair arrived with a bunch of heavily armed men in uniforms, he said. "It was clear that he wanted to put on a big show," the major recalled.

During the meeting, Mr. Qadir claimed to have 9,000 more men who could purge Afghanistan's restive east of the Islamic State insurgency, ac-



JESSICA DONATI/THE WALL STREET JOURNAL

Members of a militia loyal to Zahir Qadir, an Afghan parliamentarian, prepare to fight Islamic State in Afghanistan. John Allen's private military company formed an alliance with Mr. Qadir.

cording to the major. In return, Mr. Allen sought U.S. Special Forces help in targeting Islamic State by air and training his militia. At the time, FHI had a handful of employees.

The major agreed to look into it. He later contacted Mr. Allen with positive news: "I've done all my homework and I felt comfortable recommending to my chain of command...that we fully back [Mr. Qadir]," he emailed in Sept. 2015. "I'm sold."

Despite his written expressions of support, the major said he retained doubts about such an alliance. Many in the military suspected Mr. Qadir had a hand in Afghanistan's bustling heroin trade and connections to the narcotics-funded insurgency—something he denies.

When the major approached his superiors about the prospective partnership, he said, the response was emphatic: No. Instead, they continued to cultivate the relationship for information, offering vague promises of support. "I mean, none of us thought it was a good idea," said the major. "But what am I going to say to him? We think you're a liability? You don't say that."

In an email to Mr. Allen two days later, the officer explained that direct assistance to non-government groups was forbidden, but promised to find a solution: "You know how we operate, we'll find a loophole, but it's a setback."

In late September, Mr. Allen received medical training at the base and nonlethal supplies, such as meal rations, orange panels to identify militia trucks as friendly forces and star clusters to illuminate the battlefield or signal distress. The major said these small tokens helped build trust and that was the extent of their support.

"He could call to report his locations, so that we wouldn't mistake this giant group of armed men for like, one force or other," the major said. "So we wouldn't accidentally, you know, drop on the guy."

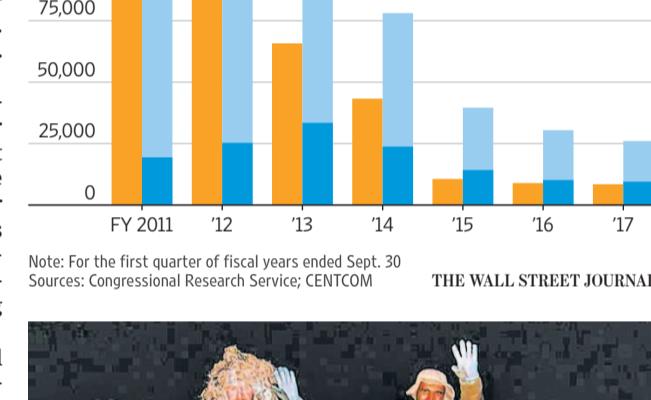
Mr. Qadir said the promised assistance from the U.S. Special Forces ultimately fell far short of expectations. "There were negotiations between us and them," he said. "But I didn't see action. Nothing."

In early October 2015, with

Shifting Burden

Private contractors are taking on a greater portion of the load as U.S. troop levels decline in Afghanistan and Iraq.

Troops: ■ U.S. Contractors: ■ U.S. ■ Foreign



Note: For the first quarter of fiscal years ended Sept. 30.

Sources: Congressional Research Service; CENTCOM

THE WALL STREET JOURNAL.



John Allen, left, departs for a night mission in Nangarhar province, Afghanistan, in late 2015.

emerged as troops were leaving in 2014 and established a base in Nangarhar province, imposing harsh edicts and carrying out executions. Mr. Qadir accused the government of ignoring the growing Islamic State threat, putting him at odds with Afghan leadership.

In mid-December the White House began deliberating new rules that would give U.S. Special Forces more autonomy to carry out targeting and combat operations against the group, making Mr. Qadir's ragtag militia even less relevant as a combat partner. During the deliberations, news broke that the militia had killed and decapitated a number of Islamic State fighters. International media carried pictures of the severed heads, which were set on rock piles to make them visible to those driving past.

Mr. Qadir later went on TV to confirm the militia's involvement in the killings. He said locals had lost control after months of suffering. "It is natural that if you kill their children, their families, what will be the answer?"

The captain told Mr. Allen the relationship faced too much top-level resistance—both in the U.S. military and Afghan government. "I go, 'what do you mean? Did you tell them that I'm reporting to you every day?'" Mr. Allen recalls telling the captain. "Yeah I told them," Mr. Allen said the captain replied, "but they don't care."

Maj. Gen. Sean Swindell, the commander of Special Operations Forces in Afghanistan at the time, declined to be interviewed. Other senior military officials declined to comment on Mr. Allen or the militia.

Severing ties

In the wake of the incident, Mr. Allen was excluded from U.S. military circles and Mr. Allen says the FHI contract to provide interpreters was canceled. The U.S. military says it has no record of the contract.

In January 2016, the White House authorized the U.S. military in Afghanistan to attack Islamic State and permission to fight the Taliban followed months later. U.S. forces have since bombed Islamic State targets in the east almost daily and escalated operations. In October, a Green Beret became the first U.S. serviceman to die fighting Islamic State in Afghanistan.

Mr. Allen's activities also became a source of friction for the Afghan government and led to pressure, U.S. officials say, for the U.S. military to sever ties with him and his security company.

Worried friends have urged Mr. Allen to return to the U.S. Though he hasn't been home in over three years, Mr. Allen fears possible legal repercussions for his involvement with the militia and wants to stay in Afghanistan to clear his name and repair his relationship with the U.S. military.

The eventual breakup left Mr. Allen's business and personal life in tatters. Speaking from the Kabul residence of a friend—where he has been living in an attic stocked with weapons, whiskey and a portable piano for almost a year—Mr. Allen said he was made a scapegoat when the militia fell out of favor.

He declined the U.S. embassy's offer to help him leave the country.

the due dates for the 24 credit cards he has acquired in the past 11 months.

Because he doesn't spend enough to qualify for all the rewards, he heads to a local mall and uses his credit cards to buy cash-equivalent prepaid cards, earning points in the process. Then he uses the prepaid cards to pay off his credit-card balances. He recently had to wait a long time to check out because someone ahead of him in line was doing the same, he says.

"Some of my co-workers joke that if the FBI comes, we'll know where to point them," Mr. Sharp says. The practice is legal, though discouraged by card companies.

Donovan Frost, 25, a Los Angeles software account manager, broke out his card at a New Year's celebration this year to cover a \$300 group bar tab so he could collect a hefty credit-card bonus tied to restaurant spending.

Some of his friends reimbursed him with cash.

"Cash?" he recalls thinking. "What am I going to do with that?"



In an effort to get a Chase Sapphire Reserve card, Mary Xu, a San Francisco cybersecurity manager, made a card costume.

to a fresh card as soon as they charge enough to earn their sign-up bonus on one.

Some cardholders move on

in February. It was his 29th new card in the past 18 months.

"I've definitely kind of scolded friends for using a debit card," he says.

Ike Lee, 25, a student at Yale School of Medicine, has 16 cards and no income. When friends told him they needed furniture for a new apartment, he hatched a plan to pay for it himself with a card that offers 5% cash back on furniture purchases. He intends to give them a 3% discount when they reimburse him, netting himself a bit of cash.

When Levi Broderick, 32, and a friend recently moved to split the bill at a restaurant, both slapped down the same rewards-heavy card. "He didn't say anything to me and I didn't say anything to him, but you could tell by the milling glances that we knew something was going on," says Mr. Broderick, a Seattle software engineer.

Benjamin Gowdy of Gorham, Maine, a 34-year-old real-estate investor, pitched his girlfriend on a four-hour road trip to nab a Chase sign-up bonus

that required an in-person application. "I don't really feel like blowing up a whole Saturday to sit in a bank," he recalls her responding.

He eventually prevailed, and he and his girlfriend, Anna Gardner, set off at dawn in early March in his decade-old Toyota Prius for the nearest Chase branch—in Connecticut. They arrived to find a charged-up mob of other applicants from across New England.

"The crowd made Anna feel like I was a little less insane," Mr. Gowdy says. Ms. Gardner, 32, signed up for a card, too. "I ate a little crow there," she says.

A J.P. Morgan Chase spokeswoman marvels at the motivation of applicants. "They're crazy!" she says.

Over the past year, Chase has signed up tens of thousands of new credit-card customers, with more than half of the high-price Sapphire Reserve cards going to millennials, the spokeswoman says.

San Antonio engineer Marshall Sharp, 31, uses an Excel spreadsheet to track

U.S. NEWS



Though from a state Mr. Trump won in 2016, Sen. McCaskill on Friday said she would vote against Supreme Court nominee Neil Gorsuch.

Gorsuch Vote Tests Senators

Red-state Democrats are almost certain to anger one faction of their constituencies

BY KRISTINA PETERSON

WASHINGTON—When Sen. Claire McCaskill, a Missouri Democrat up for re-election in 2018, votes against the confirmation of Supreme Court nominee Neil Gorsuch this week, many of her supporters in St. Louis will be pleased. But much of the rest of her state won't.

President Donald Trump won Missouri easily, carrying six of the state's eight congressional districts and 110 of its 114 counties. At the same time, Mr. Trump's victory unleashed a fierce backlash from liberal Democrats in Missouri and nationwide who are pressuring their elected officials to give no ground to Mr. Trump, including installing his nominee to the Supreme Court. On Friday, Ms. McCaskill sided with the liberals and announced she would oppose the nominee.

More Democratic senators face the same tough choice. The dueling dynamics have ensnared the 10 Senate Democrats up for re-election next year in states won by Mr. Trump, ensuring that they will almost certainly anger one faction of their constituents this week, no matter how they vote.

These Democrats will face an even brighter spotlight starting Monday, when the Senate Judiciary Committee is expected to vote along party lines to send Judge Gorsuch's nomination to the Senate floor. That will intensify the scrambling for votes on both

sides, as party leaders gauge the landscape in advance of full Senate votes later in the week.

The group has split so far, with many senators from the states that Mr. Trump carried more narrowly pledging to block his Supreme Court nominee, including Sens. Bob Casey of Pennsylvania and Debbie Stabenow of Michigan. So far two Senate Democrats have said they would vote for Mr. Gorsuch: Sens. Joe Manchin of West Virginia and Heidi Heitkamp of North Dakota.

Others, including Sens. Joe Donnelly of Indiana and Jon Tester of Montana, both up for re-election next year in conservative-leaning states, haven't yet said how they will vote.

The approach of these red-state Democrats will affect the course of the Gorsuch confirmation fight—especially whether Democrats can sustain a filibuster—and the Senate's longtime reputation as one of the last remaining political arenas to compel bipartisan consensus.

Judge Gorsuch needs 60 votes to clear the filibuster's procedural hurdle in the Senate, where Republicans hold 52 seats. But if Republicans can't secure eight Democratic votes, they have threatened to change the Senate rules so they can confirm him—and future high court justices—with a simple majority. That scenario is referred to as the "nuclear option."

Senate Democrats made a similar move in 2013, when they controlled the chamber, to enable cabinet appointments and lower judicial nominees to be confirmed with just a simple majority.

"We're going to get Judge

Gorsuch confirmed," Senate Majority Leader Mitch McConnell (R., Ky.) said on Fox News Sunday. Asked if he is ready to change the Senate rules, Mr. McConnell said: "We'll know through the course of the week," adding: "It's in the hands of Democrats."

The looming Senate showdown has ratcheted up the pressure on Senate Democrats, who are trapped between a drive to please their party's most faithful voters and a desire to avoid triggering the nuclear option.

"I am not comfortable with either choice," Ms. McCaskill wrote in a Medium post Friday. "While I have come to the conclusion that I can't support Neil Gorsuch for the Supreme

Many in the Senate are worried about triggering the so-called nuclear option.

Court—and will vote no on the procedural vote and his confirmation—I remain very worried about our polarized politics and what the future will bring, since I'm certain we will have a Senate rule change that will usher in more extreme judges in the future."

If the Senate is able to confirm Supreme Court nominees with just a simple majority, centrists in both parties fear that future presidents whose party also controls the Senate will have no incentive to pick a nominee aimed to garner bipartisan support.

Presidents "will go to the

extremes because the base will demand it and we'll end up with a Supreme Court that has far more extreme justices on both sides of the aisle," Sen. Bob Corker (R., Tenn.) predicted gloomily last week. "Both parties have helped take the Senate on this downward spiral."

Senate Democrats wavering on Mr. Gorsuch cited avoiding such a tear in the Senate's institutional fabric as a powerful argument in his favor.

The "most unique political body in the world, the U.S. Senate, will be no more than a six-year term in the House, and I don't think anyone wants to be here for that," Mr. Manchin said shortly before he announced his support for Mr. Gorsuch. "I'm doing whatever I can to preserve the 60-vote rule."

But Democrats face countervailing pressures urging them to throw their weight against Mr. Gorsuch. Many remain outraged that Republicans refused even to hold a hearing last year for former President Barack Obama's high court nominee, Merrick Garland, keeping the seat vacant for Mr. Trump to fill this year.

The Senate Democrats' leader, Chuck Schumer of New York, has made clear that he doesn't want Democrats to cede that seat to Mr. Trump.

"It looks like Gorsuch will not make the 60-vote margin," predicted Mr. Schumer on NBC's "Meet the Press" Sunday. "When a nominee doesn't get 60 votes, you shouldn't change the rules, you should change the nominee."

—Byron Tau
and Dante Chinni
contributed to this article.

U.N. Ambassador Stresses Tough Stance on Russia

BY BEN KESLING

WASHINGTON—President Donald Trump's ambassador to the United Nations said she is continually "beating up on Russia" over its actions in Ukraine and its interference in the U.S. election, a posture that contrasts with the lighter touch Mr. Trump has taken publicly on the country.

In an interview that aired Sunday on ABC, Nikki Haley criticized a handful of countries for their foreign policies, but focused much of her criticism on Russia. Her hard line on Russia and its president, Vladimir Putin, comes as allegations of collusion between Trump affiliates and Russia in the presidential election continue to bog down Mr. Trump's nascent presidency.

"There's no love or anything going on with Russia right now," Ms. Haley said in the interview. "I think that Russia is very aware that they're on notice when it comes to certain issues."

Ms. Haley also seemed to temper comments she made last week that the U.S. is no longer focused on ousting Syrian President Bashar al-Assad from power, a key Middle East policy goal under President Barack Obama that dragged on for years as Mr. Assad remained in power.

"So Assad is always a priority. That is not an issue. He is a war criminal," Ms. Haley said when asked if the focus in Syria is removing Mr. Assad from power or defeating Islamic State militarily.

"You don't have to have one or the other. We've got a lot of important issues. Assad's not going away, but we're not going to stop beating up on him."

In her interview, Ms. Haley said she is "beating up" on Russia for that country's military backing of Ukrainian separatists who seek to return parts of that country to Russian control. She also criticized Mr. Putin for tampering in last year's U.S. presidential elections, though stopped short of saying she speaks directly on behalf of the American president, who has been reticent in expressing too forceful a stance himself against Russia.

The Chinese president is scheduled to travel to Mr. Trump's Mar-a-Lago club in Florida in the coming days and Ms. Haley said discussions about North Korea will take top billing.

"You're going to see President Trump meet with President Xi and a lot of conversation and the most important conversation will be how we're going to be dealing with the nonproliferation of North Korea," she said.



Nikki Haley asserted that she is taking a hard line on Russia.

U.S. WATCH

CRIME

Chicago Makes Arrest In Streamed Assault

A 14-year-old boy has been arrested in the sexual assault of a 15-year-old Chicago girl that was streamed live on Facebook and watched by about 40 people who didn't report it to authorities, police said late Saturday.

Chicago police spokesman Anthony Guglielmi said more arrests are expected as the investigation continues. Police have said the attack involved five or six males, and Mr. Guglielmi said the boy "was one of the offenders in the video."

Mr. Guglielmi said the juvenile suspect faces felony charges of aggravated criminal sexual assault, manufacturing of child pornography and dissemination of child pornography.

The spokesman has said police weren't aware of the mid-March attack until the girl's mother approached Police Superintendent Eddie Johnson as he was leaving a police station on the city's West Side and showed him the video.

The video marks the second

time in recent months that Chicago police have investigated an apparent attack that was broadcast live on Facebook.

In January, four people were arrested after video showed them allegedly taunting and beating a mentally disabled man.

—Associated Press

WEATHER

Texas and Mississippi Brace for Storms

A storm system rumbling eastward through Texas toward the lower Mississippi Valley could pelt the region with large hail, cause flash flooding and spawn tornadoes.

The National Weather Service's Storm Prediction Center said the storms are likely to cause significant wind damage near east Texas and Louisiana into Sunday night. It said there was a risk of baseball-sized hail and tornadoes, including strong ones, in that area.

The storms were also expected to pass through southern Arkansas and central and southern Mississippi.

—Associated Press

OUTLOOK

Continued from Page One
higher to slow it down. When the economy slows down, they cut rates to speed it up.

When the natural rate is low, central banks risk running rates into zero when they're trying to cut, effectively running out of room to stimulate the economy in a downturn. New research by Fed economists Michael Kiley and John Roberts suggests Fed officials may now confront near-zero interest rates 40% of the time or more because of the low natural rate.

Olivier Blanchard, an economist at Peterson Institute for International Economics, kicked off the debate over higher inflation in 2010 when he suggested a 4% target while serving as the International Monetary Fund's chief economist. The idea was that a steady rate of higher inflation would mean that nominal interest rates could be higher too, leaving central banks more room to cut in a downturn to boost output.

Fed officials rejected the idea of changing the inflation target as overly disruptive. But the debate is getting new life and economists are increasingly talking about other approaches that would have the same effect of let-

Down Down Down

Lower real natural interest rates have held down the federal-funds rate, leading some economists to call for letting inflation drift higher.



* The Fed formally adopted a 2% inflation target in 2012.

Note: Inflation is measured using the personal-consumption expenditures price index. Real natural rate is measured using the Laubach and Williams framework.

Sources: Commerce Department (inflation); Federal Reserve (federal-funds rate); Thomas Laubach and John Williams, Federal Reserve Bank of San Francisco (real natural interest rate)

meaning the central bank would tolerate slightly higher or lower inflation temporarily.

Officials have previously described their target as "symmetric" but including the word in the closely watched meeting statement caught observers by surprise.

"There will be some times when [inflation is] above 2%," Chairwoman Janet Yellen explained in the post-meeting news conference.

Other countries are going in this direction. The Bank of

Japan committed last year to overshoot its 2% target. Sweden's Riksbank is considering reintroducing a band around its 2% target, allowing officials to undershoot or overshoot when needed.

Inside the Fed, San Francisco Fed President John Williams has become a leading proponent of a rethink.

Economists and policy makers "need to put on their thinking caps, analyze the costs and benefits of the various alternatives and think seriously," he said last month.

Mr. Williams has suggested adopting the Bank of Canada's practice of formally re-evaluating its inflation target every five years. Although the reviews have consistently kept the target at 2%, Bank of Canada Gov. Stephen Poloz said the latest re-evaluation, which concluded last year, involved taking "a good look" at raising the target.

Tiff Macklem, dean of the Rotman School of Management at the University of Toronto and a former BOC official, said the reviews force policy makers to think hard about their assumptions.

"Throughout history we've seen different monetary policy regimes come and go so in that vein it is important to keep reassessing the regime you have in place," he said. "It's always important to be humble about monetary policy."

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—Associated Press

LIFE & ARTS



FOOD

Steak Without Shame

Diners who prefer well-done meat know what they like, even if others think it's a 'crime against beef'

BY HILARY POTKEWITZ

ON A RECENT VISIT to a steakhouse in Omaha, Neb., Caroline Zaayer Kaufman went through a song and dance that may be familiar to anyone who always orders their steak well-done.

The server, incredulous, asked if she was sure. (She was.) "So that means it'll be cooked all the way through." (Yes.) "No pink in the middle?" (Correct.) "The chef will probably need to butterfly it." (That's fine.) "Your entrees will take longer to come out." (That's OK.) "You know, you could just eat a hockey puck covered in blue cheese instead of wasting a steak."

Ms. Kaufman, a 38-year-old marketing writer, laughed. A life-long Nebraskan, she knows the rules: "In this state, it's considered a crime against beef to eat it cooked more than medium." Adding to her culinary rap sheet, Ms. Kaufman occasionally requests Al sauce for her well-done tenderloin. "My husband has vowed to never take me out for a nice steak again

because of my blasphemous eating habits," she says.

The revelation that President Donald Trump orders his steak well-done has drawn attention to the long-suffering portion of the population who like their meat bloodless.

For Gwen Weiler, a book editor in Columbia, S.C., who's been shamed in restaurants for requesting A1, learning that Mr. Trump favors ketchup also gave her a boost. "I'm a classier steak-eater than the president!" she says.

The 35-year-old gets a little pang of anxiety when she goes out for steak. "I've had to send steak back multiple times because my version of well-done is not their version," she says. "It's like they're saying, 'Bless your heart, we know better than you so we're going to give you something bleeding.'"

About 19% of diners prefer their meat well-done or very well-done, according to a 2014 study by the Cattlemen's Beef Board. (That's



Chef Nigel Spence says any top chef can make a tender, well-done steak with extra effort.

compared with the 30% who prefer medium-rare, the most popular preparation.) Many in the well-done camp have grown accustomed to deep resistance—even condemnation—from restaurant staff. They also expect a second helping of scorn from tablemates.

"There is definitely a feeling of

shame that comes with ordering your steak well-done," says New Yorker Tom Gesimondo, owner of business brokerage firm Transworld Business Advisors of Brooklyn West. Mr. Gesimondo, 58, goes to steakhouses several times a month with clients.

"I am so tired of apologetically ordering my filet mignon and offering 'the chef can butterfly it if he wants', and having the waitstaff accept my offer like they're embarrassed for me," he says.

Butterflying—slicing a thick cut of meat into two thinner cuts attached at the center—allows a steak to cook through faster. But it also lets out more natural juices and can lead to a drier end result.

For that and myriad other reasons, most chefs resent it when customers ask for well-done. "It's true. I cry on the inside," says executive chef Victor Chavez, who spent 38 years at New York's Smith & Wollensky and recently opened his own restaurant, Green-

wich Steakhouse. "It takes me three to 12 weeks to age our beef, and I also butcher it myself into these beautiful little steaks," he says. "It hurts to see all that work wasted."

Matt Belton, 47, a cattle rancher in Steamboat Springs, Colo., feels no shame. He says he's used to the snickering and "harassment" he gets for ordering his steak very well-done while wearing a cowboy hat. His wife Christy won't even defend him. "I like to rub it in. I tell the waiter, 'Just bring mine out—don't even bother to cook it,'" she says. "I guess opposites attract."

Well-doners have various reasons for their choice: Some say they're concerned about possible bacteria in what they see as undercooked meat, or that red beef juice makes them squeamish. Others say they prefer a firm texture or the flavor of char—despite studies linking burned meat with increased cancer risk. Some shrug it off as a generational thing.

"Unfortunately, well-done is the only way my in-laws will eat their steak," says Zach Ellsworth, a 36-year-old caterer and owner of The Foundry, a modern American eatery in Uniontown, Pa. He trains his staff to pre-empt such orders by saying, "The chef recommends the New York strip medium-rare. Is that OK with you?"

They strongly advise against well-done, but after informing the diner of the potential consequences the indemnified servers happily take all orders.

Rodrigo Fierro, a welder in Houston, refuses to accept that well-done meat must eat like shoe leather. "I don't like having to pull my steak with my teeth like an animal," he says. "But the way I cook them, at a very low temperature, slow, heavily seasoned, it'll cook completely through and be just as tender as any other steak. I guarantee it."

Chef Nigel Spence, owner of Ripe Kitchen and Bar, a Jamaican restaurant in Mount Vernon, N.Y., may be one of the few pros who understands the draw of well-done meat.

"In Jamaica, our cattle and meat in general isn't bred to be soft, so we've always done a lot of stews and braises," he says.

A classically-trained chef, Mr. Spence defeated chef Bobby Flay on his Food Network show "Throwdown" in 2007. One of Mr. Spence's signature dishes is a jerk rib-eye steak, which he says is best served medium-rare. "But everybody wants to order it well-done." He always urges people to try it his way, but says he often gets nowhere. And he's OK with that.

"My customers really taught me how to make a rib-eye steak well-done so it's good and juicy," he says, adding that any top chef can do well-done meat well with extra effort. "If it tastes like cardboard, it's just because the chef is pissed off at you for ordering a well-done cut, so he annihilates it to say, 'If you don't care, then I don't care.'"

PLAYLIST | Robert Hass

NONSENSE WORDS, TRUE LOVE



Robert Hass, 76, is a Pulitzer Prize-winning former U.S. poet laureate who teaches at the University of California, Berkeley. He is the author of "A Little Book on Form" (Ecco). He spoke with Marc Myers.

Pop music was a bit sappy in 1954, but the Chords, a black vocal-harmony group, were like nothing I had ever heard.

My older brother and I shared a radio that sat on a table between our two beds. He exposed me to the cool R&B station in Oakland, Calif., across the bay. That's how I first heard the Chords' "SH-BOOM" that summer of 1954.

"Sh-Boom" begins with the Chords singing "Life could be a dream" a cappella. Then a tenor voice sings the song's verse: "If I could take you up in paradise up above."

But what caught my ear were the Chords' nonsense syllables: "Day dong dah ding-dong" and "Sha-lang da-lang da-lang." They were like the bells that went off in my head in the presence of a desirable girl.

On the song's bridge, an earthy baritone

enters: "Every time I look at you / something is on my mind / If you do what I want you to / baby, we'd be so fine." It sounded like the subconscious voice of cheerful lust.

So there's this double articulation—the sweet idealized narration and this subliminal other thing. And in the middle came Sam "The Man" Taylor's saxophone solo, which sounded like raw hunger.

But the song wasn't about sex. Instead, it expressed the fireworks of a perfect love, and it mimicked exactly the unharmonized registers of my cracking, adolescent voice.

That fall, I heard "Sh-Boom" at a school dance—the other 1954 hit version by the Crew-Cuts, a white quartet from Canada. They sounded like guys with shined shoes selling the idea of being a teenager. And I have to admit I bought it.

At the dance, all the girls wore cashmere sweaters the color of fall leaves. Someone had taught me to bop dance by lifting up my heels, so I danced with a few girls that evening.

But there was one girl in particular. Some years later we married. The marriage lasted 23 years. Three children and six grandchildren. Sh-boom, sh-boom.

THE CHORDS, photographed around 1954.



JAMES KRIEGSMANN/MICHAEL OCHS ARCHIVES/GETTY IMAGES

LIFE & ARTS



SIGHTINGS | Terry Teachout

How Seeing Less Is Seeing More

People spend an average of 17 seconds looking at a painting during a museum visit; Slow Art Day hopes to change that.

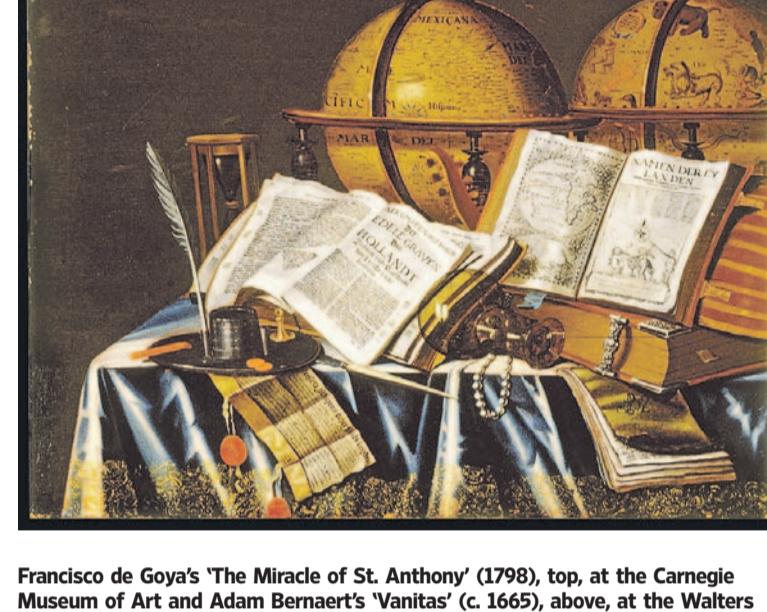
SATURDAY IS Slow Art Day, an annual event in which 156 museums and art galleries in the U.S. and around the world are participating this year. Here's how it works:

- Sign up at a local museum or gallery. (You can do so at www.slowartday.com.)
- Show up on Saturday, then "look slowly—5–10 minutes—at each piece of pre-assigned art."
- Discuss your experience with other participants. Each institution has its own arrangements for doing so, but "what all the events share is the focus on slow looking and its transformative power."

That's all there is to it. The point is not the discussions, but the individual looking. According to the Slow Art Day website, "When people look slowly at a piece of art they make discoveries. The most important discovery they make is that they can see and experience art without an expert (or expertise). And that's an exciting discovery. It unlocks passion and creativity and helps to create more art lovers."

I think Phil Terry, the founder of Slow Art Day, is onto something here. As he explained in a 2011 interview with ARTnews magazine, "My wife kept dragging me to museums. I didn't know how to look at art. Like most people, I would walk by quickly." Then he spent a full hour looking at "Fantasia," a spectacularly complex 1943 abstract painting by Hans Hofmann that belongs to the University of California's Berkeley Art Museum, and found the unfamiliar experience galvanizing. According to one survey, most people spend roughly 17 seconds looking at each individual painting during a museum visit. That's why Mr. Terry started Slow Art Day—to encourage all of us to slow down and see more of what's there to be seen in great works of art. "People usually go to a museum, see as much as they can, get exhausted, and don't return," he says. "Slow Art Day energizes people."

I am, I blush to admit, a bit of a galloper when it comes to mu-



Francisco de Goya's 'The Miracle of St. Anthony' (1798), top, at the Carnegie Museum of Art and Adam Bernaert's 'Vanitas' (c. 1665), above, at the Walters Art Museum; after spending an hour looking at Hans Hofmann's 'Fantasia' (1943), right, at the Berkeley Art Museum, Phil Terry decided to start Slow Art Day. The annual event takes place this Saturday.



seum-going. But I've spent enough time closely scrutinizing important works of art to know that the more time you spend looking at a painting of quality, the more fully it reveals its secrets, in much the same way that you come to understand a novel more completely by re-reading it. This is true of all important art, regardless of medium: I've reviewed Shakespeare's "King Lear" a dozen times for the Journal, and I'm only just starting to appreciate how rich and subtle it is.

The difference—at least in theory—is that performed art, unlike visual art, must be experienced across a pre-defined span of time. It takes a half-hour, more or less, to listen to a symphony by Mozart or Haydn, and the only way to speed up the process is to bribe the conductor to play it faster. Unfortunately, a fast-growing number of people now do most of their listening not in concert halls but on computers and handheld devices of various kinds. Even for a seasoned music lover, the temptation to click from piece to piece in search of instant gratification—and, even more dangerous, to turn all music into background music that is played without truly being heard and experienced—can be overwhelming.

That's why Benjamin Britten, even though he made memorable recordings of most of his major compositions, once claimed that "the loudspeaker is the principal enemy of music." Strong words, but Britten's explanation of what he meant has never been more relevant than it is today: "Music demands more from a listener than simply the possessions of a tape-machine or a transistor radio. It demands some preparation, some effort, a journey to a special place, saving up for a ticket, some homework on the program perhaps, some clarification of the ears and sharpening of the instincts." Who does that kind of "homework" nowadays? We increasingly assume that museums will do it for us—or that it needn't be done at all. And given the natural tendency

of busy people to rush through every part of their lives, it stands to reason that more casual museum-goers will try to "take it all in" in a single visit instead of quietly, patiently communing with individual works. This is what makes Slow Art Day so valuable.

Most of the institutions in the U.S. that are participating this year are comparatively small and little-known. Still, a handful of major museums, among them Baltimore's Walters Art Museum, the Museum of Fine Arts, Houston, Philadelphia's Barnes Foundation and Pittsburgh's Carnegie Museum of Art, have signed up, and

I'm sure that many of the smaller venues are worth a visit as well. In any case, it takes only one good painting, and five minutes of your time, to make Slow Art Day worth the trouble. Who knows what could happen if you make yourself stand in front of a painting like "Fantasia" and look at it for five whole minutes? You might end up sticking around for another five—or 55.

Mr. Teachout, the Journal's drama critic, writes "Sightings," a column about the arts, every other week. Write to him at teachout@wsj.com

FILM REVIEW | Joe Morgenstern

MALADAPTATION OF THE SPECIES

A SINGLE SEQUENCE can define the essence of a movie, or hint at what the movie might have been. In "The Zookeeper's Wife" it's the Luftwaffe's bombing of the Warsaw zoo in September 1939, when Hitler's forces have just invaded Poland. The spectacle is one of utter madness. Some animals perish in their cages, others flee in terror onto the streets. "Wild animals are loose!" a loudspeaker blares; wild, yes, though no more so than the Nazi beasts to come. The moment is memorable but the film is not, despite the richness of its theme—a zookeeper and his wife protecting their remaining animals while saving the lives of hundreds of Warsaw's Jews. In a production based on a nonfiction book by Diane Ackerman, a brilliantly specific story has been reduced to conventional drama and synthetic heroics.

The title role is played by Jessica Chastain; she is Antonina Zabinski, on whose memoirs, notes and diaries the book was based. Ms. Chastain brings a special grace and fierce intelligence to her performance, as she always does. It's lovely to watch Antonina, immediately before the invasion, bicycling through the zoo on a bright summer morning to greet the creatures she loves, and then, after the Nazi darkness descends, tending her human flock. But the movie's star, like everyone in



the cast, is burdened by an intrusive accent and clumsy dialogue, a deadly combination that deprives all concerned of a native language; if that's the price of telling a national story to an international audience, it's a deal breaker.

The director was Niki Caro, who came to prominence with "Whale Rider," another film about love of the natural world. Who knows what she might have done with a better script, but this adaptation, by Angela Workman, isn't up to the challenge of its source material. One choice it makes is flat-out foolish—turning Hitler's chief zoologist, a eugenics-obsessed scientist named Lutz Heck (Daniel Brühl), into a gun-toting suitor for Antonina's affections. Another is clichéd—a Jewish girl, traumatized by life in the Ghetto, who can express herself only through drawings on a wall of the villa where, within the



Above: Jessica Chastain as Antonina Zabinski; right: Johan Heldenbergh as Jan

zoo's confines, Antonina and her husband, Jan (Johan Heldenbergh), give shelter to a revolving population of Ghetto escapees. The film takes on far more than it can handle with any clarity, focus or narrative logic—the fate of the animals; the fate of the Jews in hiding (most of whom are generic presences rather than individuals); the Warsaw uprising as the Nazis' hold on the city weakens. Yet the most basic flaw may lie in the initial decision to film the book. It's a wonderful book, the densely detailed work of a writer, and naturalist, who finds the general in the particular—how animals and humans illuminate each other's realms of existence, how the heroic devotion of Antonina and Jan to the lives around them grew out of their grounding in the life sciences. Not all wonderful books, though, are meant to be mainstream films.



OPINION

REVIEW & OUTLOOK

Senate Republican Suicide

House Republicans immolated themselves over health care, and now Democrats are hoping the Senate GOP will perform its own kamikaze turn over Supreme Court nominee Neil Gorsuch. If Republicans blink and tolerate Democratic filibusters of High Court nominees, they should hand over their majority to the Democrats now.

Minority Leader Chuck Schumer's strategy is transparent: Stage-manage an unprecedented filibuster against Judge Gorsuch, and then portray Republicans as radicals if they change Senate rules to break it. The gambit is to coax at least three of the 52 GOP Senators to cut a deal with Democrats that hands the minority political leverage over President Trump's judicial nominees.

Mr. Schumer and other Democrats are trying to lure those Republicans into a deal by preaching a false institutionalism that claims to be acting for the good of the Senate. They want to scare the GOP into believing that breaking a filibuster would somehow break the Senate as a deliberative body that requires 60 votes and bipartisan consensus to act.

But the real radical act is a Supreme Court filibuster. Mr. Schumer wants to use the filibuster to defeat Judge Gorsuch outright, or negotiate a deal that gives the judge a confirmation pass of 60 votes in return for a guarantee that GOP Senators won't break a filibuster on future nominees during the Trump Presidency.

Either result would do great harm to the Senate's advice and consent role under the Constitution, tilt the Supreme Court to the left, reward the most partisan voices in the Senate on the left and right, further inflame grassroots conservative outrage against political elites, and deal a grievous wound to the Republican Party. Other than that, a great day at the office.

Start with the fact that there has never been a partisan filibuster of a Supreme Court nominee. The elevation of Justice Abe Fortas to become Chief Justice in 1968 failed amid bipartisan opposition due to his policy collaboration with the White House while he was a Justice.

The one cloture vote to end debate on that nomination failed 45-43, well short of the 67 votes required at the time. Nineteen Democrats and 24 Republicans voted against cloture in what was the last year of Lyndon Johnson's Presidency, and Fortas asked LBJ to withdraw his nomination. Filibusters were mooted against William Rehnquist and Samuel Alito but never materialized. A cloture vote against Rehnquist failed in 1971, 52-42, but he was later confirmed 68-26. Justice Alito easily won a cloture vote

and was confirmed 58-42. Republicans never even attempted to filibuster Bill Clinton or Barack Obama's four nominees who went on to become Justices.

A filibuster deal with Democrats over Gorsuch would be a judicial and political disaster.

of Republicans and Democrats struck the Gang of 14 deal that agreed to confirm nominees except in "exceptional circumstances."

But Democrats ended that deal when they regained power. In 2013 they unilaterally rewrote Senate rules to break the filibuster for appellate nominees for Barack Obama. Democrats would surely do the same for the Supreme Court the next time they control the White House and Senate, as Senator Tim Kaine explicitly promised to do if Hillary Clinton won the election.

A deal now with Democrats would create a double standard in which GOP nominees are subject to a 60-vote standard but future Democratic nominees aren't. It would also deny other Senators their constitutional right to offer advice and consent by casting a vote on nominees. A filibuster essentially blocks a vote to confirm, though a nominee like Judge Gorsuch would receive more than 50 votes. He could be denied a seat on the Court on purely procedural grounds, something that has never happened.

If Judge Gorsuch is confirmed, the next opening could come as early as the end of the current Supreme Court term in June and could determine its direction for years. If Democrats know they can block any nominee with a filibuster, they can dictate that no one on Donald Trump's campaign list of 21 potential nominees can be confirmed. Democrats could guarantee that no one to the right of Justice Stephen Breyer can be confirmed.

This would betray the voters who elected Donald Trump and a GOP Senate in 2016. The Supreme Court wasn't some political afterthought last year. It was central to the campaign and crucial in motivating millions of Americans to go to the polls. If you think GOP voters are angry now, imagine what they'll be like if Republicans let Democrats block conservative judges. This would be Senate Republican suicide.

After the health-care fiasco, Republicans need to show Americans they can follow through on their governing promises. If the GOP doesn't want to squander its Senate majority, it will stay united and confirm Neil Gorsuch, even if it means breaking an unprecedented Senate filibuster.

North Korean Killers Go Free

Malaysia allowed three North Korean suspects in the Feb. 13 killing of Kim Jong Nam, half-brother of dictator Kim Jong Un, to leave the country on Thursday night. In return Pyongyang released nine Malaysian diplomats and family members it had prevented from going home. The deal means the North Koreans who allegedly planned the killing, including four who fled Malaysia within hours, will never be held accountable in a court of law.

If there's a silver lining in this affair, it's that Pyongyang burned some valuable bridges. Malaysia has been a convenient base for dodging United Nations sanctions.

As the Journal reported last week, in 2014 the U.N. flagged Malaysia Korea Partners, a com-

pany that sent North Korean workers to construction projects in Africa, as a possible sanctions violator. Malaysian authorities didn't respond to the U.N. and began to investigate MKP only after the Kim assassination. One reason may be that MKP hired and gave stakes to politically connected Malaysians. Other such companies are now being probed.

Until recently, Malaysia was one of the few countries that allowed North Koreans to visit without a visa. Yet Pyongyang rewarded Kuala Lumpur by using nerve gas in an international airport and then holding diplomats hostage. Other governments that help Kim Jong Un make money should learn a lesson: There's no honor among killers.

Icahn't Believe It's an Ethics Conflict

Debbie Stabenow of Michigan and Sherrod Brown of Ohio.

Democrats lambaste Carl Icahn for agreeing with them.

a op-ed in these pages disclosing his business interests in the policy.

Mr. Icahn also happens to believe that the RINs market is rigged to generate "windfall profits" for "Wall Street, Big Oil and large gas-station chains" at the expense of small and medium refiners like CVR, as he wrote in the Journal. The system is "full of manipulation, speculation and fraud," he added. Hmmm. This sounds familiar.

In a 2013 letter to the Commodity Futures Trading Commission (CFTC), Ms. Stabenow observed that "factors other than supply and demand have been causing extraordinary volatility in the price of RINs." She feared that "a lack of transparency in these markets has made them more susceptible to manipulation. If this is the case, it is a problem that must be identified and fixed."

As recently as a letter last year, Ms. Warren also warned the CFTC about "the risks of speculation" that "can drive up the price of oil and gas for consumers." And Mr. Brown and other signatories joined a 2012 letter lambasting "excessive speculation in America's oil and gasoline markets" and told the CFTC to root out "fraud, abuse, and manipulation."

Democrats can't blame Mr. Icahn for passing along their own opinions. Meanwhile, reform is overdue at the EPA, and Mr. Icahn is doing a public service by exposing the agency's RINs extortion racket.

What Devin Nunes Knows



POTOMAC WATCH By Kimberly A. Strassel

California Rep. Adam Schiff may not offer much by way of substance, but give him marks for political flimflam. The ranking Democrat on the House Intelligence Committee was so successful at ginning up fake outrage over his Republican counterpart that he successfully buried last week's only real (and bombshell) news.

Mr. Schiff and fellow Democrats spent last week accusing Chairman Devin Nunes of carrying water for President Trump, undermining the committee's Russia investigation, and hiding information. The press dutifully regurgitated the outrage, as well as Mr. Schiff's calls for Mr. Nunes to recuse himself from the investigation into possible Russian electoral meddling.

All this engineered drama served to deep-six the important information Americans urgently deserve to know. Mr. Nunes has said he has seen proof that the Obama White House surveilled the incoming administration—on subjects that had nothing to do with Russia—and that it further unmasked (identified by name) transition officials. This goes far beyond a mere scandal. It's a potential crime.

We've known since early February that a call by former national security adviser Mike Flynn to the Russian ambassador was monitored by U.S. intelligence. There's nothing improper in tapping foreign officials. But it was improper that Mr. Flynn's name was revealed and leaked to the press, along with the substance of his conversation. The media nonetheless excused all this by claiming one piece of Mr. Flynn's conversation (sanctions) was relevant to the continuing investigation into Trump-Russia ties.

Around the same time, Mr. Nunes's own intelligence sources informed him that documents showed further collection of information about, and unmasking of, Trump transition officials. These documents aren't easily obtainable, since they aren't the "finished" intelligence products that Congress gets to see. Nonetheless, for weeks Mr. Nunes has been demanding intelligence agencies turn over said documents—with no luck, so far.

Mr. Nunes earlier last week got his own source to show him a treasure trove of documents at a secure facility. Here are the relevant details:

First, there were dozens of documents with information about Trump officials. Second, the information these documents contained was not related to Russia. Third, while many

reports did "mask" identities (referring, for instance, to "U.S. Person 1 or 2") they were written in ways that made clear which Trump officials were being discussed. Fourth, in at least one instance, a Trump official other than Mr. Flynn was outright unmasked. Finally, these documents were circulated at the highest levels of government.

To sum up, Team Obama was spying broadly on the incoming administration.

Mr. Schiff's howls about Mr. Nunes's methods are bluster; the Republican was doing his job, and well. Mr. Nunes has spent years cultivating whistleblowers and sources as part of his oversight responsibilities, and that network scored him information that has otherwise remained hidden.

Meantime, few things match the ludicrous furor over Mr. Nunes's source-

Team Obama was spying broadly on the incoming administration.

meeting place, or his visit to brief Mr. Trump. Congress members must view most classified material on executive-branch grounds, since that's the only way to access it physically. Having discovered the former administration's surveillance of Trump officials, Mr. Nunes had a duty to let the White House know. (Imagine if he'd sat on it.) He could hardly let Democrats know first, since their only interest these days is in leaking and twisting stories.

And the reason he held press briefings before and after his meeting with Mr. Trump was to be transparent about his purpose.

Hint to the press corps: If Mr. Nunes wanted to tip off the White House about his Russia probe, it'd be a lot easier to speed-dial Steve Bannon secretly from his office.

If Mr. Schiff wants to be trusted with important information, he might start by proving he is trustworthy—rather than rumor-mongering that there is "more than circumstantial evidence" of Trump-Russia collusion. He might voice some concern that a prior White House was monitoring its political opponents. He might ask whether Obama officials had been "reverse monitoring"—tracking foreign officials solely so they could spy on the Trump team.

Mr. Nunes has zero reason to recuse himself from this probe, because he is doing his job. It's Mr. Schiff who ought to be considering recusal, for failing to do his own.

Write to kim@wsj.com.

The Climate Yawns



BUSINESS WORLD By Holman W. Jenkins, Jr.

The oddest criticism of Donald Trump's climate action last week was the claim, mentioned almost triumphantly by every news source, that it would save few coal jobs. The economic and technological forces, especially the flood of low-carbon natural gas from fracking, are just too powerful.

Then why, if you're a Democrat, put yourself in that position in the first place to take blame for killing coal jobs? Why enact a costly regulation to do what the market was doing for free? When everybody else wanted to blame the Florida recount for his 2000 defeat, Al Gore was smart enough privately to blame gun control. When you lose your home state as presidential candidate, something is wrong. The same blundering ineptitude explains how the Obama alliance with the greens threw away first Congress and then a presidency.

Of course the news reports are right: "The regulatory changes are entirely outweighed by these technological changes, not to mention the price of natural gas or renewables," Mark Muro of the Brookings Institution was quoted telling the New York Times.

So potent and large are these global forces that repealing the Obama rules, costly as they are, not only won't affect coal jobs, it won't affect climate.

Gina McCarthy, Mr. Obama's EPA administrator, admitted as much when confronted, during a 2015 House hearing, with the fact that, by the agency's own climate models, the effect would be only 1/100th of a degree Celsius. Instead, she said success should be measured in terms of "positioning the U.S. for leadership in an international discussion."

Even so, many climate activists felt the need to walk back Ms. McCarthy's concession by insisting Obama policies would have a measurable effect—on the amount of CO₂ released. Yes, the relative decrease would be tiny but measurable, though the climate effect would be zip. This is akin to medical researchers claiming a drug a success because it's detectable in the bloodstream, not because it improves health.

And don't get us started on the "social cost of carbon," a mechanism of policy justification created by the

Obama EPA to assign a dollar-value benefit to carbon abatement rules that, in total, will produce zero impact on climate.

Pile up all the government policies enacted or seriously on the table, and their net effect is zilch. A new McKinsey study, that would be hilarious if it weren't so sad, points out that Germany's switch to renewables has been a success by almost every metric except CO₂ output—which is up instead of down.

Rising energy prices to support this energy transition have had one measurable effect—more than 330,000 German households have had their electricity shut off in the past year from nonpayment of bills almost three times as high as those paid by U.S. households.

Germany, needless to add, is many greens' idea of a country "positioned for leadership in international discussions."

No rational consideration, however, will abate the torrent of priestly imprecations hurled by green activists last week at Mr. Trump. The New York Times insists that Trumpian action "risks the planet"—plainly false since nothing either Mr. Trump or Mr. Obama did will make a difference to the planet.

Literally no amount of money dissipated on climate policy is excessive to such people, because their shamanistic status is directly proportional to the social waste they can conjure. In the realm of religion are we called upon to perform symbolic actions whose purpose (and cost) is aimed at testifying to our membership in the elect.

The most poignant question, however, is what happened to Democrats? They were once a party whose members cared whether policy was efficient and produced benefits for the American people.

It was not yet today's Democratic Party of Chuck Schumer, who isn't stupid and yet is associated with no body of policy thought or analysis. If he even has anybody on his staff deputized to think about the results of policy, it probably is the lowliest intern.

A wrecking ball of a president was the Trump electorate's answer to this problem. It's hard even now to say they were wrong. If he delivers nothing in the next four years, it is alarming to suspect that this likely would still be a better result than the U.S. would have gotten under Hillary Clinton.

OPINION

Mistakes, He's Made a Few Too Many



DECLARATIONS
By Peggy Noonan

Near the end of the campaign I wrote a column called "Imagine a Sane Donald Trump," lamenting that I believed he was crazy, and too bad. Too bad because his broad policy assertions, or impulses, suggested he understood that 2008 and the years just after (the crash and the weak recovery) had changed everything in America, and that the country was going to choose, in coming decades, one of two paths—a moderate populism or socialism—and that the former was vastly to be preferred, for reasons of the nation's health. A gifted pol-

Crisis will inevitably strike, so America needs stability and strength. Will Trump be ready?

itician could make his party the leader toward that path, which includes being supportive and encouraging of business but willing to harness government to alleviate the distress of the abandoned working class and the anxious middle class; strong on defense but neither aggressive nor dreamy in world affairs; realistic and nonradical on social issues while unmistakably committed to protecting the freedoms of the greatest cohering force in America, its churches; and aware that our nation's immigration reality was a scandal created by both parties, and must be redressed.

You could discern, listening to his interviews and speeches, that this was more or less where Donald Trump stood. If a politician

governed along those lines, he could help bring forward a politics more pertinent to the times, end brain-dead fixations, force both parties to question their ways of operating, and possibly push our national politics in a more productive direction. All this in my view would be good.

Undergirding my thinking is the sense that a big bad day is coming—that we have too many enemies, and some of them have the talent to hurt us, and one or more inevitably will. Whatever helps hold us together now will help hold us together then, when we're under severe pressure.

Behind that thought is the observation that our country is stressed to the point of fracture culturally, economically, politically, spiritually. We find it hard to hold together on a peaceful day, never mind a violent one. And so right now we must institute as much good feeling and cooperation in Washington as we can. The nation longs for examples of constructiveness and capability. We've got to keep the long view in mind.

The priority is stabilizing and strengthening what we have, and encouraging wherever possible an atmosphere of peacefulness and respect.

That's where I am, or rather what I think is politically desirable.

Looking at the administration 70 days in, things do not, in these areas, look promising. There's too much gravitational pull to the president's accumulated mistakes.

His stupid tweets have now resulted in the Russia probe. *That* will help opioid addicts in Ohio. This Thursday he may have launched a Republican civil war: The Freedom Caucus had better "get on the team, & fast. We must fight them, & the Dems, in 2018!" *That* will help promote harmony. His staff has failed to absorb the obvious fact that Mr. Trump was so outsized, colorful, and freakish a character that their primary job, and an easy one it was, was to be



the opposite—sober, low-key, reassuring. Instead they seemed to compete with him for outlandishness.

Whatever your feelings and views, whatever was said behind closed doors, in the photo-op the president of the United States must shake the German chancellor's hand. Not only because you are a gentleman, not only because it is your job to represent America with grace, but because a baseline requirement of your office is to show public respect for a great nation with which we have a history, part of that history constituting a jewel in the crown of 20th-century world diplomacy.

It amazes me that in his dealings with the health-care bill Mr. Trump revealed that he has no deep knowledge of who his base is, who his people are. I've never seen that in politics. But Mr. Trump's supporters didn't like the bill. If they had wanted a Republican president who deals only with the right, to produce a rightist bill, they would have chosen Ted Cruz. Instead they chose someone outside conservatism who backed big-ticket spending on infrastructure and opposed cutting entitlements, which suggested he'd be working

ways brought different experiences to the table. I had worked in a White House. I had personally observed its deeper realities and requirements. Their sense of how a White House works came from news shows and reading, and also from TV shows such as "House of Cards" and "Scandal." Those are dark, cynical shows that more or less suggest anyone can be president. I don't mean that in the nice way. Those programs don't convey how a White House is an organism demanding of true depth, of serious people, real professionals. A president has to be a serious person too, and not only an amusing or stimulating talker, or the object of a dream.

Robert Sherwood, the playwright who was Franklin D. Roosevelt's speechwriter throughout the war, saw him as subtle, high-minded, and one of the great "showmen" of presidential history. Sherwood's biographer, Harriet Hyman Alonso, quotes Sherwood on how sometimes FDR spoke to him "as if he were an actor who had been reading my lines." After a speech in Philadelphia, the president asked Sherwood if he thought the timing in a section of the speech was good. Sherwood called it perfect. Roosevelt then gave him "one of his sly looks and asked, 'Do you think [Alfred] Lunt could have done it any better?'" Lunt was the great stage actor of the day.

That is the public part of the presidency, which we see so much now that we think it's all there is. But there is a private presidency. It is in private that Mr. Trump does his tweeting. It is in private, in the office, that a crisis comes over the transom, and is announced by the national security adviser. Maybe the mad boy-king of North Korea will decide it's a good day to see if his missiles can hit Los Angeles. Maybe a sleeper cell of terrorists will decide it's a good day to show it's woke.

Crisis reveals the character, the essential nature of a White House. Seventy days in, that is my worry.

Greenberg Doesn't Want Buffett to Buy AIG

By James Freeman

After another disappointing quarter at AIG and the announcement that CEO Peter Hancock has agreed to resign, stock analysts have begun wondering: Will Warren Buffett's Berkshire Hathaway buy all or part of the troubled insurer? The man who built AIG into a global giant doesn't think much of the idea. "I'd be very opposed to that," Hank Greenberg tells us. "When you have the history of what happened to AIG and its relationship with Warren Buffett's company, you'd understand why."

Specifically, Mr. Greenberg believes Mr. Buffett's Berkshire is partly responsible for the mess at AIG that began when Mr. Greenberg was deposed as CEO in 2005. Twelve years ago, New York's then-Attorney General Eliot Spitzer—who would later resign in disgrace from New York's governorship—forced AIG's board to fire Mr. Greenberg. It proved to be a disaster for both AIG shareholders and the financial system.

After Mr. Greenberg departed, AIG ramped up its bets on the U.S. housing market. The company nearly collapsed during the 2008 financial crisis before receiving a taxpayer bailout of more than \$180 billion. Later AIG seemed to return to health and repaid its government loans. But the apparent turnaround was achieved in part by selling valuable assets and by writing policies that now look less profitable. The company recently posted a quarterly loss of \$3 billion.

AIG will now search for its sixth CEO since it was decapitated by Mr. Spitzer. "It's very depressing," Mr. Greenberg says, "to see what was the largest, most successful insurance company in history find

itself in the state that it's in today." He has only recently been freed from the litigation unleashed by Mr. Spitzer, who claimed Mr. Greenberg had authored a fraudulent reinsurance deal in 2000. The current attorney general, Eric Schneiderman, continued the civil case and tried to bar Mr. Greenberg from the securities industry and from running a public company. But in a settlement struck in February, Mr. Schneiderman failed to impose either penalty.

"First of all, he failed for good reason," Mr. Greenberg says now. "There was nothing done improperly on the side of AIG or myself." The case's resolution means that there is no legal obstacle preventing the spry 91-year-old from returning to save the company he made famous. "Would I like to find a way to help AIG?" Mr. Greenberg asks. "Of course I would." Would he consider serving again as CEO? "I'll make that decision," he replies, "if I'm asked."

But he's already convinced that Berkshire Hathaway should not gain control of AIG. It was a Berkshire-owned company, General Re, that was on the other end of the reinsurance deal Mr. Spitzer seized upon. Mr. Greenberg says that back in 2000, when he suggested a transaction with Gen Re, he did not know that "the Warren Buffett reinsurance companies—there were several of them—were having difficulty" with regulators in jurisdictions around the world.

Mr. Greenberg says he also didn't realize that the legitimate transaction he proposed in 2000 was later changed at Gen Re into something improper. It was only years later, he says, that he learned the Berkshire-owned company had given him a "fictitious

set of numbers."

By the mid-2000s, exotic reinsurance deals were attracting the attention of Mr. Spitzer. Gen Re had already been fielding inquiries from regulators around the world. But Mr. Spitzer seems to have been looking specifically for a way to prosecute Mr. Greenberg, who had criticized

But the ex-CEO, finally free of legal jeopardy, is eager to help revive the troubled insurer.

some of the attorney general's enforcement actions. According to a sworn affidavit from former New York Attorney General Dennis Vacco, in a 2004 meeting Mr. Spitzer used a string of expletives in a rant about Mr. Greenberg and said he intended to bring down the AIG boss and his son, also an insurance executive.

Mr. Greenberg says that Mr. Buff-

fett communicated with the New York attorney general and "gave him the name AIG. That's all that Spitzer needed to hear and that's

the start of the whole thing." Mr. Greenberg adds: "How much did Warren Buffett know? I have no idea. But why did he go to Spitzer?"

Mr. Buffett declined to be quoted for this article, and we've seen no evidence that he knew anything about improprieties in any of his reinsurance businesses, at least some of which appear to have occurred before Berkshire's ownership. To this day, Mr. Greenberg calls Gen Re's CEO from that period, Ron Ferguson, "an honorable guy," and the former AIG chief still does business with Berkshire. If anything improper was done, it appears to have occurred well below Mr. Buffett's level. Further, if lawyers working for Berkshire found something they believed to be improper, reporting it to prosecutors would be the right thing to do.

But did Mr. Spitzer give Berkshire companies a pass on questionable transactions in order to get the AIG boss? "Apparently he did," says Mr. Greenberg.

Years after Mr. Spitzer's departure, while the case continued to wind through the legal system, Mr. Greenberg visited Mr. Buffett in

Omaha, Neb. "I went out and had dinner with him," he says, "and asked him to go to the attorney general and bring an end to this farce." But Mr. Buffett "said he couldn't do it," Mr. Greenberg recounts. "He said his lawyers wouldn't let him."

Describing their dinner, Mr. Greenberg says: "It wasn't frosty. It wasn't warm. It was kind of matter-of-fact." He adds: "I couldn't budge him."

Now, if Mr. Buffett wants to make a bid for AIG, he probably won't be able to budge Mr. Greenberg, who thinks Berkshire Hathaway shouldn't own the company he built. Mr. Greenberg still controls about 1% of AIG shares. Such a deal also isn't necessarily a natural fit, given Mr. Buffett's general preference for buying straightforward, reliable businesses, rather than troubled, complicated ones.

But AIG's board should take Mr. Greenberg up on his offer to help. He's waited long enough—and so have AIG shareholders.

Mr. Freeman, assistant editor of the Journal's editorial page, writes the Best of the Web column for WSJ.com.

Can Trump Cut a Deal With Egypt?

By Eric Trager

The relationship between Egypt and the U.S. will look sunnier on Monday, when President Abdel Fattah Al Sisi visits President Trump in Washington. Under the Obama administration, Mr. Sisi's authoritarianism made him persona non grata. The key question: Can Mr. Trump translate the warm welcome into a "good deal" for America?

This isn't the first U.S.-Egypt "reset." Upon taking office, President Obama courted Mr. Sisi's predecessor, Hosni Mubarak, who had represented the Bush administration's "freedom agenda." Mr. Obama emphasized convergence with Egypt on the Israeli-Palestinian peace process, while playing down human-rights concerns.

Mr. Obama's priorities shifted, however, once Mr. Mubarak was overthrown in 2011. The White House backed Egypt's democratic transition and cooperated with the Muslim Brotherhood leader Mohammed Morsi, who won the 2012 presidential election.

The following year, after mass protests in Egypt, the military, led by Mr. Sisi, ousted Mr. Morsi and oversaw a deadly crackdown on Morsi supporters. The Obama White House responded by withholding weapons shipments. Cairo inter-

preted this as U.S. support for the Muslim Brotherhood, which Egypt soon declared a terrorist organization. Weapons shipments resumed in 2015, but Cairo's distrust of Washington persisted. Meanwhile, Egypt deepened its ties to Russia through arms deals and joint military exercises.

Now Mr. Sisi will encounter a friendlier White House. Mr. Trump is skeptical of democracy promotion and won't press Egypt on political reform. Officials in the Trump administration have praised Mr. Sisi's

Washington has a strong hand to ask for real concessions.

bitarily detained since 2014.

Still, both countries' domestic politics pose challenges. Egyptian officials have requested more U.S. military and economic aid. Egypt also wants Washington to renew cash-flow financing, which enables it to sign more expensive weapons contracts. But Mr. Trump vows to cut foreign aid.

Meanwhile, Mr. Trump ought to prioritize Egypt's counterterrorism efforts. Egypt's military was built to fight land wars, and its brass refuses to focus aid on counterterrorism. Cairo may try to win this debate by playing to Mr. Trump's pledge to create jobs: Buying weapons systems ultimately helps employment in the defense industry.

Mr. Trump's best chance to cut a "good deal" with Mr. Sisi may be on Monday, when the Egyptian leader receives the Washington welcome he has long desired. But if Mr. Sisi pockets that victory without conceding anything on his country's deepening relationship with Russia, prosecution of Americans, or aid priorities, Mr. Trump will have wasted Washington's best hand in years.

Mr. Trager is a fellow at the Washington Institute for Near East Policy and author of "Arab Fall: How the Muslim Brotherhood Won and Lost Egypt in 891 Days."

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LIFE & ARTS

WHAT'S YOUR WORKOUT? | Jen Murphy

Training for a Gig On Mount Everest

THE EIGHTH STOP on Paul Oakenfold's Generations World Tour, which kicked off Feb. 24, is his most ambitious gig in three decades as a DJ. As the 53-year-old partyhops around the globe from Miami Music Week to Attica, a Singapore nightclub with a river-side champagne bar, he's been training for his April 11 performance in Nepal. That will require him to trek to 17,500 feet above sea level to reach the stage at Mount Everest's South Base Camp.

The three-time Grammy nominee is a pioneer of electronic dance music. Until now, his workouts consisted of working up a sweat behind the turntables at hot spots like Ibiza. Mr. Oakenfold has performed in extreme places, including on the Great Wall of China and Ushuaia, Argentina, near the southernmost tip of South America. But his shows have never required the physical and mental stamina of reaching Everest Base Camp, a journey that usually takes eight days.

"I've never hiked in my life," the Englishman says. "My mum's like, 'Why did you pick the hardest one to start with?' But this opportunity came up and I'm at a point in my career where I want challenges. I want to bring electronic music to the farthest reaches of the world."

British mountaineer Kenton Cool, who has climbed Mount Everest 12 times, will guide Mr. Oakenfold and his group, which includes a Nepalese DJ and film crew. Mr. Oakenfold started training in November. Maintaining a six-day-a-week routine from his home in Los Angeles wasn't so bad, he says. But waking up for a 6 a.m. workout after playing a set until 3 a.m. on tour has been taxing. "My friends tease me that I won't go out or drink," he says. "But I know I need to take this seriously if I want to get up the mountain." He plans to donate his



equipment to a local DJ school in Nepal and will donate proceeds from the tour to two Nepalese charities and the Mayor's Music Fund in London.

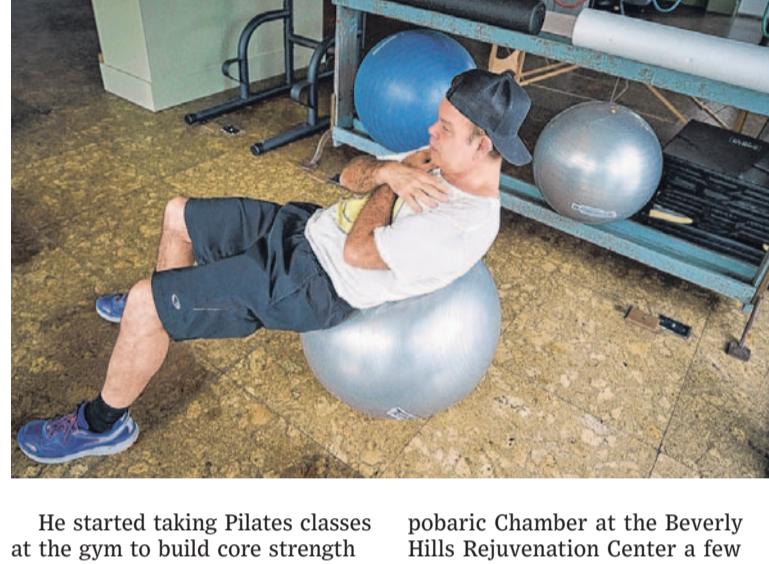
The Workout

Mr. Oakenfold starts each morning by taking 30 deep breathes from his diaphragm, followed by a series of stretches. In November, he began the first phase of his training, walking 3 miles five to six days a week. Phase Two required him to hit the gym, something he says he hadn't done in decades. He would climb the StairMaster or walk on the treadmill at an incline to simulate hiking. Mr. Oakenfold eventually worked his way up to walking at a quick pace on the treadmill at a steep incline for one hour.

Once that felt comfortable he started wearing an altitude mask. "I got all sorts of crazy looks from people at the gym," he says. "The mask reduces the air you breathe. It's quite claustrophobic, but really helps me focus on breathing from my stomach rather than my chest."



Paul Oakenfold works out in Miami while on tour to prepare for his expedition to Mount Everest's South Base Camp.



He started taking Pilates classes at the gym to build core strength and had a trainer develop a strength routine of medicine-ball lunges, crunches, roll-ups and negative holds on the Roman chair to strengthen the lower back, hip flexors and abs.

Phase Three of his training included hiking outdoors for two to three hours. "I'm lucky that my recent tour took me to mountain towns in Vermont, Salt Lake City and Whistler [British Columbia] so I could hike at altitude," he says. He spent time in a CVAC Hy-

pobaric Chamber at the Beverly Hills Rejuvenation Center a few times a week for the two months leading up to his expedition. The chamber simulates high-altitude conditions. Mr. Oakenfold gradually made his way to simulating being at 17,000 feet above sea level in the chamber.

The Diet

Mr. Oakenfold did a self-imposed cleanse in November, cutting out two substances that fuel most DJs: caffeine and alcohol. "I didn't want to be taking any stimulants,"

he says. "That's tough when you're playing shows late into the night and then need to be up the next morning to work out and catch a flight." He swapped out pasta, rice and dairy for a Paleo-influenced diet of root vegetables, salads and lean protein, like fish and chicken. He's been obsessive about tracking his water intake. "I've done my research and know that if you don't hydrate at altitude you'll suffer from headaches or dehydration," he says.

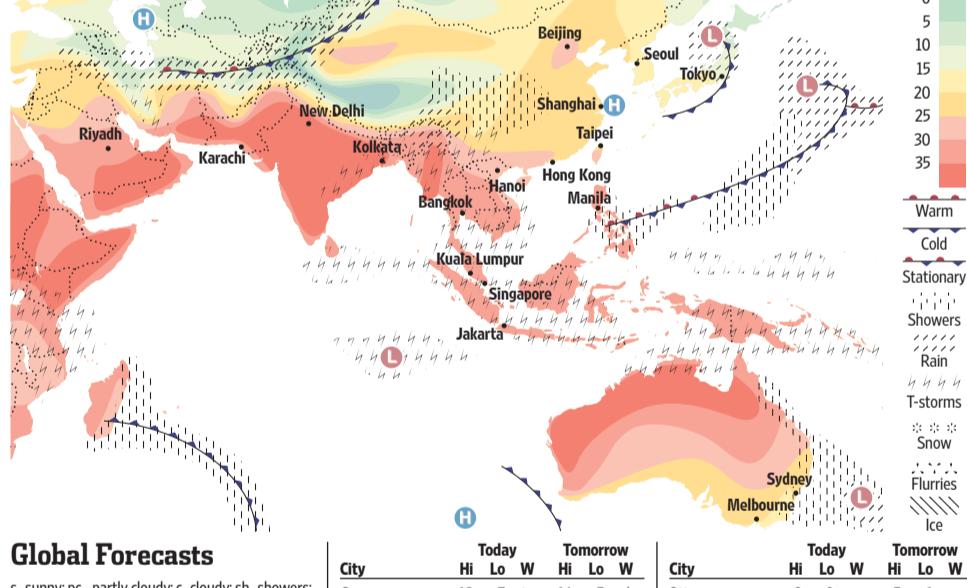
The Cost & Gear

Mr. Oakenfold entered this process knowing nothing about mountaineering gear. He got outfitted by the Canadian outdoor gear company Arc'teryx. "When I asked about a shower, Kenton told me to buy baby wipes," he says. He purchased the Training Mask 2.0 from Under Armour (\$80), which is meant to simulate high-altitude training and regulate breathing.

The Playlist

"I don't listen to music when I train," he says. "I try to clear my head, which is a workout of sorts. We all have so much going on in our minds that to really be present and focused is a challenge. I try to zone out and concentrate on my breathing when I'm walking or hiking."

Weather

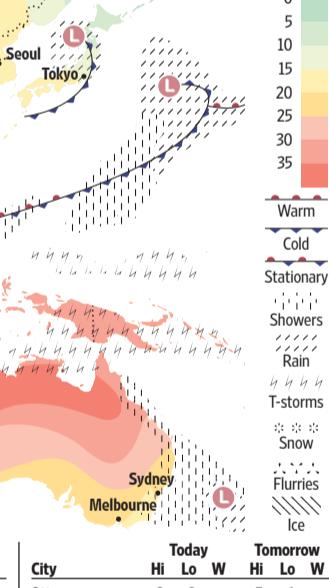


Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	15	6	pc	15	6	pc
Anchorage	9	5	pc	10	5	sh
Athens	17	12	r	18	12	pc
Atlanta	24	16	t	26	14	pc
Bahrain	23	12	pc	24	12	s
Baltimore	18	12	r	24	10	t
Bangkok	33	24	t	33	26	t
Beijing	26	10	pc	22	10	c
Berlin	14	3	pc	15	5	pc
Bogota	22	8	pc	21	8	r
Boise	10	-2	pc	13	3	pc
Boston	9	3	s	7	4	r
Brussels	16	6	pc	16	6	c
Buenos Aires	25	16	pc	26	16	sh
Cairo	26	15	s	29	16	s
Calgary	4	-7	pc	6	-3	s
Caracas	32	26	s	32	26	s
Charlotte	22	15	r	27	11	pc
Chicago	13	8	r	14	4	pc
Dallas	26	15	s	29	12	s
Denver	13	-3	r	4	-7	sn
Detroit	13	9	r	15	4	c
Dubai	36	25	s	30	22	s
Dublin	13	4	r	12	4	pc
Edinburgh	13	5	r	11	5	pc
Frankfurt	19	6	pc	17	6	pc

AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	18	7	t	16	5	sh
Hanoi	27	20	c	28	22	c
Havana	32	19	pc	32	19	s
Hong Kong	24	20	pc	25	21	s
Honolulu	29	23	s	29	22	pc
Houston	28	16	s	30	19	s
Jakarta	31	25	t	31	25	t
Johannesburg	28	14	s	27	12	s
Kansas City	16	7	r	16	8	t
Kuala Lumpur	22	10	pc	24	10	t
Kolkata	27	21	c	27	22	pc
Kuala Lumpur	17	9	s	17	10	s
Kuala Lumpur	31	25	t	31	25	t
Kuala Lumpur	28	14	s	27	12	s
Kuala Lumpur	16	7	r	16	8	t
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Kuala Lumpur	31	25	t	31	25	t
Kuala Lumpur	28	14	s	27	12	s
Kuala Lumpur	16	7	r	16	8	t
Kuala Lumpur	22	10	pc	24	10	t
Kuala Lumpur	27	21	c	27	22	pc
Kuala Lumpur	17	9	s	17	10	s
Kuala Lumpur	31	25	t	31	25	t
Kuala Lumpur	28	14	s	27	12	s
Kuala Lumpur	16	7	r	16	8	t
Kuala Lumpur	22	10	pc	24	10	t
Kuala Lumpur	27	21	c	27	22	pc
Kuala Lumpur	17	9	s	17	10	s
Kuala Lumpur	31	25	t	31	25	t
Kuala Lumpur	28	14	s	27	12	s
Kuala Lumpur	16	7	r	16	8	t
Kuala Lumpur	22	10	pc	24	10	t
Kuala Lumpur	27	21	c	27	22	pc
Kuala Lumpur	17	9	s	17	10	s
Kuala Lumpur	31	25	t	31	25	t
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Kuala Lumpur	16	7	r	16	8	t
Kuala Lumpur	22	10	pc	24	10	t
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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, April 3, 2017 | B1

Yen vs. Dollar 111.4630 ▼ 0.41%

Hang Seng 24111.59 ▼ 0.78%

Gold 1247.30 ▲ 0.18%

WTI crude 50.60 ▲ 0.50%

10-Year JGB yield 0.069%

10-Year Treasury yield 2.396%



Walgreens and Rite Aid's tie-up has been heavily scrutinized.

By EZEQUIEL MINAYA

Investors awaiting the long-delayed tie-up between drugstore chains **Walgreens Boots Alliance** Inc. and **Rite Aid** Corp. are growing increasingly uneasy that the deal, heavily scrutinized by regulators, could fall apart.

Walgreens, Rite Aid and **Fred's** Inc.—a Memphis chain that had agreed to buy 865 stores that were being divested to satisfy the government—are set to report earnings this week, potentially shedding some light on the status of the merger.

Federal regulators are concerned the deal, which would marry the second- and third-largest pharmacy chains by sales, could stymie competition. Among the antitrust concerns, the resulting drugstore giant—which would challenge CVS Health Corp.—would be able to bully pharmacy-benefit managers steering corporate and government drug plans.

The companies have taken numerous steps to try to appease the government since they struck a \$9.4 billion deal in October 2015, including agreeing to unload hundreds of stores. Divestitures are of-

ten required in large deals to assuage concerns over market power and consolidation within specific markets and industries.

In January, the companies said they would cut the amount Walgreens would pay to between \$6.8 billion and \$7.4 billion, depending on how many stores needed to be sold, and added that they would look to divest even more. The companies set a new deadline of July 31 to close the deal.

On news of the January announcement, Rite Aid shares dropped 19%, and they have fallen 24% further since then.

"The market is saying [the merger is] not going to through," said John Ransom, managing director of St. Petersburg, Fla.-based brokerage firm Raymond James, which makes markets in shares of both Walgreens and Rite Aid. Shares of Fred's have declined 7.2% since the announcement, while Walgreen's shares have risen 1.9%.

"They need to figure out what stores need to go, and what I heard is that the government wanted the stores to remain open as retail stores," said Mr. Ransom. "Walgreens

Please see DEAL page B2

Car Buyers Test Skills In Exotic Locations

By CHESTER DAWSON

ARJEPLOG, Sweden—Software architect Chris Weber used to consider spending six hours behind the wheel a chore. That was before he learned to do figure eights in a 550-horsepower sports coupe on a sheet of solid ice.

The Kansas City, Kan., resident picked up those trick driving skills during a five-day trip to a remote winter driving facility run by **Jaguar**, just weeks after buying one of the car maker's luxury SUVs.

"I didn't go to summer camps as a kid, but the concept was like winter camp" for adults, Mr. Weber said of the trip, which cost \$3,900 a person, plus airfare. When he returned to Kansas, Mr. Weber prayed for snow so he could try to replicate some of his newly acquired techniques in a parking lot. "I did take off the traction control on our cars—for a day," he said.

Destination driving programs are popular with travel buffs as well as gear heads.

His wife, Hillary, a geologist for an environmental-engineering company, said they would like to go back to Sweden for the thrill of the ride, natural spectacles like the Northern Lights and the charming Scandinavian countryside.

Once the sole domain of car critics and engineering teams, driving programs that test the limits of premium vehicles are becoming *de rigueur* for auto makers' best-heeled customers. **Jaguar Land Rover**, a unit of **Tata Motors** Ltd., launched its Lapland ice-driving tour this year, and similar winter-driving courses in Sweden offered by **Daimler AG** and **BMW AG** sell out months in advance.

Executives at these auto makers say destination driving programs are as popular with travel buffs as they are with gear heads. And for the brands themselves, these courses are becoming an essential point of distinction as luxury nameplates.

A flood of new models are hitting luxury dealer lots, intensifying competition among brands that had banked on repeat business from loyalists part of an elite family. As more mainstream brands, such as **Volvo Car Corp.** and **Hyundai Motor Co.**, introduce premium vehicles, the fight over a limited pool of buyers is growing.

Please see DRIVE page B2

Want That Apartment? You May Have to Bid

If you think the rent is too damn high, there are a couple of startups that want you to prove it, by forcing you to bid for a place to live. You may find out you're right. Or you may discover you aren't offering enough.

San Francisco-based Rentberry allows tenants to bid,

eBay-style, on the rent, security deposit and other negotiables of any rental property.

Vancouver-based Bid-dwell allows tenants to negotiate, through multiple rounds of offers, similar terms. For both sites, these auctions represent a way to profit from tenants offering more than the posted rent in hot markets and landlords trying to fill vacancies in cooler ones.

Landlord tech is hot right now for one simple reason: America is becoming a nation of renters. More than half of the 100 largest U.S. cities were majority-renter as of 2015; it was less than a third in 2009. Nearly three in four millennials rent rather than own.

The biggest startup in this space by funding, Zumper, is worth north of \$100 million, even though it's mostly just a prettier alternative to Craigslist. Even Airbnb has been reportedly exploring long-term rentals.

And Rentberry, which has so far been in only a handful of U.S. cities, is about to be available in more than 1,000 cities across the U.S. It already has 100,000 listings, says its co-founder and chief executive, Alex Lubinsky.

The real advantage of these sites may prove to be the automation of the paperwork and tedium that both landlords and tenants face when trying to match up.

The transaction costs of finding and renting a new place are shrinking. In the future, renting a home could be as easy as booking an Airbnb. The logic of applying the bidding model to rentals is clear: We buy homes through competitive bidding, so why not rentals?

Home buying is often done with a blind bidding process—Rentberry's is slightly different, since bidders can see what their competitors are offering.

At first, it seems terrifying. If rents in U.S. coastal cities are already trending upward at a steep angle, wouldn't bidding just drive prices up faster?

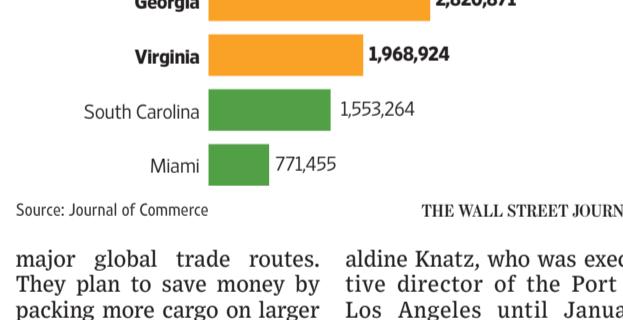
Rentberry's critics, including fair-housing advocates, say the company stands to profit from what many coastal U.S. cities say is a crisis in affordable housing. Mr. Lubinsky didn't do much to help this impression, declaring soon after Rentberry's early-2016 launch

Please see MIMS page B4

KEYWORDS
CHRISTOPHER
MIMS

Joining Forces

The East Coast's No. 2 and No. 3 ports want to share some operations



Source: Journal of Commerce

THE WALL STREET JOURNAL

STEPHEN B. MORTON/ASSOCIATED PRESS

Port of Savannah, Ga., in a 2016 photo. The ports of Savannah and Norfolk, Va., plan to discuss coordination of some operations.

By ERICA E. PHILLIPS

U.S. seaports are joining forces, setting aside decades of regional competition over cargo as a wave of consolidation in the shipping industry threatens to cut some cities out of global trade routes.

Shipping regulators are reviewing a proposal by the port authorities of Georgia and Virginia to discuss coordinating some operations, including investments in new equipment and negotiations with shipping lines. The ports of Seattle and Tacoma, Wash., merged most operations in 2015. The nation's busiest ports, in Los Angeles and Long Beach, Calif., are sharing more data since severe congestion brought operations to a near halt along the West Coast two years ago.

The deals are a response to unprecedented consolidation in the shipping industry. The world's top ocean carriers have formed three alliances that went into operation at the start of this month and will control 90% of shipments on

major global trade routes. They plan to save money by packing more cargo on larger ships that make fewer stops.

Many ports, fearful that they would be left out of shipping routes, are investing billions of dollars to dredge deeper harbors and install bigger cranes to handle the new class of megaships. Consolidation among U.S. ports is the logical next step, experts say.

"The shipping alliances have all the power," said Ger-

aldine Knatz, who was executive director of the Port of Los Angeles until January 2014 and is now a professor at the University of Southern California. "We've got to stop fighting against each other, and try instead to build some leverage."

Still, many secondary ports

are investing heavily to stay competitive. The Port of Miami recently spent more than \$1 billion on a deeper channel and other improvements, and

expects volume would more than double by 2035. South Carolina's Port of Charleston, the eighth-busiest U.S. port, is spending \$2 billion to break into the top five by 2020.

The move toward partnerships underscores the stark choices facing ports on both coasts: beef up to handle big ships or get left behind.

At stake are thousands of jobs and the livelihoods of importers, exporters and freight and logistics businesses that cluster around major ports.

Port terminals in Portland, Ore., Oakland, Calif., and elsewhere were idled last year, but shipping lines called other ports on the West Coast and overall container volume to the region's ports rose in 2016. In Europe, ports in Belgium and Spain saw cargo volumes drop after ports in the U.K., Netherlands and Germany added capacity.

Seattle and Tacoma, now operating as the Northwest Seaport Alliance, pool money and make infrastructure in-

Please see PORTS page B2

Please see DRIVE page B2

Two Exchange Whizzes Tackle CBOE's Challenges

By GUNJAN BANERJI

The unlikely deal combining **CBOE Holdings** Inc. and Bats Global Markets Inc., which closed in February, puts two industry heavyweights at the top of one enterprise.

The two men—Chief Executive Edward Tilly, a trader who ascended the ranks at CBOE, and Chris Concannon, a market-structure veteran with experience in regulation and high-frequency trading—will need to forge success at the newly created \$9 billion exchange operator, as lackluster trading in options dogs the industry and rising share prices have depressed volatility to historic lows.

The purchase of Bats is a victory for Mr. Tilly, 53 years old, who became CBOE's chief in 2013 and remains CEO and chairman of the combined company. Rumors that CBOE

would be the target of an acquisition by a bigger exchange had circulated for years. Mr. Tilly will work with Mr. Concannon, 49, the former head of Bats and now president and chief operating officer of CBOE, to unite the two companies.

Their chief challenges, analysts say, are to integrate the two exchanges' technologies and fight for market share in the hypercompetitive industry. CBOE, the biggest U.S. options platform by volume, issued \$1.65 billion in debt to purchase Bats. An Evercore ISI analyst in October called the merged company "one of the most levered entities to volume and volatility." The company also estimated \$50 million in cost savings within three years.

The two executives aim to continue expanding globally and increase CBOE's business

with exchange-traded funds by leveraging its relationships with index providers.

Throughout his career, Mr. Tilly helped cultivate CBOE's golden goose, the CBOE Volat-

ility Index, known as the VIX. It is a widely watched measure of market anxiety that the exchange has promoted. CBOE's exclusive rights to the use of the VIX and the S&P 500 in



MICHAEL BUCHER/THE WALL STREET JOURNAL

Edward Tilly, left, and Chris Concannon will need to integrate the two exchanges' technologies and fight rivals for market share.

trading contracts have proved to be two of its most lucrative advantages.

But Mr. Tilly also has seen the CBOE floor dwindle from 4,500 people to 440 in 2017, and at various times has had to reposition the four-decade-old company for the future. Acquiring the younger, leaner Bats, also known for its superior technology, is the latest example. "We saw a disrupter coming in and changing the industry," Mr. Tilly said.

The two men first met at a breakfast meeting more than 10 years ago. Mr. Tilly has a statistically minded focus on product, while Mr. Concannon is known for his operational expertise.

"Ed is a math whiz and I know the law," Mr. Concannon said.

Mr. Tilly is a Chicago-area native who joined CBOE

Please see CBOE page B2

BUSINESS NEWS

Glaxo's New CEO Steps Into the Fray

By DENISE ROLAND

LONDON—**GlaxoSmithKline PLC's** former chief executive bet big that bulking up on toothpaste, shampoo, over-the-counter painkillers and other health-related consumer goods would help anchor its risk-laden pharmaceuticals business.

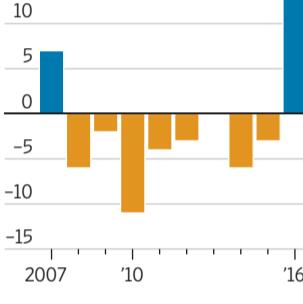
Now it falls to Emma Walmsley, former head of the company's consumer-health division, to prove him right—or chart a fresh course. She succeeded Andrew Witty as CEO on Saturday.

For most of Mr. Witty's nine-year tenure, Glaxo notched lackluster growth while battling a string of patent expirations for its top-selling drugs. Between 2009 and 2015, its total shareholder return of 54% was well below the 180% returned by the S&P Global 1200 Health Care Index.

Core Growth

GlaxoSmithKline's core earnings rose last year for the first time since 2007.

Annual Ebita growth*



*Earnings before interest, taxes and amortization, adjusted for currency movements

Sources: the company; Barclays
THE WALL STREET JOURNAL

But Glaxo's prospects are brightening, aided by a \$20 billion deal signed in 2014 with Novartis AG that bolstered Glaxo's consumer-health and vaccines businesses and trimmed the prescription-drug portfolio.

In 2016, Glaxo's core earnings climbed for the first time since 2007. Its shareholder return also has begun outpacing peers. From the start of 2016, the return is 32%, well above the sector average of 2.3%.

No one expects Ms. Walmsley to undo her predecessor's strategy. But now that it has started to bear fruit, investors are eager to see the new boss address a problem that many see as even more fundamental—improving the research productivity of Glaxo's giant pharmaceuticals division.

Ms. Walmsley's lack of drug-industry experience meant her appointment initially elicited a lukewarm reception from investors. She has addressed those concerns with the hiring of Luke Mels, a rising star at rival AstraZeneca PLC, to lead Glaxo's pharmaceuticals division.

"She got the best she can buy and brought him in," said Joe Walters, senior fund manager at Royal London Asset Management, which holds a 0.83% stake in Glaxo. "That's a sensible thing to do."

Foxconn Sales Hit Amid Apple Shift

By EVA DOU
AND LIZA LIN

Apple Inc. supplier **Foxconn Technology Group** experienced its first-ever annual revenue decline since going public in 1991, caused by a slump in iPhone sales.

Foxconn, the world's largest electronics manufacturer, has been seeking to reduce its reliance on Apple, which recently snapped three quarters of its own revenue declines thanks to strong demand for the new iPhone 7. However, Apple has been shifting some iPhone orders to secondary suppliers, and Foxconn's sales haven't fully reflected the rebound, according to Yuanta Securities analyst Vincent Chen.

On Friday, the Taiwanese company, known formally as Hon Hai Precision Industry Co., reported full-year 2016 revenue declined 2.8% to 4.4 trillion New Taiwan dollars (\$144.61 billion). Net profit

succeeded or fail on the results of expensive clinical trials with uncertain outcomes. Even drugs that become blockbusters typically have just a few years of market exclusivity before their patents expire and cheap versions erode sales.

Glaxo's drug pipeline has weathered some recent high-profile failures, such as darapladib, a heart drug the company hoped would become a multibillion-dollar drug, and lung-cancer treatment MAGE-A3. These fizzles hurt Glaxo's efforts to replace revenue and earnings lost after patent protection lapsed for best-sellers.

The Novartis deal was intended to reduce Glaxo's exposure to the boom-and-bust nature of pharmaceuticals. Consumer-health products and vaccines have lower research-and-development costs than prescription drugs and their commercial success isn't tied to patent life cycles.

Despite the reduced dominance of its pharmaceuticals division, Glaxo remains vulnerable to patent expirations. In February, it warned investors that the potential launch of a generic version of its best-selling inhaler Advair would scuttle earnings growth this year. Glaxo is counting on a string of drugs and vaccines launched in recent years to replace Advair's dwindling sales. Mr. Witty had promised these products—including HIV pill Tivicay and Advair-successor Breo—would produce sales of more than £6 billion, or over \$7.5 billion, by 2018.

At Advair's peak, in 2013, that drug generated sales of £5.3 billion. The last in Mr. Witty's lineup, shingles vaccine Shingrix, is currently under review by U.S. and European regulators.

But after that barrage of launches, Glaxo's late-stage pipeline is relatively bare. The company is planning to push some late-stage trials this year, hoping for another wave of new drugs between 2021 and 2025. A bevy of midstage clinical trials spanning rare diseases, cancer and respiratory disease are due to produce results in the coming year. One of Ms. Walmsley's most crucial tasks will be deciding which of those drugs to advance into expensive late-stage trials.

"She needs to put a lot of attention" on the research pipeline and "place some bets as data comes out over the next 18 months," said a senior executive at Glaxo. "That's the piece we need to get most right over the next few years, and there's no reason she can't do that."

Mr. Witty poached Ms. Walmsley from L'Oréal SA in 2010 to head Glaxo's consumer health-care division in Europe, and she quickly rose to take charge of the global business. In that role, she oversaw the divestment of products that didn't fit a health-care profile, such as soft-drink franchises Lucozade and Ribena, and focused on selected "power brands," such as Sensodyne toothpaste.

"She got the best she can buy and brought him in," said Joe Walters, senior fund manager at Royal London Asset Management, which holds a 0.83% stake in Glaxo. "That's a sensible thing to do."

Schneider Nears Sale of Data Unit

By BEN DUMMETT

French power-equipment supplier **Schneider Electric SE** is close to selling U.S.-based data-software business **DTN** to a Europe-based financial investor in a deal valued at around \$1 billion, according to a person familiar with the matter.

The planned transaction, depending on final negotiations, could be announced in the next couple of days, the person said. The identity of the buyer couldn't immediately be learned.

Schneider acquired DTN, which distributes real-time weather information to farmers and other customers, as part of its €1.4 billion (\$1.5 billion) acquisition in 2011 of Spain's Telvent. But in October, Schneider announced a strategic review of the business, and decided against trying



MICHAEL EULER/ASSOCIATED PRESS

French power-equipment firm is seeking to sell DTN for \$1 billion.

ing to build a subscription-based business as a new source of revenue.

DTN's expected sale price of close to \$1 billion would allow Schneider to recover the bulk of what it paid to acquire Telvent, while retaining a large

part of its operations.

The expected sale also comes as the French multinational's overall strategy is showing signs of paying off. In February, it reported 24% growth in annual net profit, attributing the strength to a

combination of organic growth, cost controls and improving margins.

Based in Minneapolis, Minn., DTN is most widely known for its ownership of the Progressive Farmer magazine, a storied U.S. agricultural periodical founded in 1886.

That operation, though, is only a small part of its business. DTN also collects and electronically transmits weather information to farmers, primarily in the U.S. on a subscription basis, to help them determine the best time to plant certain crops.

Other customers that depend on up-to-date weather information range from airlines to professional golf associations. DTN offers a similar service for refined fuel aimed at the energy sector.

Traders also subscribe to the company's commodity-market data service.

Equity investment totals have reached \$66 trillion worldwide.

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TECHNOLOGY

WSJ.com/Tech

Phone Firms Ramp Up Fight

By TIMOTHY W. MARTIN
AND TRIPP MICKLE

It's shaping up to be a big year in the smartphone wars.

Samsung Electronics Co. fired the first shot last week with the unveiling of its newest flagship phone, the Galaxy S8, which won strong initial reviews. About six months down the road, Apple Inc. is set to launch a 10th-anniversary model of its iPhone, which analysts expect to be its most innovative handset in years.

The new devices are coming as the industry's boom times have faded. Brands in recent years have struggled to develop impressive new features, and consumers are holding on to their devices longer.

Global sales growth has fizzled and most phone buyers stick with the brands they know, meaning Apple, Samsung and others generally have been competing for a relatively small share of consumers whose loyalties are up for grabs. "There are fewer new customers and you're having to fight to get your customers to upgrade," said Jan Dawson, an independent technology analyst with Jackdaw Research.

But in 2017, several factors are creating a rare chance to siphon away—or lose—consumers. Samsung's Galaxy S8 is an ambitious effort to recover from last year's battery fiasco, which led to a \$5 billion recall of three million Galaxy Note 7 phones and damaged consumer trust.

"The Galaxy S8 is our testament to regaining consumers' trust by redefining what's possible in safety and marks a new milestone in Samsung's smartphone legacy," a company spokeswoman said.

Apple is recovering from a slump of its own—its stock price in February regained levels not seen in two years—and is aiming to overcome criticism that the iPhone 7, released last year, was but a modest improvement over its predeces-



Samsung unveiled its newest flagship smartphone, the Galaxy S8, last week in New York.

sor. Wall Street expects the 10th-anniversary iPhone to deliver major new features though with a price tag of \$1,000, an unusually high cost that carries risks. Samsung's Galaxy S8 will be sold for about \$750, with a larger version going for \$100 more.

Apple declined to comment on the iPhone speculation.

"This will likely be an unusually high year of switchers," said Wayne Lam, a principal analyst at market-research firm IHS Markit, partly because of the Galaxy S8's impressive design and the fact that the next iPhone won't be released until fall.

Meanwhile, smaller handset makers are gunning for the two giants, which together account for more than a third of global smartphone unit sales and an astounding 95% of the industry's profits, according to Strategy Analytics, a market-research firm.

Huawei Technologies Co., the Chinese company that aspires to overtake Samsung and Apple in market share by 2021, and ones Snapchat served up to them.

It is the first major change to the Snapchat app since parent company Snap Inc. went public in early March. Going public has exposed Snap to more scrutiny of its user and revenue numbers—and increased investor pressure to improve both. Snap identified sustaining user growth as one of its biggest risks.

Snapchat has become popular by allowing users to share photos and videos in personal messages and among small groups, rather than the wide broadcasting that made Twitter Inc. and Facebook Inc. popular. That one-to-one messaging drives the frequency with which users visit, according to Cowen & Co. analyst John Blackledge.

But the one-to-many communication that Snap is pushing with its Stories feature is a key driver of time spent on its platform, says Mr. Blackledge. Snap has pushed the amount of time Snapchat users spend on the social network as a key metric of its reach. Snap says users spend an average of 25 to 30 minutes daily on the app.

Allowing searches on Stories could get users to hang

unveiled its own new high-end phone in February.

And Alphabet Inc.'s unit Google—which developed the Android operating system that Samsung, Huawei and almost all other non-Apple phone makers use—is now a bigger force in the market with the launch late last year of its Google-branded Pixel phone.

In the latest evidence of the industry's challenges, Huawei said Friday its profit growth slowed last year as margins fell and it invested more money in its consumer business.

In the U.S., the intense competition is occurring in a market that has become, in some ways, more rigid. A decade into the smartphone era, people are more loyal to their smartphones than nearly any other consumer product or purchase, researchers say.

Other markets are more fluid, especially in China and India where price-sensitive consumers frequently jump brands. But the U.S. is the key battleground, because Americans, on average, fork over

more for top-line gadgets.

Most U.S. consumers are settled either on the iPhone or on the Android system, where Samsung is the dominant player. Just 11% of Android users who bought a new device last year switched to an iPhone, according to market researcher Consumer Intelligence Research Partners LLC.

Among Apple users, only 15% made the opposite move.

"It's easier to switch, but there's less motivation by consumers to do so," said Michael R. Levin, co-founder of Consumer Intelligence Research.

The shift of even a few percentage points of market share remains important, especially in a tech world speeding toward connected cars and home appliances and other devices that people access with their phones. Apple's share of U.S. smartphone shipments fell to 32.5% last year from 35.3% in 2015, while Samsung's grew to 25.7% from 23.6%, according to Strategy Analytics.

Next in rank were LG Electronics Inc. and ZTE Corp.

MIMS

Continued from page B1
that it would raise rents by 5% on average.

Mr. Lubinsky has since changed his pitch, in part because he was wrong. Tenants on Rentberry have actually saved 5.1% on rent compared with what landlords asked, Mr. Lubinsky now says, based on calculations across all transactions on Rentberry's site, in the 10 cities where Rentberry has been active to date.

These savings were possible because Rentberry allows tenants to make offers that are lower or higher than the posted rent. It probably helps that, nationwide, there's an oversupply of apartments, says Toby Bozzuto, chief executive of the Bozzuto Group, which manages 60,000 apartments in the U.S.

Rentberry plans eventually to charge, every month, 25% of the difference between the posted and negotiated rent. Whoever got the better deal—landlord or tenant—pays the fee. It currently charges a one-time \$25 fee for every completed rental transaction.

Biddwell works almost the same way, although it uses a blind auction instead of an open one. It's a much smaller startup, with just 500 apartments, condos and homes across four Canadian cities so far. It expects to launch in the U.S. by early summer, according to co-founder and chief executive Jordan Lewis.

Early on, Vancouver's mayor, Gregor Robertson, expressed concern that Biddwell would unfairly affect housing prices. The startup has since met with members of the mayor's team to argue that this won't happen, Mr. Lewis says.

There's no economic reason why sites that allow people to bid on rentals would necessarily drive up prices. Bidding, says Sara Ellison, an economist at MIT, is actually good for markets where there isn't much information about the price of an item.

But in big cities, thanks to existing property listing sites, bidding might not matter. There's already plenty of

data landlords and tenants can use to determine fair-market rent, says Matthew Backus, a Columbia University economist.

Giving landlords the ability to auction off rental properties is solving the wrong problem, argues Anthemos Georgiades, chief executive of Zumper.

His company tried rental auctions but found landlords cared more about getting good tenants and filling vacancies quickly than about extracting the most rent.

Here, the essential difference between home sales and property rentals becomes apparent: With one, buyer and seller part ways; with the other, the two parties have to maintain a relationship.

Zumper is distancing itself from the stress and confrontation of haggling, Mr. Georgiades adds. The site currently offers an Instant Apply feature, which allows tenants to be prescreened.

The real revolution here is potentially that Zumper, Rentberry and Biddwell—along with property-management startups such as Cozy—automate much of the rental process, from credit checks to booking meetings between tenant and landlord.

The real advantage of these sites may prove to be the automation of the paperwork.

This was the part of the service that mattered most for Shaunte Cruse, who used Rentberry to find a tenant for her sole rental property in Salem, Ore.

While 4 out of the 15 applicants who went through Rentberry offered her more rent than she was asking for, in the end she settled on one willing to pay her initial price. "They happened to be the people with the best credit," she says.

As for skyrocketing rents in America's hottest markets, there appears to be no technology yet built that can affect what are, after all, the results of supply, demand and perhaps a dash of irrational exuberance.



Biddwell rents units in Vancouver, Canada, where it is based.

Snapchat Adds Search Tool for Stories

By GEORGIA WELLS

and ones Snapchat served up to them.

It is the first major change to the Snapchat app since parent company Snap Inc. went public in early March. Going public has exposed Snap to more scrutiny of its user and revenue numbers—and increased investor pressure to improve both. Snap identified sustaining user growth as one of its biggest risks.

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Allowing searches on Stories could get users to hang

around in the app longer. The new search tool will only display content that users submit to "Our Story" on Snapchat.

Search has been a significant host for advertising for other companies, such as Alphabet Inc.'s Google, earning money by displaying sponsored results alongside organic search results. Snapchat isn't currently putting ads in the display results and declined to say if it would.

Stories are an important part of Snapchat's efforts to make money, because they are one of the main places in the app where Snap displays ads.

BUSINESS WATCH

DOW CHEMICAL

Merger With DuPont Gets Pushed Back

Dow Chemical Co. and DuPont Co. again pushed back the completion of their merger, but said the deal remains on track as DuPont pursues asset divestments to satisfy European regulators.

The companies now expect the deal, which has been delayed by intense regulatory scrutiny, to close in August, rather than in the first half of the year. When first announced in December 2015, the pact was expected to close in the second half of 2016.

U.S. antitrust regulators continue to review the deal. A Dow spokesman said Friday that the companies remain confident it will be approved.

Last week, the European Union's competition watchdog

cleared the merger, conditioned on the sale of parts of DuPont's global pesticides business and associated research and development, as well as Dow's acid copolymers and ionomers business.

—Austen Hufford

SPACEX

Reusable Booster Lifts Off in Historic Flight

Entrepreneur Elon Musk's SpaceX successfully launched a reused booster on a demanding commercial mission last week, setting course for what management predicts will be routine flights of refurbished rockets as well as spacecraft.

By using a reused booster to place a commercial satellite into orbit, the company has crossed a milestone in revamping how businesses and governments will access the heavens in coming

years, aerospace experts say. The Falcon 9's blastoff from Florida's Kennedy Space Center on Thursday, followed by normal operation of its cluster of main engines previously used in space, marked a long-awaited accomplishment for the closely held company. Mr. Musk and his technical team at Space Exploration Technologies Corp. are counting on multiple flights of the same rockets to meet goals of taking humans around the moon within a few years, and eventually landing settlers on Mars.

—Andy Pasztor

BLACKBERRY

Company Looks To Range of Options

As BlackBerry Ltd. continues its turnaround to a full-fledged software company, it is looking to put its stamp on a wide range of technology options for its next stage of growth.

BlackBerry on Friday said it is expanding its licensing strategy past handset devices and into other components such as wearables, tablets, medical devices and appliances.

The software and device maker reported on Friday a net loss of \$47 million, or 10 cents a share, in its fiscal fourth quarter ended Feb. 28. A year earlier, the company lost \$238 million, or 45 cents a share. Adjusted to exclude certain items, BlackBerry gained four cents a share. Revenue fell to \$286 million from \$464 million a year earlier.

—David George-Cosh



DuPont and Dow Chemical now expect the deal to close in August.

MARK MAKAR/GETTY IMAGES

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FUND NAME GF AT LB DATE CR NAV YTD %RETURN—
FUND NAME GF AT LB DATE CR NAV YTD %RETURN—
Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8866 OT MUS 03/24 USD 31.0725 2.6 7.3 -2.1

CAM-GF Limited OT HKG 03/30 HKD 10.00 1.1 1.1 2.1

Value Partners AS CYM 03/30 USD 18.66 11.4 23.4 7.5

FUND NAME GF AT LB DATE CR NAV YTD %RETURN—
VP Class-Q Units AS EQ HKG 03/29 USD 128.21 11.9 20.7 -0.3
VP Class-Q Units AS EQ HKG 03/29 USD 16.19 12.0 20.9 -0.3
VP Class-C Units AUD H AS EQ HKG 03/29 AUD 13.35 11.8 19.9 0.3
VP Class-C Units CAD H AS EQ HKG 03/29 CAD 12.94 11.7 21.1 -0.6
VP Class-H Units HKD H AS EQ HKG 03/29 HKD 10.99 11.6 19.7 NS
VP Class-I Units NZD H AS EQ HKG 03/29 NZD 13.48 11.8 21.6 1.2
VP Class-E Units RMB H AS EQ HKG 03/29 CNY 11.38 9.2 26.3 NS
VP Class-E Units RMB H AS EQ HKG 03/30 CNY 10.85 12.9 22.6 NS
VP Multi-Asset Fund Cls A HKD OT HKG 03/30 HKD 10.11 5.1 NS NS
VP Multi-Asset Fund Cls A USD OT HKG 03/30 USD 10.25 4.9 7.3 NS
VP Multi-Asset Fund Cls A USD OT HKG 03/30 USD 18.66 11.4 23.4 7.5

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THE WALL STREET JOURNAL.

MARKETS REVIEW & OUTLOOK | FIRST QUARTER

Chinese Firms Go Abroad to Sell Bonds

Beijing's curbs on capital outflows send domestic companies overseas to raise cash

BY RACHEL ROSENTHAL

Chinese companies struggling to get their money out of the country have come up with an alternative: raise money overseas.

Chinese firms have issued some \$52.6 billion worth of U.S. dollar bonds in the first quarter, up 72% from the previous three months, according to Dealogic, and nearly five times the amount from the first quarter of 2016.

The surge has come as Beijing has tightened curbs on capital outflows, making it harder for Chinese companies to use their yuan earned domestically overseas. Those companies looking to make acquisitions abroad, or even just pay back existing dollar debt, are increasingly turning to the



China Evergrande Group sold dollar bonds in the first quarter.

U.S. dollar markets to raise funds.

"If a company is considering an overseas acquisition and looking for financing, even if it is sitting on billions of [yuan] onshore, it may struggle to transfer [that money] offshore to pay for it," said

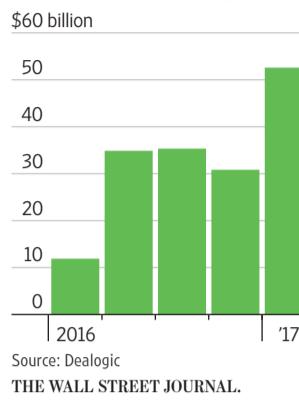
David Yim, head of debt capital markets for Greater China at Standard Chartered in Hong Kong.

Some bankers say much of the demand for Chinese dollar bonds is coming from Chinese investors who have stowed money overseas. The pent-up

Dollar Drive

Chinese companies have rushed to issue dollar bonds this year.

Value of China's dollar-denominated bonds issued



Source: Dealogic

THE WALL STREET JOURNAL.

demand for those bonds is raising concerns that some riskier Chinese firms are able to issue offshore debt too cheaply, at yields that aren't far enough above those for safer, blue-chip companies.

"Spreads [for Chinese high-yield debt] are very narrow

relative to investment grade, so the compensation isn't a good one," said Andy Seaman, London-based chief investment officer at Stratton Street Capital, which manages \$1.3 billion of assets.

Some Chinese companies are tapping the dollar debt market because Beijing officials are curbing fundraising at home in certain overheated sectors such as real estate—a reversal from the past couple of years, when regulators made it cheap and easy for such borrowers to get funding. Domestic bond issuance in the first quarter fell 64% from a year ago to \$91 billion, according to Dealogic.

In mid-March, one of China's largest and most indebted property developers, China Evergrande Group, priced three dollar bonds in Hong Kong within a week for a total of \$2.5 billion.

Evergrande's latest issues include a \$500 million, three-year bond with a 7% coupon; a \$1 billion, five-year bond with

an 8.25% coupon; and a \$1 billion, seven-year bond with a 9.5% coupon. While those yields look "punchy," they are still too low considering Evergrande's junk rating, said Rick Mattila, international head of market strategy at MUFG Securities Asia Ltd. in Hong Kong. An Evergrande spokesman declined to comment.

In the near term, the yuan's rise against the dollar will make it easier to pay back dollar debt: The yuan is up 0.9% this year versus the greenback after sliding 6.6% in 2016. Longer term, however, the outlook is less certain, bankers say.

Some bankers say the fact that more than half of the first quarter's dollar issuance by Chinese companies has come from financial institutions could herald a rise in deal activity; banks need dollars to lend out to companies that are buying dollar assets. One of the biggest deals was a \$2 billion bond from Industrial and Commercial Bank of China, which priced on Thursday.

Emerging Markets Looking Like Bargains Once Again

BY IRA IOSEBASHVILI

Investors are once again piling into emerging markets, drawn by an improving global economic outlook and favorable stock valuations.

The MSCI Emerging Markets stock index rose to a nearly two-year high in March, led by rallies in China, Korea and India. The Mexican peso is within striking distance of its biggest monthly gain in more than two decades, while the South African rand, Russian ruble and Brazilian real are up 30% or more against the dollar from their lows of 2016. Some \$30 billion flowed into emerging-market assets in March, the biggest inflows since January 2015, according to the Institute of International Finance.

Emerging-market stocks are trading at a 26% discount to those in developed markets, based on estimated earnings over the next 12 months, analysts at UBS Wealth Management said.

The average discount over the past 10 years has been 17%.

Bond yields have fallen in emerging markets during a yearlong rally, but remain well above the ultralow levels prevailing in the U.S., Japan and Europe.

"Emerging markets are one of the few places in the world where valuations still look cheap," said Ryan Caldwell, chief investment officer at Chiron Investment Management. "There's just not a lot of value left in developed markets."

IPO Activity Revives With Big Debuts

BY CORRIE DRIEBUSCH

The IPO market is finally showing signs of a sustained revival.

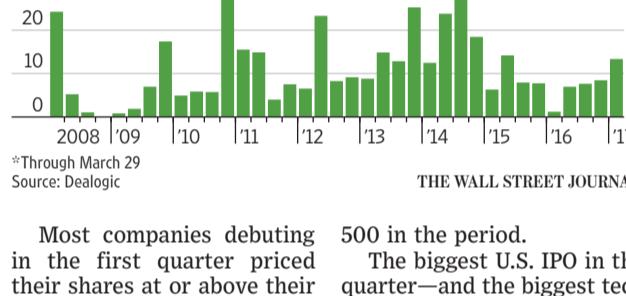
The number and dollar value of U.S. initial public offerings ballooned in the first quarter, while investor demand for the new shares was robust. That bodes well for a market that has languished in recent years as technology startups and others opted for private funding.

There were 29 IPOs in the quarter, raising about \$13.3 billion through Wednesday, according to Dealogic, as the rising stock market emboldened companies contemplating offerings. That is up dramatically from the year-earlier period, when there were nine offerings raising \$1.2 billion amid a global stock rout.

Comeback

U.S. IPO listings in the first three months of the year raised the most money since the second quarter of 2015.

Deal value, quarterly



*Through March 29

Source: Dealogic

Most companies debuting in the first quarter priced their shares at or above their targets and then enjoyed a post-IPO bump. The group rose by an average of 12% through Wednesday, more than the 5.5% gain for the S&P

500 in the period.

The biggest U.S. IPO in the quarter—and the biggest tech debut since 2014—was that of Snap Inc., owner of the disappearing-message app Snapchat. Snap sold shares at \$17 apiece, above the range of \$14

to \$16 it had targeted. The stock surged when it began trading and changed hands for more than \$22 Thursday—giving the five-year-old company a market value of about \$26 billion, according to FactSet.

Canada Goose Holdings Inc., maker of its namesake parkas, staged another successful public-market entrance. Like Snap, Canada Goose priced its offering above the high end of its targeted range, and the shares jumped more than 20% on their first day of trading.

The success of marquee IPOs injects confidence and enthusiasm into a market that lacked both at this time last year and encourages others to proceed with offerings, investors say.

—Maureen Farrell contributed to this article.

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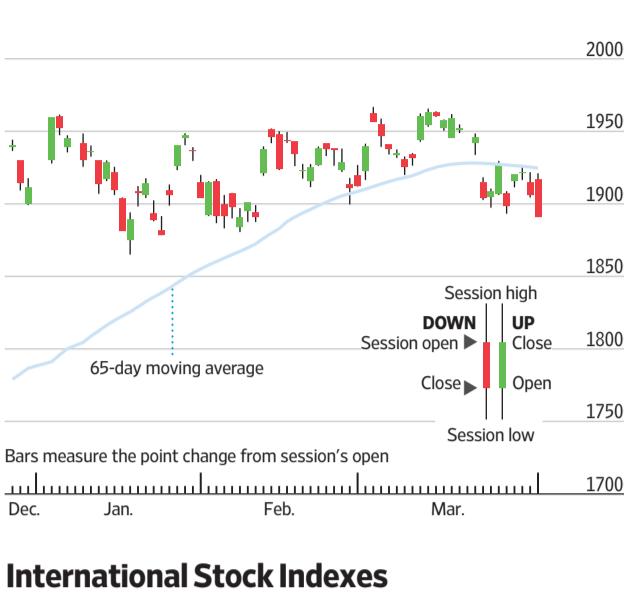
MARKETS DIGEST

Data as of Friday, March 31, 2017

Nikkei 225 Index

18909.26 ▼153.96, or 0.81%

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



Bars measure the point change from session's open

Dec. Jan. Feb. Mar.

STOXX 600 Index

381.14 ▲0.68, or 0.18%

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



Data as of 4 p.m. New York time

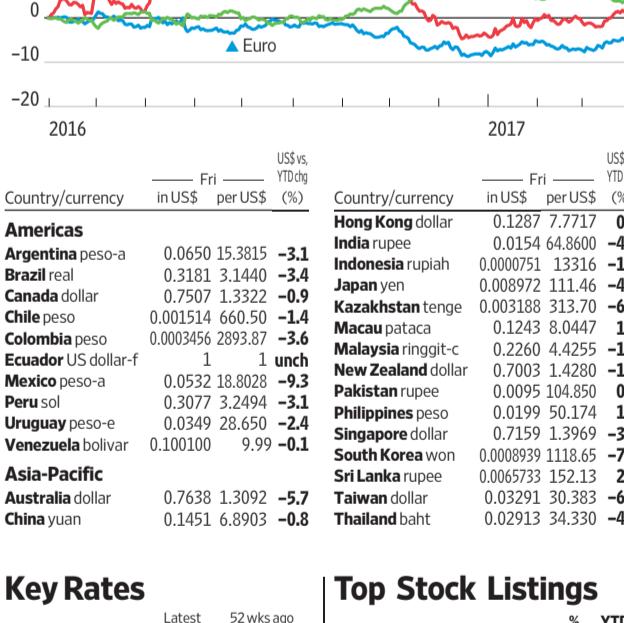
International Stock Indexes

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2692.17	-12.35	-0.46	2197.91	2704.60	6.3		
	MSCI EAFE	1792.98	-5.03	-0.28	1520.94	1812.06	6.5		
	MSCI EM USD	958.37	-9.66	-1.00	781.84	973.08	11.1		
Americas	DJ Americas	569.81	-1.38	-0.24	480.83	577.52	0.4		
Brazil	Sao Paulo Bovespa	64984.07	-281.91	-0.43	48096.24	69052.03	7.9		
Canada	S&P/TSX Comp	15547.75	-31.01	-0.20	13266.44	15922.37	1.7		
Mexico	IPC All-Share	48541.56	-321.74	-0.66	44282.03	49339.24	6.4		
Chile	Santiago IPSA	3692.35	-27.36	-0.74	3054.30	3758.31	14.6		
U.S.	DJIA	20663.22	-65.27	-0.31	17140.24	21115.55	4.6		
	Nasdaq Composite	5911.74	-2.61	-0.04	4594.44	5914.34	9.8		
	S&P 500	2362.72	-5.34	-0.23	2000.54	2395.96	5.5		
	CBOE Volatility	12.37	0.83	7.19	10.58	10.58	10.58	25.76	-11.9
EMEA	Stoxx Europe 600	381.14	0.68	0.18	308.75	381.14	5.5		
	Stoxx Europe 50	3160.69	-0.86	-0.03	2636.71	3161.55	5.0		
France	CAC 40	5122.51	32.87	0.65	3984.72	5122.51	5.4		
Germany	DAX	12312.87	56.44	0.46	9268.66	12312.87	7.2		
Israel	Tel Aviv	1397.38	...	Closed	1382.34	1502.66	-5.0		
Italy	FTSE MIB	20492.94	125.19	0.61	15103.58	20492.94	6.5		
Netherlands	AEX	516.54	0.81	0.16	411.62	516.54	6.9		
Russia	RTS Index	1113.76	-23.50	-2.07	846.61	1195.61	-3.3		
Spain	IBEX 35	10462.90	57.00	0.55	7645.50	10462.90	11.9		
Switzerland	Swiss Market	8658.89	-45.50	-0.52	7593.20	8704.39	5.3		
South Africa	Johannesburg All Share	52056.06	-205.12	-0.39	48935.90	54474.09	2.8		
Turkey	BIST 100	88947.40	-334.85	-0.38	71594.98	91044.99	13.8		
U.K.	FTSE 100	7322.92	-46.60	-0.63	5923.53	7429.81	2.5		
Asia-Pacific	DJ Asia-Pacific TSM	1547.58	-11.12	-0.71	1315.32	1569.47	8.8		
Australia	S&P/ASX 200	5864.90	-31.30	-0.53	4924.40	5896.20	3.5		
China	Shanghai Composite	3222.51	12.28	0.38	2806.91	3282.92	3.8		
Hong Kong	Hang Seng	24111.59	-189.50	-0.78	19694.33	24593.12	9.6		
India	S&P BSE Sensex	29620.50	-26.92	-0.09	24673.84	29648.99	11.2		
Indonesia	Jakarta Composite	5568.11	-24.85	-0.44	4704.22	5592.95	5.1		
Japan	Nikkei Stock Avg	18909.26	-153.96	-0.81	14952.02	19633.75	-1.1		
Malaysia	Kuala Lumpur Composite	1740.09	-9.16	-0.52	1614.90	1754.67	6.0		
New Zealand	S&P/NZX 50	7196.78	27.67	0.39	6664.21	7571.11	4.6		
Pakistan	KSE 100	48155.93	206.60	0.43	33449.62	50192.36	0.7		
Philippines	PSEI	7311.72	-20.87	-0.28	6563.67	8102.30	6.9		
Singapore	Straits Times	3175.11	1.87	0.06	2729.85	3184.57	10.2		
South Korea	Kospi	2160.23	-4.41	-0.20	1925.24	2178.38	6.6		
Taiwan	Weighted	9811.52	-36.63	-0.37	8053.69	9972.49	6.0		
Thailand	SET	1575.11	-4.77	-0.30	1356.69	1591.00	2.1		

Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



Key Rates

Latest 52 wks ago

Liber

One month 0.98278% 15.3815 -3.1

Three month 1.14956 3.1440 -3.4

Six month 1.42322 0.9010 -0.9

One year 1.80178 1.21340

Euro Libor

One month -0.39214% -0.32929%

Three month -0.35786 -0.24971

Six month -0.25014 -0.13600

One year -0.12186 -0.01743

Euribor

One month -0.37300% -0.33500%

Three month -0.32900% -0.24500%

Six month -0.24100% -0.13100%

One year -0.10900% -0.00200%

Yen Libor

One month -0.00386% -0.07714%

Three month 0.02593 -0.00443

Six month 0.04193 0.02171

One year 0.14429 0.10443

Offer Bid

Eurodollars

One month 1.10000% 10000%

Three month 1.30000 12000

Six month 1.40000 13000

One year 1.75000 16500

Latest 52 wks ago

Prime rates

U.S. 4.00% 3.50%

Canada 2.70 2.70

Japan 1.475 1.475

Hong Kong 5.00 5.00

Policy rates

ECB 0.00% 0.00%

Britain 0.25 0.50

Switzerland 0.50 0.50

Australia 1.50 2.00

U.S. discount 1.50 1.00

Fed-funds target 0.75-1.00 0.25-0.50

Call money 2.75 2.25

Oversight repurchase rates

U.S. 0.90% 0.54%

Euro zone n.a. n.a.

HKS SunHingKaiPrp 0016 114.20 -0.70 16.53

TWS TaiwanSemiMfg 2

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FINANCIAL ANALYSIS & COMMENTARY

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Embattled Toshiba Isn't In the Clear

Toshiba shareholders hoping the stock's recent rally signals a decisive turn in the beleaguered 142-year-old company's fortunes could be in line for more disappointment.

With a 10% jump in the two days after U.S. nuclear subsidiary **Westinghouse Electric** filed for bankruptcy, Toshiba's stock price is up 31% from two weeks ago, when the company delayed its quarterly results statement for the second time.

The rebound is mainly down to hopes that Westinghouse's filing will put a lid on Toshiba's disaster there. As well, Japanese media are reporting that Toshiba may get a higher-than-expected price for its memory-chip business, the crown jewel being sold to cover the Westinghouse losses.

These assumptions could yet prove overly optimistic. Toshiba may believe it has ringfenced the Westinghouse issue, but the scale of its liability could ultimately rest with the U.S. courts. They could, for example, put it on the hook for cost overruns beyond what it has already provisioned.

Nor is it inevitable that the highest bidder will win Toshiba's memory-chip business: The Japanese government could step in to block a deal it feels risks national security or jobs.

Mio Kato, an analyst at Japanese research firm Uzabase, says that using conservative growth assumptions, Toshiba is trading at an expensive-looking 50 times its earnings in three years' time.

While shareholders may hope Toshiba's management can get them out of the current mess, getting out of the stock may be the sensible move.

—Jacky Wong

China Bank Funding Transformed

Ghosts of financial crises past rarely revisit in exactly the same way. Still, stresses looming in China's banking system eerily resemble the ones its U.S. counterpart suffered just ahead of its melt-down a decade ago.

They can be seen in this past week's Chinese bank earnings, which reveal a structural shift. The ample trapped savings in the form of deposits that have long funded banks' lending are withering away. Deposits' share of the system's liabilities has slipped in the past decade to about 65% from around 80%, according to Deutsche Bank. And many of these deposits have short terms, leaving banks vulnerable to sudden withdrawals.

The remaining third of banks' liabilities now come from wholesale funding markets, making the funding mix about the same as for U.S. commercial banks in 2008, the outset of the global financial crisis. That third includes borrowing from other banks and financial institu-



tions, along with liquidity injections from the central bank.

At China Construction Bank, one of the country's larger banks, deposits account for 68% of liabilities, down from 85% five years ago. The trend is even starker at midsize and small banks.

Shaky funding isn't banks' only problem. Many are warehouses of risky assets,



A China Construction Bank branch in Shanghai

flows unproductively around the banking system.

There is one key distinction from the precrisis situation in the U.S.: Chinese banks are still mostly state-owned, and it is widely assumed that Beijing will always support the banking system by injecting liquidity and, if needed, equity.

Yet regulators are already in a tight spot. Keeping the system flush with funds may only expand asset bubbles and make it harder to tamp things down in the future. Tightening too hard, though, risks bringing to a screeching halt an economy that has become addicted to debt: Total credit in the Chinese banking system is now 106% of deposits, up from 80% in 2013. For midsize banks, it is 130%.

For now, China's banks are getting weaker as they bear the cost of rising bad loans, including shrinking capital buffers. The ghosts of their misspent past could soon haunt them more thoroughly.

—Anjani Trivedi

China Can't Carry Global Economy if U.S. Stalls

Suddenly it is a world upside down—investors are deserting U.S. growth plays as skepticism about Donald Trump's agenda rises, while overcapacity-ridden China and aging Japan are looking unexpectedly strong.

Better growth in the world's second- and third-largest economies is great news for Asia and commodity exporters. But it won't do much to help major developed economies if growth in the U.S. and Europe falters with Mr. Trump's pro-business agenda.

Better growth in China does contribute in one key way to the so-called Trump trade: It boosts global inflation through higher com-

modity prices. The close correlation between global commodities and Chinese real-estate investment shows the bulk of the big bounce in prices since early 2016 is due to the cyclical recovery in China rather than the rhetoric around plans for increased U.S. infrastructure spending.

That means that a big part of the uptick in global inflation numbers—which central banks from Europe to the U.S. have noted has mostly been driven by fuel prices rather than rising wages—is about China as well.

Unfortunately that is the wrong sort of inflation: Rising commodity prices in consumer countries such as the

Ripple Effect

Change from a year earlier



U.S. and nations in Europe erode purchasing power and ultimately mean lower growth. Strong growth in Chinese construction, meanwhile, is an enormous help for Australian iron-ore ex-

porters and copper miners in Chile, but it doesn't do much for the U.S. or Europe—the likes of heavy-equipment maker Caterpillar aside.

Faster growth in China and Japan will doubtlessly help certain firms and sectors on the margins—but these are still highly protected economies, unlike the U.S. and European powerhouses such as Germany and the U.K.

The primary effect of better growth in China's "old" economy is still higher commodity-price driven inflation—reflation indeed, but not of the happy variety. The West needs to look to itself to keep growth ratcheting higher.

—Nathaniel Taplin

Returns Disappoint At YouTube

Google's embattled YouTube business could use all the friends it can get these days. In the music industry, it may need to buy some.

YouTube, owned by parent company **Alphabet**, has long been a major music destination. A survey by RBC Capital last year found it was the most widely used service for music listening, outranking CDs, radio and paid-streaming outfits like **Spotify**. But most of that is free to listeners, so the money generated comes from ads YouTube sells. The music industry has long griped that the returns are insufficient relative to YouTube's size.

They may have a point. According to new data from the Recording Industry Association of America, revenue generated from on-demand, ad-supported services that include YouTube totaled \$469 million last year. While that is up 26% from the previous year, it ranks well below many other sources, even declining ones.

YouTube at one time could argue that its service was better considered as a promotional tool, allowing users to try music they may eventually buy. But that argument holds less weight today as the music business has shifted to one in which listeners pay more for access than for specific songs.

According to the RIAA, combined revenue from paid digital downloads and physical music sales was \$3.5 billion last year, down 19% from the year before and falling below total revenue for streaming services for the first time. That makes YouTube look like just another stream, which may require Google paying more to stay tuned in.

—Dan Gallagher

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MARKETS

Tech Fuels Emerging-Market Moves

Strong earnings by Alibaba and Tencent help outperformance of Chinese stock index

BY GREGOR STUART HUNTER

Emerging-market stock indexes once largely rose and fell based on swings in commodity prices. Nowadays, their direction is increasingly being set by technology companies.

Nowhere is that more true than in China, where companies like **Alibaba Group Holding** Ltd. and **Tencent Holdings** Ltd. are enjoying some of the investor bullishness that has previously favored the likes of **Facebook** Inc. and **Google** parent **Alphabet** Inc. Their shares are up 23.6% and 18.9%, respectively, in the first quarter, thanks largely to strong earnings.

While the Nasdaq Composite, with its 44.2% weighting to information-technology companies, is often seen as a barometer of tech stocks, a similar case could now be made for the MSCI China index, which is up 14.3% so far this year.

Since a rule change in November 2015, the benchmark has been rebalanced to give tech stocks the biggest weighting. They now account for 32.5% of the index, up from just over one-tenth of the total before. Before the rule change, Chinese stocks listed outside of Hong Kong were ineligible for the MSCI benchmarks—a rule that excluded major U.S.-



Shares of Alibaba Group Holding have been among the standouts; center, Alibaba founder Jack Ma.

listed Chinese tech stocks such as Alibaba and **Baidu** Inc.

Some say the growing importance of tech stocks in the MSCI index accurately reflects broader shifts in China. Once highly dependent on sectors like industrials and real estate, China's economy is becoming more closely aligned with the so-called new economy typified by internet and health-care companies not tracked by the Shanghai Composite, said Brendan Ahern, chief investment officer at KraneShares, which offers a number of China-focused exchange-traded funds.

"The traditional indexes may not reflect the reality of Chinese GDP composition today, as well as some of the

consensus thinking," he said. "It's almost incongruent with what a lot of investors view as consensus on China."

The change in China is happening more broadly, if less markedly, in other developing countries. The MSCI Emerging Markets index is now 23.9% weighted toward tech stocks, its biggest weighting after financials. Before 2015, the weighting of tech companies in the index was 17.5%.

Sure, some traditional emerging-market plays such as commodity stocks have also rallied, while stocks in Turkey, Poland and Hong Kong, which are less exposed to the tech sector, have also gained.

But better-than-expected

corporate earnings in the tech sector are playing a large part in the outperformance of Chinese stocks compared with developed markets. According to data from S&P Global Market Intelligence, among companies valued above \$200 billion globally, only three have been able to boost revenue by more than 40% over the past year: Two of them are Tencent and Alibaba, which jointly account for 23.1% of the MSCI China benchmark. The other is Facebook.

Alibaba has surprised the market with better-than-expected earnings for the past three consecutive quarters, most recently posting a 37% rise in income for the final quarter of 2016.

Activist Pushes for Strategy Shift at On Deck Capital

BY PETER RUDGEAIR

An activist investor with a record of forcing changes at internet companies is now taking aim at online small-business lender **On Deck Capital** Inc.

Marathon Partners Equity Management LLC, a New York hedge-fund firm with about \$275 million in assets under management, is pushing On Deck to shed millions of dollars in expenses to get to profitability, said Mario Cibelli, a managing partner at the firm, in an interview. Mr. Cibelli said he would also like On Deck to explore a potential sale or other alternatives that could increase shareholder value.

An On Deck spokesman said in a statement that the company welcomes open communications with all stockholders and values constructive input.

"We are committed to driving value for all On Deck stockholders and will continue to take actions to achieve this important objective," he said.

On a conference call with analysts in February, On Deck Chief Executive Noah Breslow said, "what we do very deeply believe is that this model makes absolute sense as a stand-alone company."

On Deck's shares rose 13 cents, or 2.7%, to \$5.04 Friday but are down 35% over the past 12 months and down around 75% from its December 2014 initial-public-offering price.

Like its peers, On Deck in early 2016 suffered from a

pullback by investors who fund online loans and a change in sentiment toward the industry due in part to a scandal at rival LendingClub Corp.

On Deck in February reported a record loss of \$85.5 million in 2016 and burned through half of its cash, ending the year with a balance of \$80 million. The New York-based company launched an initiative to eliminate 11% of its workforce, find other cost savings and get to profitability in 2018.

But Mr. Cibelli argued that the proposals don't go deep enough. "The current strategy is not the right one and needs to be changed," he said. Marathon has been buying shares in On Deck since last year, amassing a stake of 1.75% of the company as of the end of 2016, according to FactSet.

Bumpy Ride

On Deck Capital share price



Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

FINANCE WATCH

GLENCORE

HNA Buys Stake In Storage Business

Glencore, one of the world's biggest oil traders, has agreed to sell a majority stake in its petroleum-products storage and logistics business for \$775 million in cash to Chinese conglomerate

HNA Group.

The move comes as China's demand for oil storage increases amid rising consumption by the country's expanding urban population. China is the world's second-largest oil consumer, behind the U.S.

HNA Group will purchase a 51% stake in the petroleum business, which will be called HG

Storage International Ltd. The deal is subject to regulatory approvals and is expected to close in the second half of 2017.

Switzerland-based Glencore said the joint venture would be present in major trading hubs around the world, including in Europe, Africa and North and South America.

—Scott Patterson

SOYBEANS

U.S. Farmers Are Set To Sow Record Crop

U.S. farmers are expected to plant more soybeans than ever this year, adding to a global glut that is weighing on prices and the agricultural economy as a whole.

Soybean futures closed near a six-month low on Friday after the U.S. Department of Agriculture forecast that nearly 90 million acres of the crop will be planted across the country this year, a roughly 7% increase from 2016.

On top of a record harvest from rival producers in Brazil and Argentina, traders are bet-

ting that huge global stockpiles of the oilseed, as well as of corn and wheat, will continue to grow.

A separate USDA report showed domestic stockpiles of all three crops as of March were up from last year, with corn at an all-time high.

—Benjamin Parkin and Jesse Newman

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